ABBEY LIFE ASSURANCE COMPANY LIMITED STAFF PENSION SCHEME

In the news

Welcome to your latest Scheme newsletter, keeping you up to date with Scheme developments and wider pensions news.

March 2023

In this issue

Geo-political tension continues to impact the global economy, increasing volatility in investment markets, pushing inflation higher than it has been for decades, and putting pressure on many peoples' finances. As we did throughout the pandemic, we are monitoring how these external pressures might impact the Scheme and will make any changes we feel are necessary to protect it and the best interests of you, the Members.

As far as the Scheme is concerned, you can read how its financial position is developing in our latest summary funding statement included in this newsletter, where we report on the funding position as at 31 March 2022.

We also include the usual summary of the year's accounts and membership figures, and an update on the Scheme's investments.

As for the Scheme and your DC savings, when did you last check the value of your investments, or review your investment options? We set out further details on this topic later on in this newsletter, with a reminder of the areas you should be considering.

In wider pensions news, we provide an update on Pensions Dashboards, the plan to provide everyone with online access to all of their UK pensions in one place. We also highlight two areas of increasing focus for the trustees of pension schemes generally: climate change, and diversity, equity and inclusion.

As always, please do get in contact if you have a query about the Scheme or your benefits, or if there is a topic that you would like us to feature in our next issue. The contact details are on page 12.

Neil C H Tointon
Chair of the Trustee

In numbers

The membership

As at 31 March 2022, there were 2,623 members in the Scheme, compared with 2,668 members at the same date last year. This does not include members who are paid by an annuity.

1,392	**Deferred members** - no longer work for Pearl Life Holdings Limited (nor Abbey Life – the previous employer), nor have contributions paid, but they do have benefits retained in the Scheme for when they retire.
1,231	**Pensioner members** - receiving benefits from the Scheme (and including the dependants of members who have died).

The accounts

Here we show headline figures from the Scheme's Annual Report and Accounts. If you would like more detail, please request a copy of the full report using the contact details on page 12.

The value of the assets supporting the Scheme at 31 March 2022	£305.8m
The increase in the value of the assets over the reporting year	£46.9m
The total value of Company contributions paid in to the Scheme during the year	£48.8m
The total value of benefits paid to members during the year	£11.7m

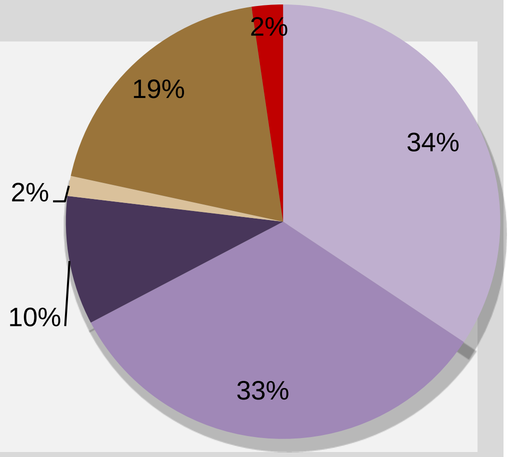
Investment update

As the Trustee, it is our responsibility to decide on the overall investment strategy, and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

As at 31 March 2022, the Scheme's assets were invested in various asset classes – Public Credit, Private Credit, Diversified Growth, Absolute Return Global Bonds Strategies, and Liability Driven Investments (LDI). In the financial year, the allocations to UK Equity, and Global Equity were redeemed. The allocation to Private Credit, which was first introduced in March 2020, continued to increase in size.

Asset allocation

The chart adjacent shows how the Scheme's investments were allocated across asset classes as at 31 March 2022. The Scheme has an investment arrangement that has risk and return targets rather than a target asset allocation. The Trustee regularly reviews the Scheme's risk and return metrics in conjunction with its investment adviser and takes strategic action where appropriate.



Performance

The table below shows how the Scheme's investments have performed compared with the agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform, bearing in mind economic and market expectations. Performance figures have only been shown for mandates that have been invested in for the entire period.

