

TrusteeNews Winter 2021/22

Final Salary members edition

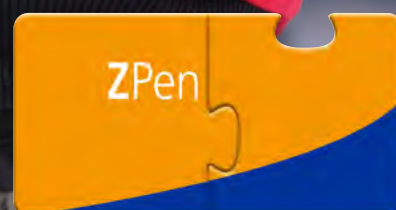
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New website to launch 2022

Scheme funding update

Responsible investment

Pension scams



#YourPensionYourFuture

Welcome to your TrusteeNews

Winter 2021/22

David
Sims
Chair



This is our second newsletter since the onset of COVID-19 and during the year we have continued to take steps to manage the risks and challenges created by the pandemic.

We have had another busy year and you may have noticed there have been a few changes to the advisers that support us. We carried out a review of the Scheme auditor and Scheme actuary. As a result, we appointed Ernst & Young as Scheme auditor in April 2021 in place of PwC and in August 2021 we appointed Martin Potter, a partner at Hymans Robertson, as Scheme actuary. Martin has extensive experience of advising trustees of large pension Schemes with sponsoring employers in the financial services sector.

In the last TrusteeNews we noted a few changes to the Trustee Board. Hilary Newton has since stood down from the Board and was replaced by the reserve member director Paul Keaveney from 1 November 2021.

Due to the success of the different approach to our TrusteeNews last year, we are taking the same approach again. So, this edition of TrusteeNews is aimed specifically at you as a final salary member. This means all the content is relevant to you.

I hope you enjoy reading this newsletter. Please don't forget to keep up to date by visiting the Scheme website www.zpen.info on a regular basis.

New ZPen Website Planned for 2022 – www.zpen.info

Exciting news! The Trustee will be launching a brand new website in 2022.

With more than 75,000 visitors last year, running over 30,000 quotes and viewing more than 700,000 web pages, the ZPen website is now a way of life!

We've revamped the whole look of the website – giving it a complete makeover – all your old favourites are still there, but now we've added separate member areas for final salary-only members, ZCashBuilder-only members and hybrid members (those with final salary and ZCashBuilder benefits).

There will also be added facilities for members to download their own quotations, have correspondence from the ZPen team loaded directly and securely to the website and access to short videos/animations/webinars providing all members with the latest information.

Your Trustee Board



David
Sims



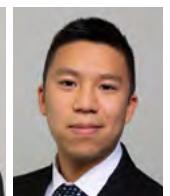
Amy
Brettell



Christian
Jochum



Clive
Gilchrist



Derryn
Yong



Katja
Pluto



Liz
Ryan



Neil
Evans



Tim
Culling



Paul Keaveney

Paul Keaveney stepped up from reserve member director with effect from 1 November 2021.

You can find out more about your trustees at the Scheme website www.zpen.info



Martin Potter
Scheme Actuary

Welcome to our new Scheme Actuary

In August 2021 the Trustee announced the appointment of a new Scheme Actuary, Martin Potter. Martin is a Partner at Hymans Robertson and is a Fellow of the Institute and Faculty of Actuaries. Martin has extensive experience of advising trustees of large pension Schemes with financial services sponsors. Martin and his actuarial team at Hymans Robertson are working closely with the Trustee, ZPen team and other advisers to ensure the continued smooth running of the Scheme.



Scheme funding update – final salary sections

There is a statutory requirement that the Trustee has to update members with final salary benefits on the Scheme's latest funding position on an annual basis. This means some of the information contained in this section is required by law so it can be quite difficult to understand; we've tried to make it as easy as possible for you to follow but if anything isn't clear or you'd like some clarification or more information please contact the ZPen Team.

The last triennial actuarial valuation as at 30 June 2019 and the annual actuarial report as at 30 June 2020 were carried out by the previous Scheme Actuary, Susanna Morran of Barnett Waddingham LLP. This is the first report produced by Martin following his appointment as Scheme Actuary.

As this is an annual update the approach used is not as rigorous as that used for a formal triennial valuation. In particular, the liability figures are based on approximate cashflows intended to provide a close fit to those prepared by the previous Scheme Actuary as part of the 2019 valuation exercise. The new Scheme Actuary is of the view that this approach is reasonable for the purposes of providing an updated funding position as at 30 June 2021.

This update shows that since the most recent actuarial valuation as at 30 June 2019 the value of both the assets and liabilities has increased. The increase in assets over the period is primarily due to strong returns which have been offset to some extent by benefit payments and movements in the value of the SLP. The increase in value of the liabilities is a result of a decrease in yields on government bonds partially offset by the impact of expected price inflation. The net effect of these changes is equivalent to an increase in the funding level from 101% to 105%.

	30 June 2019 £million	30 June 2020 £million	30 June 2021 £million		30 June 2019 £million	30 June 2020 £million	30 June 2021 £million
Assets (excluding AVCs/APCs)	6,849	7,600	7,695	Assets (excluding AVCs/APCs)	199.4	210.5	203.4
Amount needed to provide benefits	7,666	8,460	8,065	Amount needed to provide benefits	181.5	184.8	172.6
(Shortfall)	(817)	(860)	(370)	(Shortfall)/surplus	17.9	25.7	30.8
Funding level excluding Scottish Limited Partnership (SLP)	89%	90%	95%	Funding level	110%	114%	118%
Asset-backed contribution (SLP)	880	867	760				
(Shortfall)/surplus including SLP	63	7	390				
Funding level including SLP	101%	100%	105%				

What happens if the Scheme winds up?

Our Scheme is supported by a strong company but if the Scheme were to wind up the law requires the employers to make sure that there is enough money in the Scheme to enable the trustees to secure members' benefits with an insurance policy.

