

The background image shows two elderly women with grey hair sitting at a wooden table. The woman on the left is wearing a blue and orange patterned cardigan and has her arm around the woman on the right. The woman on the right is wearing a dark green top and a bright orange knitted scarf, and she is wearing red-rimmed glasses. They are both laughing heartily. On the table in front of them is a white cup of coffee and a small white plate with a chocolate dessert. The setting appears to be an outdoor cafe or restaurant with a wooden wall in the background.

TrusteeNews 2024

Pensioner Edition

What's inside:

Funding Update – Scheme
Valuation Results

Trustee Board Update

Responsible Investment Update

Pension Pay Days 2024

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

ZPen

#YourPensionYourFuture

Message from your Trustee Chair



David Sims
Trustee Chair

Welcome to the 2024 edition of TrusteeNews which I hope will keep you up to date with the key developments over the past year and help your understanding of the pension scheme and the role of the Trustee.

The Scheme is in good shape financially and in September 2023 we concluded the actuarial valuation as at 30 June 2022. Valuations take place every three years and in the intervening years we carry out a funding update to check the funding level of the Scheme. The valuation as at 30 June 2022 showed that the ZPen section was 102% funded with a surplus of £135m. Since then, the funding level has increased and as at 30 June 2023, the ZPen section was 109% funded with a surplus of £469m. The increase in funding level was mainly driven by the reduction in the value of the liabilities due to rising gilt yields.

The higher gilt yields presented an opportunity for us to adapt our investment strategy and increase our interest rate and inflation hedging to help safeguard the funding position of the Scheme and minimise the impact of market volatility. These changes were implemented during October and November 2023.

In January 2024, we also published our latest report on how we identify and manage climate-related risks and opportunities in response to the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

You can read further detail on all these topics in this newsletter.

I hope you enjoy reading this edition of TrusteeNews and make a habit of visiting www.zpen.info regularly to keep up to date with the latest information about the Scheme.

David Sims

Trustee Chair

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Your Trustee Board

The Scheme is managed by a Trustee Company called Zurich Financial Services UK Pension Trustee Limited (the "Trustee"), which has a duty to run the Scheme in line with its trust deed and rules and pensions legislation. The Trustee Board is made up of ten directors, sometimes referred to as Trustee directors or trustees, and includes a mix of company-nominated directors, member-nominated directors and an independent director. The Trustee Board is also supported by Zurich's in-house pensions team and a range of professional advisers.

What does the Trustee do?

As the Trustee of a Scheme with both final salary and defined contribution benefits, the Trustee is responsible for ensuring there is enough money in the Scheme to pay members' final salary pensions, as and when they need to be paid, and supporting members with defined contribution benefits make informed decisions about the way they save and what they do with their pension savings when they take their benefits. The Trustee also oversees the running of the Scheme, including the governance and administration.

Changes to your Trustee Board

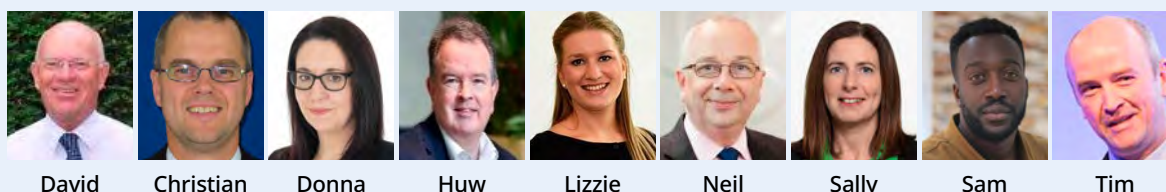
The Trustee board is made up of the following:

- Five company-nominated Trustee directors ("CND")
- Four member-nominated Trustee directors ("MND")
- One independent Trustee director

The Trustee has a formal process for the nomination and selection of MNDs. Each MND is typically in place for a three year term and in August 2023 the term for two MNDs expired. Following a successful nomination and selection process Donna Wayman was appointed as a new MND, replacing Paul Keaveney who stepped down at the end of his term. Tim Culling was also re-appointed for a further term. The Trustee can appoint reserve member Trustee directors ("RMDs") who could be appointed as an MND if one of the current MNDs leaves mid-term. The current RMDs are Rod McKie and Anand Panchmatia.

In March 2024, Liz Ryan stepped down as a CND and the Company is considering a replacement for Liz.

You can find more information about the Trustee directors on the Scheme website **Your Trustees (zpen.info)**.



David

Christian

Donna

Huw

Lizzie

Neil

Sally

Sam

Tim



Martin Potter
Scheme Actuary

Scheme Funding Update – Final Salary Sections

One of the main responsibilities of the Trustee is to monitor the finances of the Scheme to make sure there's enough money to pay final salary benefits promised to members, both now and into the future.