	Over the year to date		Over three years (% per year)	
	Performance	Benchmark	Performance	Benchmark
Diversified Growth	7.8%	5.2%	N/A	N/A
Public Credit	-3.9%	-5.2%	2.1%	1.0%
Absolute Return Bonds	-6.3%	0.0%	N/A	N/A
LDI	5.7%	N/A	5.5%	N/A

Over the financial year, the Scheme's asset value increased (moving from £258.9m as at 31 March 2021, to £304.3m as at 31 March 2022, excluding the value of the AVC-related funds). Over the same period, the Scheme's liabilities, calculated on a technical provisions basis, fell from £343.3m to £324.0m. As a result, the funding level increased to 94%.

The total Scheme assets delivered an investment return of 3.6% over the 12-month period to 31 March 2022. Over three years, the Scheme's assets returned 4.7% per annum.

The DGF outperformed its target of cash +5.0% per annum over the year, due to the continued strong performance of risk assets over 2021. The Public Credit mandate returned -3.9% over the year and outperformed its benchmark. The Private Credit mandate has an internal rate of return (IRR) of 3.1% since inception.

The LDI portfolio is a "passive" mandate, with the objective of reducing investment risks related to the liabilities of the Scheme, rather than aiming to outperform a market index. Over the year, and as expected given market movements, the LDI portfolio delivered a positive return.

For further details on our investment approach, read our Statement of Investment Principles (SIP) at www.thephoenixgroup.com/site-services/abbey-life-staff-pension-scheme.

You can also read our engagement policy Implementation Statement showing how our policy on engagement activities and voting has been followed during the year.

AVC's for members: Reviewing and understanding your choices

Many members of the Scheme took up the option of making Additional Voluntary Contributions ("AVCs") with Abbey Life, Scottish Widows or Standard Life, to secure additional benefits on retirement. Many use this to provide part or all of their tax-free cash, so as to reduce the level of annual pension 'given up' on retirement, although members have a range of options available to them (for example they may want to transfer their AVC fund to invest with an alternative provider, or to purchase an annuity, or to enter into a drawdown arrangement with a provider that offers that option).

Some members of the Scheme hold defined contribution ("DC") benefits having carried out a transfer of their benefits from previous pension arrangements into the Abbey Life Retirement Fund, securing additional Scheme benefits on a DC basis.

Should either (or both) of the above apply to you, we want to remind you that it is important to review your AVC choices on a regular basis, to ensure that they are still right for you. Your financial situation and retirement goals may have changed, so we want to make sure that your AVC goals are aligned with them.

During the latest full review of the Scheme's AVC arrangements, the Trustee asked their professional advisers to review those arrangements to ensure that they remained fit for purpose. The review did not identify any significant concerns regarding the suitability of the AVC arrangements, but we would still like to highlight key areas for your consideration, and for this to serve as a reminder for you to review your current choices.

Your investment strategy

It is important that you review your investment strategy regularly and check that the funds you have chosen for your AVCs are still suited to your investment objectives and attitude to risk, as well as performing as you would expect.

You may also want to think about how close you are to retirement, and whether you wish to gradually move to lower-risk funds as you approach your planned retirement date (if you are invested in higher risk funds) to reduce the risk of large fluctuations in the value of your AVCs.

Returns on cash funds

Cash funds (for the Scheme, these are the Scottish Widows Building Society and Cash Funds, and the Standard Life Money Market Fund) offer a stable, minimal risk investment.

However, the returns after charges on such funds are unlikely to keep pace with inflation while interest rates are low. This means that money held in cash funds while interest rates are low (like now) is likely to go down in value after you take inflation into account. Cash funds are therefore unlikely to be a suitable long-term investment in the current economic climate, unless you are a very risk-averse investor and you understand that the value of your investment is likely to go down in real terms, but you would prefer that to your fund being exposed to other investment risks.

If you are unsure of your AVC options, or you want to learn more about how they can help you reach your retirement goals, more information can be found in the DC Chairman's Statement, which is updated annually on the Scheme's webpage here:

www.thephoenixgroup.com/site-services/abbey-life-staff-pension-scheme/tab2022

The Trustee undertakes appropriate training and also annually reviews the funds available for members with DC benefits in the following key areas:

- fund investment performance;
- the processing of core financial transactions;
- member borne charges and transaction costs; and
- value for members.

