

TrusteeNews

Winter 2022/23

ZCashBuilder and Final Salary Members Edition

What's inside:

ZPen ambition to be net zero by 2050

Change to ZPen Actuarial Factors

Important information on transferring
benefits

Picture your future with the
Retirement Living Standards

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 market volatility on your pension benefits, provide an update on our responsible investment strategy, introduce our new Trustee directors, and tell you how you can put yourself forward to be a Trustee director when the term of office for two of the four current member-nominated directors comes to an end in August 2023.

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:

- **ZCashBuilder Planner**
- **Update personal details**
- **Nominate dependants**
- **Current fund value**
- **Review investment funds**



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

Recent Market Volatility

Final Salary

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.

ZCashBuilder

Your ZCashBuilder account is invested which means that its value can go down as well as up. So from time to time you may see falls in the value of your ZCashBuilder account or any of your other Defined Contribution arrangements, especially when investment markets are volatile. There are many factors that can make markets volatile including political and economic uncertainty, conflicts and natural disasters. The last few years have seen an increase in market volatility from the beginning of Covid through to the war in Ukraine and the rise in energy prices and inflation. However, it is important to remember that volatility in the market is normal, and that in the long-term investors get rewarded for holding investment assets.

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

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

The role of a 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 and the term of office for two of those MNDs ends in August 2023.

To be eligible to be an MND you must be a current employee who's a member of the Scheme, or a former employee who's now in receipt of a pension paid from the Scheme. Current MNDs can apply for a further term of office if they wish.

The pension arrangements for Zurich employees (and former employees) have been a key part of the company's benefits package for many years. Today the Scheme has around 4,500 active members, 22,800 deferred members and 12,600 pensioners and pays out around £14m a month in final salary pensions and receives nearly £4m a month in DC contributions.

You don't have to be a pensions expert to apply; you'll get appropriate training and support to help you with the technical aspects of the role. 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, convey your views clearly and be receptive and responsive to the input of others.

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 2023.

If you would like to speak to one of the current MNDs about their experiences on the Trustee Board, 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 membership 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. The Trustee believes that diversity in thought, experience, background, skills and personal attributes contributes to and enhances the Trustee Board's capabilities and as such welcomes all applications regardless of your background, beliefs or culture. We want the best person for the role – is that you?

Important Notes

- You will need a proposer and one supporter (who are both members of the Scheme) and you will need to submit your application form to the Scheme Secretary. Further details are provided on the nomination 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 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

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

ZCashBuilder

In ZCashBuilder, the Trustee uses pooled funds via the Scottish Widows investment platform and because of this does not have a direct relationship with the DC fund managers or the same level of influence in relation to voting rights and engaging directly with fund managers as it does with the DB assets. The Trustee instead meets with Scottish Widows to engage on responsible investment and how fund managers have exercised their voting rights. More information on this is included in the DC Implementation Statement which can be found on www.zpen.info.

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).

ZCashBuilder – Value for Money Statement



The Trustee is required to assess the extent to which the charges you pay in ZCashBuilder and the legacy AVCs represent good value for money. There is no definition of good value but in its assessment the Trustee considers the combination of costs and the quality of what is provided in return for those costs, and if it is appropriate for the Scheme membership as a whole. Overall, the Trustee believes that you are receiving good value for money for the charges you pay because:

- There is good Scheme governance with a strong Trustee board which includes a DC Committee focussed on ZCashBuilder and an in-house executive pensions team.
- As an employee you receive an employer contribution of 12% of salary paid into ZCashBuilder.
- The administration service is very good with all core financial transactions* taking place within the agreed service levels. (*Core financial transactions include investing monthly contributions, disinvestment to pay out benefits and investment switches.)
- The charges you pay are close to those paid by other schemes of a similar size, as assessed by the Trustee's DC adviser.

Taking account of all the factors considered, the Trustee believes that the Scheme's DC arrangements provide good value for members and are expected to deliver good outcomes for members at retirement. The Trustee continues to look for ways to improve the value for members, including planning a suite of communication materials, developing a new member website and considering ways to support members in the approach to retirement.

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.service.org.uk

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

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 build up in the Scheme. The Trustee is working with its legal advisers to consider the implications on Scheme benefits and further updates will be provided closer to the time.

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.

Investments and Inflation



Inflation risk is the risk that your investment returns are lower than the rate of inflation, meaning that your ZCashBuilder fund will buy fewer goods and services than if it had kept up with, or exceeded, inflation. Investing in cash gives some certainty around the amount of your fund value but the interest paid is much lower than the current rate of inflation.

If you have not made a decision where you are invested, you are likely to be in the Cash Lifestyle, and if you are 3 years or less from your target retirement age you will be at least partially invested in the Z Cash Fund. The reason the Cash Lifestyle invests in the Z Cash Fund in the years before retirement is because the Trustee thinks you may choose to take your ZCashBuilder benefits towards your tax-free cash sum and the Z Cash Fund gives more certainty around the amount available to you. You should carefully consider whether this option is right for your personal circumstances and retirement plans. If not, you may want to update your investment options and/or your retirement age.

Picture Your Future – Retirement Living Standards

The retirement living standards show you what life in retirement looks like at three different levels, and what a range of common goods and services would cost for each level.

For many people their private and state pensions (full state pension for 2022–23 is £9,627.80 per year), and other savings could go a long way towards these costs. You may need to add other costs depending on your circumstances, such as mortgage, rent, social care costs and any tax on pension income.

The three levels are set out below and more information, including a breakdown of each category, can be found on the retirement living standards website – [Home – PLSA – Retirement Living Standards](#):

Minimum	Moderate	Comfortable
Single: £12,800 a year	Single: £23,300 a year	Single £37,300 a year
Couple: £19,900 a year	Couple: £34,000 a year	Couple £54,500 a year
Covers all your needs plus some left over for fun	More financial security and flexibility	More financial freedom and some luxuries



Death in Service Benefits – Active Members

If you are employed by Zurich and you are an active member of the Scheme you will be covered for the following death in service benefits:

- A tax-free lump sum of 4 x pensionable salary.
- The value of your ZCashBuilder account as a lump sum.
- Either a further lump sum of 4 x pensionable salary or a pension for your spouse/partner/dependants depending on when you joined Zurich.

Dependants includes a spouse (someone you are married to), a partner who you live with (long-term relationship), a person who, in the opinion of the Trustee, is financially dependent on you or has a relationship of mutual dependence with you, and children under 18, or 23 if in full-time education.

You can make nominations online at www.zpen.info under 'account details' and can nominate any person(s) you wish to receive the lump sum. Please note that lump sum nominations are not binding on the Trustee.

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 something called 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 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 high earners also need to be mindful of.

Changes to ZPen 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 (Deferred)**
- **Early Retirement Factors (Active)**
- **Late Retirement Factors**

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.

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 final salary and defined contribution pensions, and your State Pension.
- A target retirement income to aim for, taking into account your salary.

Try it today and see if you are on course to achieve your desired income **Pension calculator | Work out your retirement income** (www.moneyhelper.org.uk).

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

Webinars – Engage with your Scheme!

The ZPen team have added a few webinars that are free for all members to attend. Information regarding these webinars can be found online – **Webinars** (www.zpen.info).

More webinars will be added during 2023, so make sure you don't miss out, check the Scheme website regularly for updates.



How to contact us

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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.