The current valuation (as at 30 June 2022) was formally signed off by the Trustee, the Company and the Scheme Actuary in September 2023.

What are valuations?

Final salary pension schemes need to have enough money or 'assets' – from contributions and investments – to pay out pensions and other benefits as they fall due (the 'liabilities'). The Trustee appoints a Scheme Actuary (Martin Potter from Hymans Robertson - pictured) to conduct a check on each section of the Scheme at least every 3 years to assess whether this is the case. This check is known as a 'valuation'.

The valuation is a complex process which makes a number of assumptions about a range of future events, such as how long members will live, likely investment returns, future salary increases and price inflation. It also requires consultation, collaboration and eventual agreement between the Trustee and Company.

If the valuation determines that a section has more assets than liabilities, there is a 'surplus'. If the opposite is the case, there is a 'deficit'.

What are the results?

The latest formal valuation as at 30 June 2022, showed that the ZPen section was 102% funded with a surplus of £135m. This is an improvement in the funding position since the previous valuation as at 30 June 2019 where the ZPen section was 101% funded with a surplus of £63m.

For the ES Executives' Section, the funding level has increased from 110% at the last valuation to 117% at this valuation with an increase in the surplus from £17.9m to £25.1m.

The results are summarised in the following table:

£m	ZPen Section		ES Executives' Section	
	Previous valuation 30 June 2019	This valuation 30 June 2022	Previous valuation 30 June 2019	This valuation 30 June 2022
Assets	7,729	6,662	199.4	172.6
See the Trustee's Report and Accounts for further details				
Technical provisions liabilities				
An estimate of the amount needed to pay benefits, using the assumptions specified by the Trustee	7,666	6,527	181.5	147.5
Active liabilities	760	478	-	-
Deferred liabilities	3,451	2,657	8.9	-
Pensioner liabilities	3,455	3,392	172.6	147.5
Surplus/(deficit)	63	135	17.9	25.1
Funding level	101%	102%	110%	117%

As the valuation is only undertaken every three years, at 30 June in each intervening year the Scheme Actuary carries out a funding update to check the funding position of the Scheme. This check uses the assumptions from the last valuation updated to allow for changes in market conditions. Since the valuation as at 30 June 2022, the funding level as at 30 June 2023 for the ZPen Section has increased to 109% with a surplus of £469m. For the ES Executives' Section, the funding level as at 30 June 2023 has increased to 124% with a surplus of £28.6m.

ZPen Section

Technical provisions basis	30-Jun-21 £m	30-Jun-22 £m	30-Jun-23 £m
Assets (excluding AVCs/APCs)	7,695	6,108	5,092
Amount needed to provide benefits	8,065	6,527	5,095
(Deficit)	(370)	(419)	(3)
Funding level excluding SLP	95%	94%	99%
Asset backed contribution (SLP)	760	554	472
Surplus incl. SLP	390	135	469
Funding level including SLP	105%	102%	109%

ES Executives' Section

Technical provisions basis	30-Jun-21	30-Jun-22	30-Jun-23
	£m	£m	£m
Assets	203.4	172.6	146.9
Amount needed to provide benefits	172.6	147.5	118.3
Surplus	30.8	25.1	28.6
Funding level	118%	117%	124%

The improvement in funding level from the 2019 valuation to the 2022 valuation for both sections was mainly driven by the impact of changes in market conditions, specifically the increase in gilt yields which reduced the liabilities. The further improvement from the 2022 valuation to the 2023 funding update was also due to rising gilt yields.

What happens if the Scheme winds up?

The 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 Trustee 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) may be able to take over the Scheme and pay benefits to members.

As part of the 2022 valuation, the Scheme Actuary estimated that, if the Scheme had wound up as at 30 June 2022, there would be enough money to secure 74% of members' benefits in ZPen and 117% in the ES Executives' section.

You can get the full picture by reading the full valuation report on the Scheme website, www.zpen.info.

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.

Investment Update – Final Salary

Changes to the investment strategy

During 2023, the Trustee implemented a significant increase in interest rate and inflation hedging to take advantage of the higher gilt yields. Gilt yields, or the returns on UK government bonds, provide an attractive investment avenue for the ZPen section of the Scheme and by increasing the exposure to these bonds, the Scheme can benefit from potentially higher returns and better protect against inflation.

The benefits of a long-term view

In addition to adjusting the Scheme's hedging targets, the Trustee has also shifted the basis on which hedging decisions are made. Previously, the hedging strategies were focused on the technical provisions basis, this is the basis that is agreed between the Trustee and the Company every three years when the valuation is completed. However, in response to changing market dynamics and future regulatory requirements, the Trustee has now transitioned to using a more long-term view of the liabilities to set the hedging basis.