The annual DC Chairman's Statement sets out the results of reviews completed and is published online (website details above).

Every three years a more detailed review is undertaken in the above areas and including a full review of the Scheme's default arrangement. Details of this review are then included within the DC Chairman's Statement.

The next detailed review of the Scheme's AVC and DC arrangements is due to take place during 2Q 2023.

If you need specific advice about any aspect of your pension planning, you should seek independent financial advice. Neither the Trustee nor their advisers can provide financial advice or guidance to members.

The Financial Conduct Authority website provides information in relation to finding a financial adviser at: www.fca.org.uk/consumers/finding-adviser

If you have any general questions about your AVCs, you should contact the Scheme Administrator using the contact details on page 12.

In the news

Liability Driven Investments (LDI) – How the Scheme managed during last year's volatility

In the Autumn of 2022, government bond (gilt) markets experienced significant volatility in reaction to the UK's mini budget. This impacted those assets that are held by many pension schemes known as LDI (Liability Driven Investment).

Why do pension schemes use LDI?

Pension schemes, including the Scheme, use LDI to ensure that their assets behave in a similar manner as their liabilities when gilt yields (the level of return on government bonds) and inflation expectations change – this is known as a "hedge". This leads to a smooth funding level progression and greater certainty for all stakeholders.

What is LDI and how do schemes "hedge"?

LDI involves purchasing Gilts, bonds and derivatives (that behave like Gilts), which match the pension cashflows of the Scheme.

What does the use of leverage mean?

An LDI portfolio does not require all the Scheme's assets in order to move in the same way as the liabilities. This means that cash can be freed up to invest in return seeking assets through use of leverage. For example, a 'twice levered' LDI strategy means that half of the Scheme's assets support the LDI program and half can be invested in return-seeking investments. In this example for every £1 invested in the LDI portfolio its value will change in the same way as £2 of liabilities when gilt yields and inflation changes. Over time this should lead to a smooth and improving funding level.

If gilt yields rise/inflation falls, the liabilities fall and the value of the LDI portfolio also falls by the same amount. As you start with less money in the LDI portfolio and it changes by the same amount as the liabilities, the leverage within the LDI portfolio rises. As a result, cash has to be transferred from return seeking assets to the LDI portfolio to reduce the leverage back to its previous level. The converse is also true.

Following the UK Government's mini-budget announcement on 23 September 2022, there was a rapid and very significant increase in Gilt yields (and therefore a fall in Gilt prices), as investors lost confidence in the UK market and sold Gilts.

As a result, and in order to maintain their positions, investors holding leveraged LDI portfolios had to sell some return seeking investments and switch the cash to their LDI portfolios, at short notice. However, the unprecedented speed and magnitude of the movement meant that some investors could not get cash to their LDI managers quickly enough and these managers were therefore forced to also sell Gilts; which exacerbated the sell-off in the Gilt market.

This cycle continued until the Bank of England (BoE) announced it would intervene on 28 September 2022. The BoE continued to provide support until 14 October 2022, and during this time, investors transferred cash to their LDI managers, adjusted their portfolios where necessary, and the UK political environment changed significantly. This ensured a return to orderly markets for the rest of the year.

The Trustee believes that the Scheme's appointed investment manager, abrdn, managed the LDI portfolio well throughout this crisis. The Scheme had the right structures in place to be able to transfer cash from its return seeking assets quickly, which meant it was able support its LDI portfolio. Unlike some schemes, the Scheme was not forced to sell its LDI exposure and did not have to borrow money from the Sponsor. Your pensions are safe and will continue to be paid.

Impact of higher global interest rates

Gilt yields increased significantly over 2022. At the beginning of the year, an investor could lend to the UK Government at c.1% p.a. for 20 years and, by the end of the year, that had increased to c.4 %p.a. This is a global phenomenon, as central banks increase interest rates to contain inflation and start Quantitative Tightening (i.e. central banks reversing the former Quantitative Easing policies).

