

TrusteeNews

Winter 2022/23

Final Salary Member Edition

What's inside:

ZPen ambition to be net zero by 2050

Change to ZPen Actuarial Factors

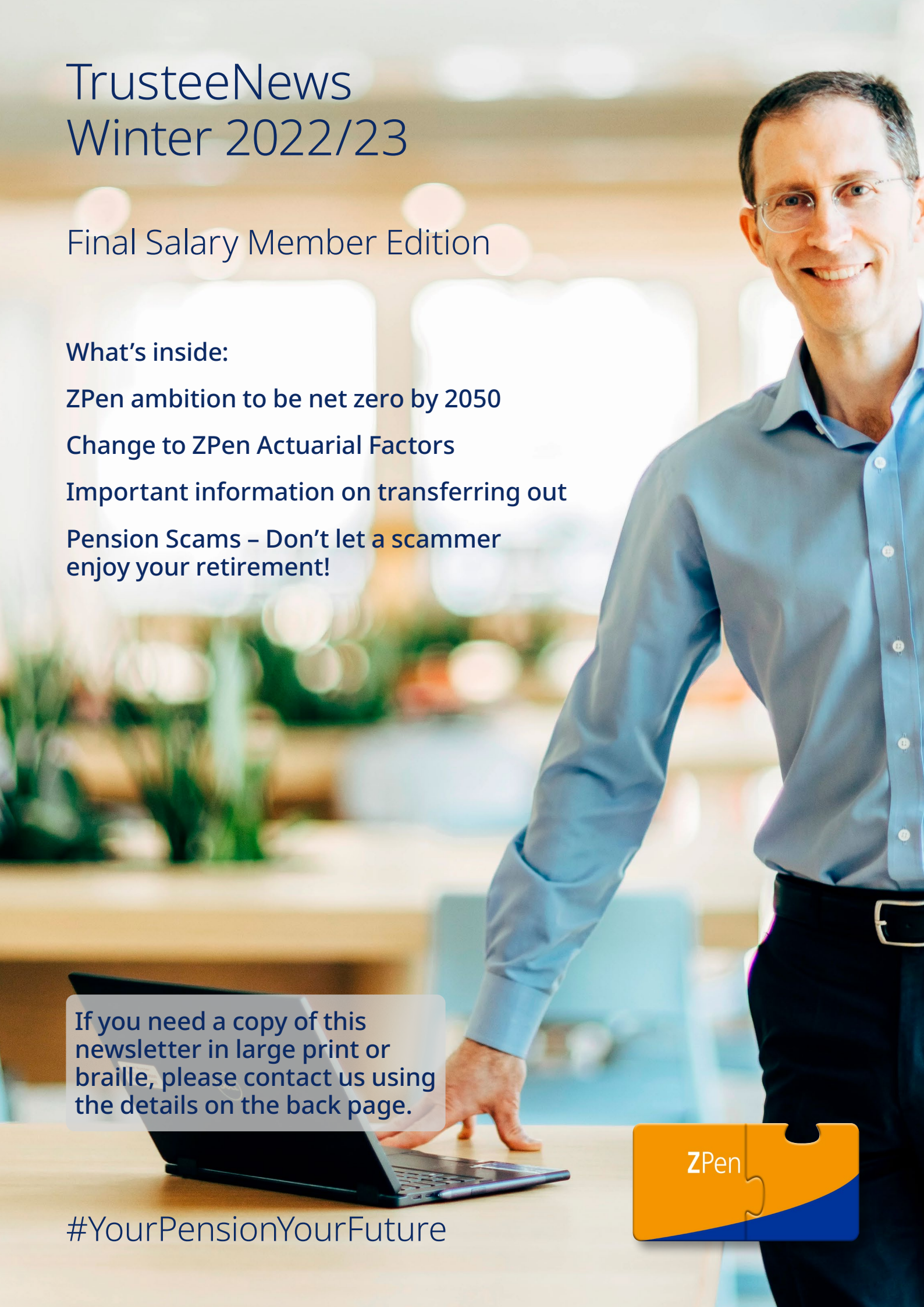
Important information on transferring out

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

If you need a copy of this
newsletter in large print or
braille, please contact us using
the details on the back page.

#YourPensionYourFuture

ZPen



Message from your Trustee Chair



David Sims – Chair

Welcome to the Winter 2023 edition of TrusteeNews.

In this edition we explain the impact of the market volatility triggered by the mini budget in September 2022, provide an update on our responsible investment strategy, introduce our new Trustee directors, and provide more information on the recent change in our actuarial factors.

We have not included a funding update as the Scheme is currently undergoing its formal valuation as at 30 June 2022, with the results due to be published in late 2023. As soon as the final results are agreed, we will make these available to you all with a special valuation Trustee Newsflash!