By adopting a long-term perspective, the Trustee can better align the investments with the projected future obligations of the Scheme. This approach allows the Trustee to make more informed decisions to mitigate risks and maximise returns over the long run. It also provides a more stable and predictable investment environment.

The importance of hedging

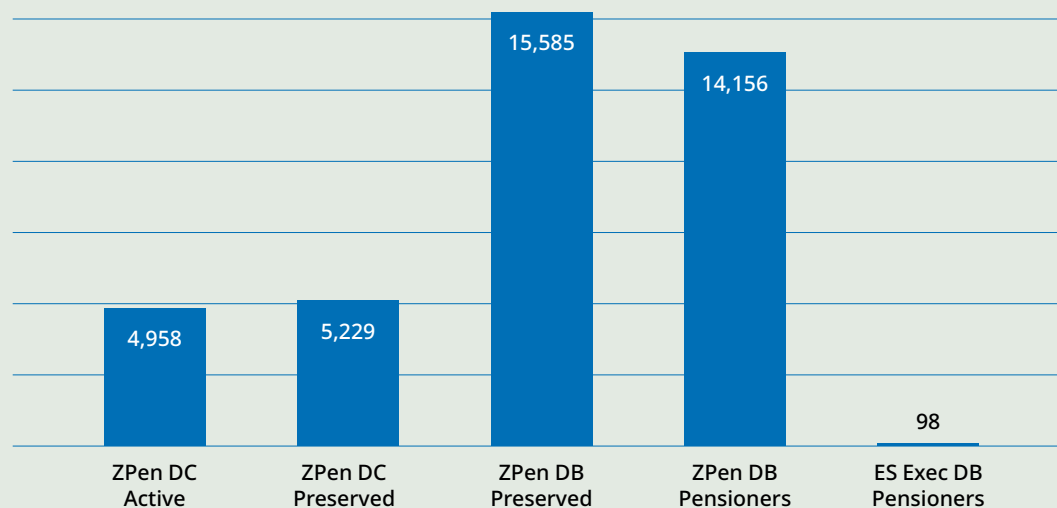
Hedging plays a crucial role in managing the risks associated with the Scheme. It involves utilising financial instruments, such as repurchase agreements, to offset potential losses that could arise from adverse market movements. By implementing an effective hedging strategy, the Trustee aims to safeguard the funding position of the Scheme and minimise the impact of market volatility.

The changes in the hedging approach reflect the Trustee's dedication to adapting to market conditions, while prioritising the long-term financial well-being of the members.

Annual Report and Financial Statements

The annual report and financial statements for the Scheme describes how the Trustee has managed the Scheme and any changes which have happened in the period. The period is for the twelve months to 30 June 2023 and you can read the full report on the Scheme website – **Report & accounts (zpen.info)**. You may be interested to know that the Scheme has final salary assets totalling £5.7bn, ZCashBuilder and other DC assets totalling £518.8m, and paid out benefits to members and beneficiaries totalling £221.4m in the period.

Scheme membership



Included within the ZPen DC Active members are 1,041 members who transferred from ZPen DB into ZPen DC on 1 January 2016 and have retained a link to final pensionable salary on their DB benefits.

Spring Budget 2023

Lifetime Allowance

The Lifetime Allowance is the limit on how much you can build up in a pension over your lifetime while still enjoying the full tax benefits. For most people this is £1,073,100 in the 2023/24 tax year. In previous tax years, you would have paid a Lifetime Allowance charge on any benefits you took over this amount. However, from 6 April 2023 this charge was removed and any benefits you take in excess of the Lifetime Allowance are subject to income tax at your marginal rate.

From 6 April 2024, the government is abolishing the Lifetime Allowance, however, the amount that can be taken in the form of a tax-free cash lump sum will be capped at £268,275.

If you currently have any HMRC pension protection in place (e.g. relating to previous reductions to the Lifetime Allowance), it is important to keep hold of any documents confirming this protection.

Annual Allowance

The Annual Allowance is the limit on the total amount that can be contributed to or built up in a pension each tax year with tax relief applying. From 6 April 2023 the Annual Allowance increased from £40,000 to £60,000.

For those high earners who are affected by the Tapered Annual Allowance, the adjusted income limit and the minimum tapered annual allowance have increased. Further information on these limits can be found on the Scheme website using the following link: **Pension Tax Limits**

Money Purchase Annual Allowance

If you have taken certain benefits from a Defined Contribution pension arrangement, the Annual Allowance above does not apply to you. Instead, the limit on the total amount that can be contributed to a pension is the Money Purchase Annual Allowance which is £10,000.