This has had significant knock-on effects in the economy, for example, increasing the costs of borrowing and mortgages. The level of defined benefit pension you have been promised is unchanged, but higher Gilt yields means that the amount of money required to be held by the Scheme to meet those future payments is now lower, as current interest rates are higher. In addition, as annuity rates are higher, a "pot" of money can now purchase more pension than a year ago.

Pensions Dashboards: update

The aim of Pensions Dashboards is to for everyone to have quick and easy online access to information on all of their UK pension savings in one place.

Recent progress on this development includes completion of the digital build phase, and the first volunteer providers preparing to connect to the system to begin testing using data.

The release to the onboarding phase is on track, beginning with the very largest schemes first, from spring/summer 2023, to achieve broad coverage.

To prepare for the release of Pensions Dashboards, between now and the staging date for the Scheme, we'll be working with our advisers and administrators to make sure that we have the right processes in place.

To find out more, go to:

www.pensionsdashboardsprogramme.org.uk

In the news

Responsible investing & climate change: The Regulatory backdrop

Recent years have seen an increasing focus on climate change and its associated risks for pension schemes. Indeed, since 2019, trustees of pension schemes have been required to consider long-term environmental risks and opportunities.

Elsewhere, the Pensions Regulator has published best practice investment guidance for trustees, while its climate change strategy sets out how it can help trustees to meet the environmental challenges. We as the Trustee, are continuing to consider any guidance and how we can best act responsibly in the way we invest in assets.

Further, the Task Force on Climate-Related Financial Disclosures (TCFD) was established to develop best practice guidance for climate reporting. Regulations requiring schemes to report in line with the TCFD's recommendations came into effect for the UK's largest pension schemes from October 2021, and for the next largest group of schemes from October 2022.

The collective aim is that these guidelines and requirements will empower the markets to channel responsible and sustainable investment opportunities.

How do we factor this in for the Scheme?

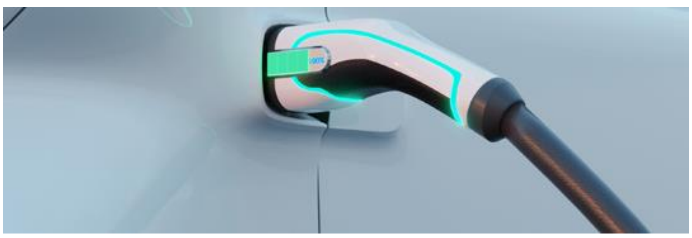
The Trustee incorporates responsible investing in its decision making focusing on environmental, social and governance (ESG) factors, which can help to create long-term sustainable returns.

Environmental: the impact companies and their assets have on the environment.

Social: how companies treat their employees, customers and the community.

Governance: how companies and their assets are governed.

As Trustee of the Scheme, we assess ESG factors and consider how our views align with the Sponsor and our investment manager. We have adopted some exclusions consistent with the Phoenix Group. We also collect and examine carbon metrics of our investments and hold some investments in renewables.



Our appointed investment manager, abrdn, incorporates ESG factors into their investment decision making process, and the Trustee considers the voting record and stewardship policies of the investment manager.

Our duties include making an appropriate range of investment options available to members invested within the Scheme's DC AVC arrangements. ESG remains an important factor for both DB and DC arrangements.

The Trustee recognises that ESG risk factors, including climate change, may negatively impact the value of investments held if not fully understood and evaluated and therefore receives training from its advisers, especially the ESG regulatory backdrop, covering ESG and climate change initiatives, such as the Task Force on Climate-related Financial Disclosures ("TCFD"). The Trustee also regularly receives updates from abrdn on how ESG is incorporated in their investment decision making process

More information can be found within the Scheme's latest Implementation Statement, which is published on the Scheme's webpage here:

www.thephoenixgroup.com/site-services/abbey-life-staff-pension-scheme/tab2022

Diversity, equity and inclusion

Alongside the attention that climate change and the environment is rightly getting in respect of pension schemes, diversity, equity and inclusion is also becoming increasingly important to trustees. This includes considerations such as ensuring that:

all members are getting information in an accessible way, and the Trustee Board is engaged in getting a diverse composition of personalities, skills, experience and characteristics in order to make better decisions.