I encourage you to log in to, or register for, your online account at the Scheme website www.zpen.info so you are up to date with your benefits and, if your circumstances change, you can update your details accordingly, whether it be your personal details or nominations. Keeping your details up to date means we can keep in touch with you regarding your pension and avoid any delay in payments.

We have many exciting things planned for 2023, so watch this space.

David Sims

Chair

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Access your account online 24/7!

Don't forget you can access your account online at any time through www.zpen.info.

Here you can access the following:

- Running benefit quotations
- Update personal details
- Nominate dependants
- Details of benefits on leaving





Martin Potter
Scheme Actuary
Hymans Robertson

Scheme funding update – final salary sections

Every three years the Trustee asks the Scheme Actuary to carry out a formal valuation of the final salary sections of the Scheme to check whether there is expected to be enough money to pay benefits as they fall due.

The latest valuation is being carried out as at 30 June 2022, however the results won't be finalised until later in 2023. This will be Martin Potter's (from Hymans Robertson) first formal valuation for our Scheme since his appointment as Scheme Actuary in 2021.

As soon as the results are available, we will publish details on the Scheme website (www.zpen.info).

Recent Market Volatility

During Q3 2022 Liability Driven Investment (LDI) portfolios held by UK pension schemes made headline news. This came about when market movements resulted in UK pension schemes selling government bonds in order to meet emergency collateral calls on their LDI portfolios, resulting in the Bank of England stepping in to buy government bonds.

For your information, LDI is an investment strategy that is focused on ensuring there is sufficient cash to meet any future liabilities for an asset owner (the Trustee). LDI is very common with final salary schemes because they have large liabilities which need to be managed and met. LDI managers use financial instruments in order to support the portfolio's objective of meeting future liabilities, each day cash (collateral) is transferred between the asset owner or counterparty (i.e. a bank) when there are market movements.

The ZPen final salary section has an LDI portfolio and was exposed to the market movements, but due to the conservative approach taken by the Trustee for its LDI mandate, the Scheme's LDI portfolio remained very well collateralised at all times and no emergency collateral calls were received. During the period of elevated market volatility the ZPen team reviewed portfolio liquidity on a daily basis. Once markets had settled back down the final salary section was re-balanced in line with governance procedures to its Strategic Asset Allocation.



Increase to Normal Minimum Pension Age

The government has announced that from 6 April 2028 the minimum age you can access pension savings will increase from age 55 to age 57. If you have an existing right under the Scheme rules to access your benefits before age 57 then this may be retained and will apply to any future benefits you gain in the Scheme. If appropriate, you will be notified of this separately. However, as this is a particularly complex area, further information will not be available until closer to the time.

Trustee Board Changes

The Trustee Board currently has five company-nominated trustee directors, four member-nominated trustee directors and one independent trustee director.

The Trustee has a formal process for the nomination and selection of member-nominated trustee directors (MNDs).

The selection process was run in 2022 as:

- the term of office for one MND expired on 1 August 2022, and
- Derryn Yong resigned from the Trustee board on 14 April 2022

Following a competency-based interview process, the selection panel decided to appoint Neil Evans and Sam Reason as MNDs for a term of four years with effect from 1 August 2022 (a second term for Neil). Rod McKie was also appointed as a reserve member Trustee director (RMD). An RMD can be appointed as an MND if one of the current MNDs leaves mid-term.

There have also been some changes to the company-nominated trustee directors (CNDs) during the year:

- In October 2022, Amy Brettell stood down and was replaced by Lizzie Staunton.
- This was followed by Katja Pluto who stood down in December 2022 and was replaced by Sally Wright Henderson.

We would all like to say a huge thank you to Derryn, Amy and Katja for all their hard work as Trustee directors over the years.

You can find more information about your Trustee Directors at the Scheme website www.zpen.info.



David

Clive

Christian

Liz

Neil

Tim

Paul

Sam

Lizzie

Sally

Lifetime Allowance – will the freeze be extended?

As you may be aware the amount you can build up in pension benefits over the course of your lifetime is tested against the Lifetime Allowance (LTA). This limit was first introduced in April 2006 when sweeping pension tax simplification reforms were introduced, sometimes referred to as "A-day". It's a test undertaken when pension benefits are accessed/taken and whilst many of our Scheme members will not be affected by the LTA, it is becoming an issue for more individuals because it's been frozen since 2020/21 and is expected to remain so until at least 2025/2026. The current allowance is £1,073,100 – this means you can access/take pension benefits up to this limit without incurring any additional tax charges. In the Autumn Statement the Chancellor extended freezes for income tax thresholds and the personal allowance, and it was widely predicted the extension would also apply to the LTA. That didn't happen, but rumours now abound that the LTA might be re-examined in 2023.

