

TrusteeNews Winter 2021/22

ZCashBuilder & final salary members edition

Inside:

New website to launch 2022

Scheme funding update

Are you looking for a new opportunity?

Responsible investment

Pension scams

Getting engaged

#YourPensionYourFuture

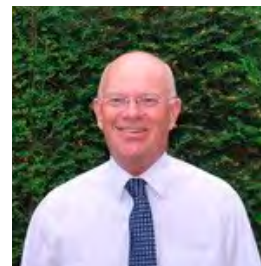
A photograph of a man with curly hair and a beard, wearing a blue t-shirt and green shorts, smiling broadly while carrying a young child on his shoulders. The child is also smiling and looking upwards. They are positioned in front of a large, light-colored wind turbine against a clear blue sky. The man has a black bag slung over his shoulder.

ZPen

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 both a ZCashBuilder and final salary member of the Scheme. 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.

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%.

|  | 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 onto 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 ZCashBuilder contributions. 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 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 ZPen 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)

ZCashBuilder

With climate change now a focus for everyone, here is an update on the steps the Trustee has taken during the year to reduce the carbon emissions in its 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

There has been a lot of press coverage about the amount of pension fund money invested in companies and how this can be used to encourage companies to change some of their practices. Your ZCashBuilder savings are likely to be at least partially invested in company shares.

You can find out more information about the ZCashBuilder funds available at the Scheme website www.zpen.info.




Final salary

In addition to the steps outlined above the Trustee also added the following for the final salary section:



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

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 |

Further developments to the strategy are currently in progress and will be communicated in the 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.

ZCashBuilder – April 2021 Investment Changes

The Trustee is responsible for reviewing the investment choices that are available to ZCashBuilder members and a review was carried out in 2020 with the agreed changes being implemented in April 2021. An investment guide is available on the website which provides information on the investment options available to you and can be found [here](#).

Please note that the Trustee reviews all the funds on a regular basis. For the Z Funds and the lifestyle strategies, the Trustee may change the names, underlying funds and fund make-up. Where you make a choice to invest in a specific fund, you are assumed to have consented to allow the Trustee to make such changes and select such replacement.

BlackRock fund changes

From 30 June 2021 BlackRock changed the benchmarks it uses for the UK Equity Fund and the World ex-UK Equity Fund. Both these funds now use benchmarks which screen companies for controversial business activities including controversial weapons, thermal coal, oil sands and compliance with the UN Global Compact Ten Principles.

From 26 November 2021 Scottish Widows changed the way it accesses some of BlackRock's index-tracking funds which will affect five of the funds used in the Scheme:

- UK Equity Index
- World ex-UK Index
- Z Cautious Growth Fund
- Corporate Bond All Stock Index Fund
- Index Linked Over 5 Years Gilt Index

If you are invested in one of these funds, you will see no change in the day-to-day running of the funds or the charges you pay. The only difference you will see is a change in the name of the underlying funds from Aquila Connect to BlackRock. These changes do not affect the benchmark changes mentioned above for the UK Equity Fund and the World ex-UK Equity Fund.

Should you require any further information on this change, please contact the ZCashBuilder team (ZCashBuilder@railpen.com).

Make sure you check your Target Retirement Age

Checking the target retirement age we hold on your pension record to ensure it is in line with your retirement plans is a very important part of your pension planning.

We have set out a simple guide on how to check your target retirement date and how you can update it. Please click [here](#) to see a step-by-step guide.

It is particularly important to ensure that your target retirement age is up to date if you are invested in one of the lifestyle strategies, as when you are 10 years from your target retirement age, the lifestyle strategy will automatically start moving your savings into a fund with lower expected investment risk – so **if your target retirement age is not as you expect, this could result in your investments moving into lower-risk funds earlier than you might wish.**

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 and funding principles (DB)
- Statement of Investment Principles (DC)
- Contributions schedule
- Recovery plan
- Trustee dispute procedure
- Chair's statement on DC governance
- Implementation Statements: these set out how the Trustee has met its policies in its Statement of Investment Principles

ZCashBuilder? Get your personal illustration today!

Did you know that if you are already a member of the ZCashBuilder section of the Scheme you are entitled to an annual illustration of the pension benefits you may get when you retire?

The good news is that you can get this illustration (known as a Statutory Money Purchase Illustration or SMPI) any time you want it because it's available 24 hours a day, 7 days a week, 365 days a year at the Scheme website www.zpen.info

If you've already registered, you can simply log on and click on the ZCashBuilder Planner tab to see your personal illustration.

If you haven't registered yet, it's easy. All you need is your pension reference number (call us on 0800 232 1915 (option 2) if you don't have it) and your National Insurance number. Don't delay – register today!

MoneyHelper – Free guidance you can trust

The government's MoneyHelper service works to make money matters – including pensions and retirement – accessible and understandable for everyone. It provides independent and impartial information about workplace pensions, personal and stakeholder Schemes, and the State Pension (www.moneyhelper.org.uk).

There is also a 'pension calculator' which will work out in just a couple of minutes:

- A forecast of the likely pension income you'll get when you retire
- Your forecast will include income from defined benefit and defined contribution pensions, and your State Pension
- A target retirement income to aim for, taking into account your salary

Pension Wise can also be accessed through MoneyHelper for free, impartial guidance on your pension options www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise.

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

Have you done your ZCashBuilder MOT?

Do your ZCashBuilder MOT in just under two minutes by watching our short **video**.

This video will help you find out:

- How to find the value of your ZCashBuilder funds
- See which funds your contributions are invested in
- View and change your investments
- Plan for your future
- Check your target retirement age and how to change it

Once you have watched this short video simply log in to your ZCashBuilder account at the Scheme website **www.zpen.info** and do your ZCashBuilder MOT.



Getting Engaged – Webinars Coming Soon

As mentioned in last year's Trustee News, the pandemic has presented a huge challenge in terms of communicating with all Scheme members. However, with the use of Microsoft Teams/Zoom now being a daily occurrence, we will be launching a series of webinars over the course of 2022 for members (both current employees and deferred members). We will ensure that some recordings are available on the website for those who find it difficult to attend.

Our first webinar 'Investment for Beginners' is available for members to sign up to on the Scheme website **www.zpen.info**, under the Webinar tab. However, keep checking the Scheme website for further webinars to be added during 2022.

How to contact us

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DL3 6XY

Email: **zpenteam@uk.zurich.com**

Tel: **0800 232 1915** – choose option 3

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.