We continue to review our communications and processes to ensure that these issues are in the forefront of our mind when communicating with Members and making decisions. As the Trustee of the Scheme, we are committed to ensuring that the information we provide is accessible to all, and to getting the right, diverse mix of people on our board in order to make effective decisions.

In line with the Pension Regulator's new single code of practice, we, along with many other trustee boards, will be considering our skills and strengths, and any gaps, over the coming months. We will keep you updated.

In the news

Guaranteed Minimum Pensions (GMP) and Guaranteed Minimum Pension Equalisation (GMPE)

What are GMPs?

Your Scheme pension is made up of different parts, based on when you built up your pension. GMP, is one part. It is linked to when there were two parts to the State Pension arrangement – the Basic State Pension and the State Earnings-Related Pension Scheme (SERPS, which later became the State Second Pension).

Workplace pension schemes had the option to 'contract out' of the State Second Pension. This resulted in National Insurance savings for both the employer and its pension scheme members, and most pension schemes like ours took advantage of this option. In exchange, the Scheme had to promise to pay Members at least as much pension as they would have received from SERPS. This is the part of your Scheme pension that is known as GMP.

GMP was earned between 6 April 1978 and 5 April 1997, so if you were building up benefits in the Scheme during this time, some of your Scheme pension is GMP. The amount of GMP, and the way it must be increased in payment, is set by legislation.

GMPs are different for most men and women because the State Pension Age used to be different for men and women. As a result, men and women built up GMPs at different rates and GMPs were payable from different dates. This led to the historic inequality, which the recent Lloyds Banking Group High Court legal case has said pension schemes must now seek to address.

What is the legal ruling?

Pension benefits have generally had to be equal for men and women since 17 May 1990, following a legal ruling by the European Court of Justice that the right to equal pay for men and women applied to occupational pension schemes. This is known as the 'Barber case'. However, the way that UK Governments treated GMPs was not adjusted in line with this. As a result, GMPs remained unequal in some cases.

The issue of GMPs within pension benefits has only been addressed recently, following a separate High Court ruling. Three members of the Lloyds Banking Group's pension schemes claimed discrimination on the basis that their GMPs were not equal to the GMPs of members of the opposite sex. The High Court ruled in the members' favour in October 2018.

As a result of this ruling, all UK pension schemes with GMPs built up after 17 May 1990 must now address any resulting inequalities for their memberships.

What is GMPE and what does it mean for me?

If you have a GMP from service in the Scheme between 17 May 1990 and 5 April 1997, we will be reviewing your benefits. We will increase any Member's pension that is currently lower than it would be if they had been of the opposite sex, and also reimburse Members who have lost out in the past with a one-off payment. We will continue to check and adjust Members' pensions each year to ensure that they remain no worse off than the opposite sex. Men and women could both be positively affected by the equalisation exercise. Rest assured that we will not reduce your pension as a result of this exercise.

Note: not everyone will be affected, so only some members will receive an uplift to their pension and/or a one-off lump sum, both of which are expected to be quite small.

What will happen next?

We have started work to check if and how Members' pensions are affected. This process is ongoing, and we are aiming to let you know the outcome towards the end of this year. We will write to all Members to let you to let you know if your pension will change or not.

You do not need to take any action but please make sure that your contact details are up to date so we can contact you at the appropriate time.

Defined Benefit Funding Code of Practice

The Pensions Regulator ('TPR') has published its long-awaited consultation on a new Code of Practice for Defined Benefit (DB) scheme funding. The draft Code reflects the Pension Schemes Act 2021, and draft regulations, which will require:

- Schemes to be fully funded on a low dependency basis (and to have adopted a low dependency investment strategy) by the time they are 'significantly mature';
- A statement of strategy to be produced/revised as part of actuarial valuations (and following major developments), detailing the scheme's journey plan to the low dependency state;
- Consideration of the strength of the employer covenant, as well as the timescales for reaching significant maturity, when determining the level of risk that can be taken.