There is a safety net set up to protect pension Schemes where employers go out of business. First of all the company itself has to try and pay the amount needed to top up the funds required to secure the benefits. If the company was insolvent and could not pay this debt, the government's Pension Protection Fund (PPF) might be able to take over the Scheme and pay benefits to members.

As part of the 2019 valuation, the previous Scheme Actuary estimated that, if the Scheme had wound up at 30 June 2019, there would be enough money to secure 68% of members' benefits in ZPen and 98% in the ES Exec section. You can get the full picture by logging on to the Trustee's secure website www.zpen.info where you will be able to read the full valuation report.

Payments to the company

The company settles all administration costs and invoices as the Trustee's agent and the Scheme reimburses the company accordingly. No other payments have been made to the company out of Scheme funds over the last year. The Scheme is not subject to any directions by the Pensions Regulator.

Responsible Investing (RI)

With climate change now a focus for everyone here is an update on the steps the Trustee has taken to reduce the carbon emissions in its final salary investment portfolio.

In June 2021 the Trustee formalised its approach to climate change:



Agreed a climate change policy describing climate-related risks and opportunities



Agreed metrics to measure and report on via an annual report, with the first one due to be published in January 2023



Agreed a carbon reduction target for its equity and corporate bond portfolios




Time Period: 5 years

Reduction: 25%

Metric: Weighted Average Carbon Intensity

Baseline: December 2020

The Trustee also focuses on investing in alternative ways of producing energy through its infrastructure debt portfolio measured via the avoided emissions metric. The avoided emissions measure represents the difference between the traditional way of producing energy and alternative ways generated by projects shown below:

	Onshore wind	Offshore wind	Solar panels
Investment value October 2021	£108m	£35m	£125m
			
Avoided emissions	29.9kt CO2e/year	13.6kt CO2e/year	42.4kt CO2e/year
Equivalent to: UK households powered for a year	1,749	794	2,482

The Trustee’s work doesn’t end there; further developments to the strategy are currently being worked on and will be communicated via the designated Responsible Investment section of the Scheme’s website www.zpen.info. We’d really like to know what you think about our RI strategy – please email marta.bujak@uk.zurich.com with any comments.

Pension Scams – Don't let a scammer enjoy your retirement!

If you are offered early access to your pension or to an investment option that seems too good to be true, the chances are it is. You can read a booklet on avoiding pension scams in simple steps from Pension Wise, Action Fraud and The Pensions Advisory Service at **Don't let a scammer enjoy your retirement (thepensionsregulator.gov.uk)**. If you want to know more, visit MoneyHelper www.moneyhelper.org.uk.

Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds into it. It is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

Scam tactics include:



contact out of the blue



promises of high/guaranteed returns



free pension reviews



access to your pension before age 55



pressure to act quickly

www.fca.org.uk/scamsmart

If you suspect a scam, report it:

- **Report to the Financial Conduct Authority (FCA)**
by contacting their Consumer Helpline on **0800 111 6768** or using the reporting form at www.fca.org.uk
- **Report to Action Fraud**
on **0300 123 2040** or at www.actionfraud.police.uk
- **If you're in the middle of a transfer,**
contact your provider immediately and then get in touch with MoneyHelper at: www.moneyhelper.org.uk

Equalising for the effect of Guaranteed Minimum Pensions (GMPs): Update

As mentioned in the last few editions of TrusteeNews, a landmark legal ruling in the Lloyds Bank case requires pension schemes to equalise benefits for the effect of unequal GMPs for men and women. A GMP is the minimum level of pension that an individual is entitled to receive if they were a member of a contracted-out salary-related pension scheme and the legal ruling is concerned with GMPs built up between 17 May 1990 and 5 April 1997. GMPs are unequal for men and women because, by law, they are calculated differently and are also payable from different ages.

Rest assured that the Trustee is working towards equalising benefits where appropriate following the Lloyds Bank rulings.

There are a number of steps in the GMP equalisation project, including reconciling Scheme records with HMRC, obtaining detailed actuarial and legal advice, considering complex tax issues and engaging with the sponsoring employer on the methodology for the equalisation. Further industry guidance is still to be published on some of these issues. The timing for completion of the GMP equalisation project is therefore dependent on multiple factors. However, it is the intention to complete the project as soon as feasible.

Did you know ?

You can get the following information online at www.zpen.info

- Annual report and accounts
- Valuation report
- Member's guide
- Statement of investment & funding principles
- Contributions schedule
- Recovery plan
- Trustee dispute procedure
- Chair's statement on DC governance

How to contact us

The Zurich Team
PO Box 377
Darlington
DL3 6XY

Email: zpenteam@uk.zurich.com

Tel: 0800 232 1915 – choose option 3



Changes in your personal circumstances

In order to ensure that you receive the benefits to which you are entitled, it is extremely important that you keep us informed of any changes in your personal circumstances, such as a change of name, address or marital status.

If your details change in any way, please let us know by writing to the ZPen Team as soon as possible (our contact details are shown to the left).

Dependant's pension nomination

If you are not legally married or in a civil partnership, but there are other people who are financially dependent on you (for example a partner), they may be eligible to receive a dependant's pension upon your death.

You can complete a nomination form by logging in to your account at the Scheme website www.zpen.info

You can find out more about Dependant's pensions in the member guide in the library at the Scheme website www.zpen.info

You should consider taking independent advice on your options in relation to your benefits under the Scheme. Neither the Scheme Trustee (Zurich Financial Services UK Pension Trustee Limited) nor any member of the Zurich Group (i.e. Zurich Insurance Group Ltd (registered in Switzerland with number CH-020.3.023.086-6) and its direct subsidiaries) are able to provide you with financial advice or accept any liability for any decision you make with regard to your retirement options.