Consider taking financial advice

The taxation of pensions is complicated and if you think you may be affected by any of the pension tax limits, you are strongly recommended to seek help from a suitably qualified financial adviser. You can find general advice about pensions and appointing an Independent Financial Advisor at the websites below:

Money Helper – www.moneyhelper.org.uk – 0800 0113797

Financial Conduct Authority – www.fca.org.uk

Vouched For – www.vouchedfor.co.uk – 0203 111 0583

Responsible Investment – TCFD Report

From 1 October 2021, new regulations were introduced relating to reporting in line with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, which aim to promote the management of climate-related financial risk and opportunities.

The Scheme's annual TCFD report provides an overview of the Trustee's responsible investment activities during the year with the three key activities being:

- **Climate risk assessment** – the assessment for the Scheme's assets and liabilities highlights the potential impacts of climate change on the Scheme's financial performance. The assessment considers both physical risks, such as extreme weather events and rising sea levels, and transition risks, such as policy changes and technological advances.
- **Target setting and implementation** – the Trustee set a net zero ambition for 2050, which means it aims to hold investment assets that achieve a balance between the greenhouse gas emissions it produces and removes from the atmosphere that year. This target aligns with the global goal of a maximum temperature rise of 1.5°C above pre-industrial temperatures, taking into account the best available scientific knowledge. The Trustee continues to monitor its asset managers on the agreed short-term carbon reduction targets for its equities and corporate bond portfolios.
- **Manager engagement** – the Trustee recognises the importance of engaging with its asset managers to address climate-related risks and opportunities. The engagement is aimed at ensuring that the Scheme's investments are aligned with its climate-related objectives and that asset managers are effectively managing climate-related risks and opportunities.

The full report is available to read on the Scheme website – [TCFD Report 2023.pdf \(zpen.info\)](#).

GMP Equalisation Update

You will probably be aware of a landmark legal ruling in the Lloyds Bank case that requires pension schemes to equalise benefits for the effect of unequal Guaranteed Minimum Pensions (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.

GMP equalisation is a significant project, particularly for a scheme the size of Zurich's. There are a number of steps, including reconciling scheme records with HMRC records, obtaining detailed actuarial and legal advice, considering complex tax issues, engaging with the sponsoring employer on the methodology for the equalisation, and reprogramming calculation routines on the Scheme's administration system. Progress continues to be made in a number of these areas, most notably in connection with preparing the scheme date for equalisation and agreeing the equalisation methodology. The Trustee has also appointed a professional services firm, Aon, to act as specialist GMP equalisation adviser to support the project and calculation work.

It is the Trustee's intention to complete the project as soon as feasibly possible. However, GMP equalisation is proving to be a complex and time consuming project for the whole pensions industry and the administration system changes and calculation work are substantive and expected to take some time yet.

Further updates will be provided via the Scheme website.

Pension Pay Days 2024

- Monday 8 January
- Tuesday 6 February
- Wednesday 6 March
- Monday 8 April
- Tuesday 7 May
- Thursday 6 June
- Monday 8 July
- Tuesday 6 August
- Friday 6 September
- Monday 7 October
- Wednesday 6 November
- Friday 6 December

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

Zurich Pensioners' Association – are you missing out?

Zurich has a thriving Pensioners' Association with more than 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



Beware of Pension Scams

Don't let a scammer enjoy your pension – If you are not sure about something, take your time and seek help

Pension scams are on the rise and it's more important than ever that you know the warning signs of a scam. Below are some of the things to look out for:

- Cold calling or unexpected contact
- Free pensions review
- Guarantees of better returns on pension savings
- Early access to your pension
- Promises of limited time offers on the 'best deal'

If you're suspicious, contact Action Fraud at actionfraud.police.uk or call **0300 123 2040**.

Also, beware of scams to your bank. Stop Scams UK have launched a service to enable you to easily report a suspected bank scam. If you receive a call from a suspected scammer, who claims to be calling from your bank all you need to do is:

**STOP
HANG UP
CALL 159**

The 159 service works much the same way as the 101 service for the police or 111 for the NHS and will link you through directly to someone at each bank that has signed up to the service. You can then report the suspected scammer. For more information on this service, visit the **Stop Scams UK website**

Make sure your nominations are up-to-date



Nominating beneficiaries is one of the most important things you can do to ensure that you and those closest to you get the most out of your pension.

No one enjoys thinking about death, but by making a nomination, this will let the Trustee know who you'd like any lump sum death benefit to be paid to. This could potentially help speed up the decision-making process, and spare extra stress and financial hardship for those you care about when you die.

Who can I nominate?

A nominee can be any person e.g. a family member or friend, or a charity, society, association or company. You can also nominate more than one nominee.

How do I make a nomination?

Nominating is easy. Simply log in to your ZPen account (www.zpen.info), select 'Account details' and then 'Lump Sum Nomination Form' and follow the steps.

Here to Help

Ways to contact us:

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

Email: zurichteam@railpen.com

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

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.