(Continued overleaf)

Defined Benefit Funding Code of Practice (continued)

The Trustee, in conjunction with its advisers, monitors developments with the Code of Practice for Defined Benefit scheme funding, considering how this applies to the Scheme and any actions that may be required.

Based on the expected timescales for the Code to come into force, this is expected to apply to the next actuarial valuation of the Scheme, which will be completed in 2025.

We can assure you that we are fully committed to complying with the new code of practice and ensuring that your pension benefits are protected. We continue to monitor developments and will provide you with a further update once we know more.

Scheme factors – what do they mean for me?

As a member of a DB pension scheme, you have a range of options, and different factors are used to calculate your Scheme benefits under these options. These are primarily used for:

- Cash Equivalent Transfer Values (CETV) – to determine the overall cash equivalent value of your pension should you be looking to transfer this to an alternative arrangement.
- Commutation – if you're looking to take a tax-free cash sum on retirement (pension commencement lump sum), the Scheme's commutation factors will be used to determine how much annual pension will be 'given up' to provide that cash sum. Any future spouse or dependant's pension is unaffected.
- Trivial commutation – for those members who have a relatively small annual pension amount (for example for those who were in the Scheme for a short time) trivial commutation factors are used to determine the value of your pension as a single lump sum.
- Early retirement – if you're looking to take your pension before your Normal Retirement Age, an early retirement factor will be applied to reduce your pension, to allow for the fact that you'll be receiving it for longer.

There may be other factors required from time to time, which are set by the Trustee in line with the Scheme Rules.

The Trustee has responsibility for administering the Scheme and for setting the factors, after having considered advice from the Scheme Actuary and, in some circumstances, the views of the Scheme's Sponsor. The Scheme's factors are also typically reviewed every three years, usually after a formal actuarial valuation has been carried out, but an interim review may be carried out should there be a particular reason.

Factors take into account various parameters and assumptions, which can include the Scheme's funding position, market conditions (such as Gilt yields, interest rates and inflation) and the expected investment returns. The Trustee aims to avoid large changes to Scheme factors where possible, but must ensure that the Scheme's Rules and prevailing pensions legislation are followed.

Jargon Buster

Code of Practice: codes of practice provide practical guidelines on the requirements of pensions legislation and set out the standards of conduct and practice expected of those who must meet those requirements.

Defined Benefit: a pension calculated by multiplying how long you've been a member of the scheme by your final salary (this could be an average of a number of your final years), then applying a fraction – such as 1/60th or 1/80th – of your pensionable pay. This is known as the accrual rate.

Low Dependency: in the context of scheme funding and investments, low dependency refers to trustees having a funding and investment strategy operating with reduced risk, and therefore reducing reliance on their sponsor to contribute additional funds. This includes asset allocations being broadly matched to scheme cashflows or 'outgoings'.

Scheme Maturity: scheme maturity refers to factors such as whether a scheme is open or closed to new entrants, the proportion of active and deferred members compared to the number of pensioners, the value of scheme liabilities compared to assets, and the level of cashflows compared to the level of assets.

Mature Scheme: mature pension schemes would usually be closed to new entrants and expected to have a greater number of members already drawing benefits from it. As such, the scheme should be funded in a way which means that scheme assets can cover the outgoing pension payments and the scheme's ongoing expenses.

In the news

Pension scams: Protecting yourself

We want to remind our Members to be vigilant against pension scams, which are becoming increasingly common. Scammers are now using the cost-of-living crisis as an opportunity to develop sophisticated ways of tricking pension members out of their life savings. They often target individuals nearing retirement age and may try to convince them to transfer their savings into a fake scheme, which can result in a significant loss of savings.

1.Be suspicious of all unexpected telephone calls, texts or emails from unknown numbers or email addresses, and opportunities that say they are “urgent”.

2.Reject unexpected pensions opportunities with phrases such as “free pension review”, “pension liberation”, “loan”, “cashback”, and guarantees that they can get you better returns on your pension savings.

3.If it sounds too good to be true, then it could be a scam – things like releasing cash from a pension before the age of 55, with no mention of the tax implications.

4.Never agree to download software or an app unless you are certain it is safe, and always carefully crosscheck website addresses. Scammers use these to access your device.

