

TrusteeNews Winter 2021/22

Pensioner edition

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Zurich Pensioners' Association

#YourPensionYourFuture



ZPen

Welcome to your TrusteeNews

Winter 2021/22

David
Sims



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).

As a pensioner, you will still be able to see your latest payslips, nominate dependants and update your personal details. In addition, dependant members will now also be able to have the same access as pensioners.

We will be in touch again once the website is due to go live later in the year, so watch this space!

Your Trustee Board



David
Sims



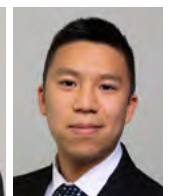
Amy
Brettell



Christian
Jochum



Clive
Gilchrist



Derryn
Yong



Katja
Pluto



Liz
Ryan



Neil
Evans



Tim
Culling



Paul Keaveney

Paul Keaveney was appointed with effect from 1 November 2021, having previously been the reserve member director.

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%.

	ZPen				ESExec		
	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.

Are you looking for a new opportunity? Your Scheme needs you!

Have you ever thought about becoming a Scheme trustee?

The pension arrangements for Zurich employees (and former employees) have been a key part of the company's benefits package for many years. Today we pay out around £14m a month in final salary pensions and receive nearly £4m a month in defined contribution (DC). The Scheme has to be well run to ensure we can continue to pay benefits as they fall due and provide value for our members. It's not just paying pensions; we are also there to help and support members and their dependants through some of the most difficult times.

The role of Trustee director can be very rewarding and provide a great opportunity for personal development. There are four member-nominated trustee directors (MNDs) on the Trustee Board. The term of office for one MND expires in August 2022 so we will soon have a vacancy.

To be an MND you must be a current employee and a member of the Scheme, or a former employee who is now in receipt of a pension paid from the Scheme. Current MNDs are eligible to apply for a further term of office.

You don't have to be a pensions expert; you'll get appropriate training and support to help you with the technical aspects. To be an effective Trustee director you must be able to work as part of a team with diverse backgrounds, skills and experience. You also need to be an effective communicator and convey your views and clearly and be receptive and responsive to others' input.

The Trustee Board normally meets at least five times a year to consider the effective running of the Scheme including making decisions on funding, investments, risk management, and discretionary issues. Meeting papers are circulated in advance and you will be required to read these before the meeting to ensure you are fully prepared.

If you feel you can make a positive contribution we would really like to hear from you.

You can get an application form from Sally Mallyon (sally.mallyon@uk.zurich.com) in the Zurich UK Pensions and Benefits team.

The closing date for completed applications is 31 March 2022.

The current MNDs are happy to share their experiences. If you would like to speak to one of them, let Sally know and she can put you in touch.

All applications will be considered and shortlisted nominees will be assessed through a structured competency-based interview process which will include an interview with the selection panel and may also include online aptitude tests and mock Trustee Board exercises.

As part of Zurich, we aim to have a diverse mix of Trustee directors that reflects our members and the communities in which we live and work. Zurich is a workplace that values different opinions, respects personal needs, and provides equal opportunities for all.

We believe that diversity in thought, experience, background, skills and personal attributes contributes to and enhances the Trustee Board's capabilities and as such welcome applications from all. We want the best person for the role – is that you?

Important Notes

- If you are a current employee you will need to submit your application form to your consultation body or union. If you are a pensioner you will need a proposer, seconder and one supporter (who are all members of the Scheme) and you will need to submit your application form to the Scheme Secretary. Contact details for the consultation bodies, unions and the Scheme secretary are provided on the application form.
- Generally, anyone over the age of 18 is eligible to be a trustee. There are some exceptions, and you must:
 - Not have been convicted of an offence that involves dishonesty or deception;
 - Not be an un-discharged bankrupt or have entered into voluntary agreements with creditors;
 - Not have been disqualified from acting as a company director;
 - Not have property in Scotland that is covered by a sequestration order;
 - Not be part of a company where another director of that company has been disqualified from being a trustee;
 - Not be part of a Scottish partnership where another partner has been disqualified from being a trustee;
 - Not be the auditor for the Scheme;
 - Not be the actuary for the Scheme; and
 - Not be prohibited from being a trustee by the Pensions Regulator.
- If the number of nominations is less than or equal to the number of MND vacancies, those individuals will not be deemed automatically selected and their suitability for the role of MND will be assessed by the selection panel.

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.

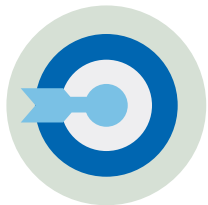
In June 2021 the Trustee formalised its approach to climate change:



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.

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 that the Trustee has to take to do this, 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. 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.

Pension pay days 2022

6 January	6 May	6 September
7 February	6 June	6 October
7 March	6 July	7 November
6 April	8 August	6 December

Remember you can see your pension payslip every month by logging in to your account at the Scheme website www.zpen.info

RPMI has now been rebranded to Railpen.

As a result, updated contact details are below:

**The Zurich Team
Railpen
PO Box 377
Darlington
DL3 6XY**

Email: zurichteam@railpen.com

Tel: **0800 232 1915** – choose option 1

Who gets a spouse's or partner's pension? Who qualifies?

If you are a Scheme pensioner, married or in a civil partnership and still living with your partner when you die then a spouse's pension will be payable to them.

If you are in a relationship where there is financial dependency or co-dependency, the Trustee will normally agree to pay a partner's pension to your partner.

The Trustee won't normally agree to pay a pension to somebody where there is no evidence of financial dependency and you don't live together. However, there can be exceptions for special circumstances.

The spouse's or partner's pension varies depending on which part of the Scheme you are a member of. Further details can be found in the member guide in the library at the Scheme website www.zpen.info

NB: Following a rule change a number of years ago there is no longer any reduction in pension if your partner is more than 10 years younger than you.

Zurich Pensioners' Association – are you missing out?

Zurich has a thriving Pensioners' Association with nearly 5,000 members enjoying the contact, friendship, comfort and protection which the Association seeks to provide. The work of the Association is carried out on a voluntary basis. The Association's Executive and Area officers are all Zurich pensioners who give their time freely to assist their members.

The objects of the Pensioners' Association are:

- to watch over the interests of members generally and to represent them in any matter relating to pensions, social benefits and welfare;
- to sponsor any matter concerning the welfare of members or their dependants, and to organise comfort and aid where necessary; and
- to provide means of communication with and between members, including a bi-annual magazine and 13 regional groups running a variety of activities.

To cover expenses the Association currently asks members to pay a small subscription (currently £1 per month – deducted straight from your pension). I hope you will appreciate the advantages of membership and if you wish to join us, you will be most cordially welcome. An application form is available on the Scheme website www.zpen.info or by contacting our Membership Registrar, Paul Robinson, on berylandpaul@gmail.com.

Mike Morris, Chair



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.