If you would like to learn more about the LTA and in particular how this works in the context of your ZPen benefits, please have a read through our handy **Pension Tax Limits Guide on the ZPen website** – this also covers information on the Annual Allowance which some members need to be mindful of.

Has anything changed? Let us know . . .

If any of your circumstances change, it's important that you let us know.

- Don't forget to tell us if you're moving house so we can make sure you continue to receive your updates from us. Remember, you can now update all your personal information online.
- 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 partner's pension nomination form online.
- It is also important to make sure you have completed a nomination form that gives the Trustee guidance about the distribution of any lump sum death benefit that may be payable when you die.

You can update all this information online, www.zpen.info by logging in to your account.

Responsible Investing

Over the last few years, the Trustee has developed a Responsible Investment (RI) strategy for the Scheme. A key part of this has been to set an ambition for the Scheme to achieve net zero by 2050.

Climate change is perhaps the most complex environmental risk facing society today. The risks and opportunities associated with climate change are intergenerational, international and interdependent. The Trustee has a duty to pay benefits as and when they fall due and in doing so recognises its responsibility to work proactively to tackle climate change.

The main focus for the Trustee when setting a net zero ambition has been on the Scheme's final salary arrangements due to the size of the fund and impact the Trustee can have in relation to these assets. The Trustee owns the majority of assets directly, meaning it has substantial influence to make a tangible difference by using voting rights and engaging directly with asset managers.

DB assets

To achieve its ambition, the Trustee has agreed a plan based on the following pillars:



Investments



Engagement



Monitoring

Operational ambition

From an operational perspective, the aim is to stop adding to the amount of carbon dioxide equivalent emissions that are released into the atmosphere. Significant progress has already been made and there is a clear path to further reduction by, for example, increasing our use of renewable energy and embracing hybrid working, meeting via Teams and travelling in smarter ways.

The Trustee will monitor:



Our suppliers



Our in-house team

The ZPen team is employed by the Group and works in line within the Group's operational model. Therefore, the team is aligned with the Group's 2030 operational net zero target.

From 31 January 2023, the Trustee will be publishing an annual responsible investment report showing an overview of the actions taken during the year as well as addressing Task Force on Climate-Related Financial Disclosures requirements. This will be made available on the website (www.zpen.info).

Update about your pension (actuarial factors)

Your Scheme is one of the largest pension schemes in the UK. For the Defined Benefit (final salary) arrangement we calculate pensions based on salary and length of membership in the Scheme. From time to time the Scheme Trustees review the actuarial factors used to calculate retirement quotes and pension benefits for members. Following a recent review it has resulted in a change to the current actuarial factors.

Why have the factors used to calculate some pension benefits changed?

If you have run an online quote recently you may have noticed some changes to the pension benefits available earlier than your normal pension age and the amount of pension you have to give up to get a tax-free cash lump sum. Scheme actuarial factors, which are used to calculate retirement quotes and pension benefits for members, are reviewed to ensure they are relevant. Following the recent market volatility and the current levels of high inflation the Scheme Actuary reviewed the factors and recommended some changes to the Trustee.

What does it affect?

Those who choose to take their benefits earlier than their Normal Retirement Age. Also, those who choose to convert part of their pension into a tax-free cash sum. Note that factors used to calculate benefits to be taken later than at Normal Retirement Age remain unchanged.

It is important to note that your final salary pension at normal pension age is not affected. You will only see changes if you take your pension early and/or choose to take a tax-free cash sum. Further, early retirement factors remain unchanged for some Tiers and therefore you may not see a change to your early retirement pension.

To check the impact of the factors on your benefits you can simply run a quotation online.

When will the factors be changed again?

The Trustee will keep the factors under review and any updates will be reflected on the website.

Where can I see the current factors?

The Scheme actuarial factors can be found on the ZPen website:

- **Commutation Factors**
- **Early Retirement Factors**
- **Late Retirement Factors**

Thinking of Transferring out?

If you are thinking of transferring your benefits out of the Scheme, you need to make sure you read our latest Trustee Newsflash.

You will note from the Newsflash that because of new regulations brought in to help combat pension scams, the time it takes to process a transfer has increased – **it can now take up to 6 months to transfer.**

Remember, if you wish to transfer out your final salary benefits you will need to seek independent financial advice. You can find a suitable independent financial advisor by visiting one of the following websites:

- www.vouchedfor.co.uk
- www.moneyadvice.org.uk

Important information of how cash equivalent transfer values are calculated can be found on our website – **Notes Section (www.zpen.info)**.

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 (the pensions regulator.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

Don't miss a thing . . .

Keep up to date with the latest ZPen news with our regular **Trustee Newsflash!**

Our Trustee Newsflashes can be accessed online **Newsflash!** (www.zpen.info) and will keep you up to date with everything that is happening in your Scheme.

How to contact us



The Zurich Team
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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.