If you’re in any sort of doubt, or worried that something’s a potential scam, then there’s help available. You can:

• Speak to an adviser authorised by the Financial Conduct Authority (FCA) by visiting www.register.fca.org.uk

The FCA also has a list of unauthorised advisers and people they have received complaints about.

• Visit the Pensions Regulator website for more information on pension scams at www.thepensionsregulator.gov.uk

If you have general requests for information or guidance concerning your pension arrangements you can contact Money Helper – a free and impartial service for help with all financial matters, including pensions – backed by the Government. They can be contacted on 0800 011 3797 or at www.moneyhelper.org.uk/en

The Pledge

We included information on the Pension Scams Pledge in the 2022 newsletter. As Trustee, we have given the Pledge and are fully committed to what this represents, ensuring that we do what we can to support in protecting our Members against pension scams. We are currently in the process of ensuring that all necessary aspects are in place with our Administrator, EQ, so that we can self-certify that the requirements of the Pledge are being met, and we anticipate this to be completed by the third quarter of 2023.

Bear Your Pension in Mind

The “Bear your pension in mind” campaign, which was launched in October 2022 by the Pensions and Lifetime Savings Association (PLSA), and the Association of British Insurers (ABI), aims to encourage people to be aware of their pensions and how to track them.

The campaign urged people to actively engage with their pension and should not let the cost-of-living crisis deter them from thinking about their savings. Although the campaign itself is now finished, the key messages remain very relevant, which were:

- “It is more important than ever, as people face difficult financial choices, that they have confidence in their workplace pension and understand their savings” - **PLSA director Nigel Peaple**
- “While it may not be the right time for some people to increase their contributions, we must always do what we can to get them more engaged, even if is only to get them to understand their options. Especially those near retirement” – **PLSA director Nigel Peaple**
- “Everyone should take the time to find their pension pot and get to know what they have saved for the future” – **Mark Futcher**

In the news

Minimum retirement age increase

Your pension benefits from the Scheme, from the State and from any other pension savings you have, are probably due to start at different ages. You therefore need to have an idea of when you plan to retire so that you can assess what you are expecting to receive, and when.

A change has been announced relating to Normal Minimum Pension Age (NMPA), which is the earliest age most individuals can start receiving their individual pension arrangements (not including their State Pension). The NMPA will go up from age 55 currently, to 57 in 2028 and the aim of this change is to keep the minimum retirement age at around 10 years below the State Pension age, which is gradually increasing and will reach 67 by 2028. This means that members will not be able to access their pension savings until 57.

The Bill introducing the change also proposes introducing a new protected pension age for anyone who, on or before 3 November 2021, had an 'unqualified right' to take their benefits earlier than age 57 (or age 55) without incurring unauthorised payment charges with HMRC. Further guidance from HMRC is awaited as to what is meant by an 'unqualified right' for the new protected pension age.

If you would like any further information on your individual situation, please contact the Administrator (see contact details on page 12).

High Court rejects RPI reform appeal

The trustees of schemes of three of the UK's largest employers recently lost in their challenge against the Government and UK Statistics Authority's plans to align the Retail Prices Index (RPI) with the Consumer Prices Index including owner occupiers' housing costs (CPIH) from 2030.

The CPIH measure of inflation is different to the RPI measure in the way that it's calculated.

The trustees of the BT, Ford and Marks and Spencer pension schemes argued that the change would result in lower pension payments over time and lower transfer values. They also claimed that it would reduce the value of pension schemes' assets that are linked to the RPI, potentially increasing the financial pressure on sponsoring employers.

Pension Scheme Act 2021: new trustee powers

In the ongoing battle against pension fraud, and following the provisions of the Pension Scheme Act 2021, we now have the power to put a transfer request on hold or block a transfer if certain 'flags' suggest fraudulent activity – by an unscrupulous financial adviser, for example.

If you are thinking about transferring your benefits out of the Scheme, there will be more information about pension fraud and financial advice in your transfer pack.

To find out more, go to:
www.thepensionsregulator.gov.uk

and choose Document library > Scheme management detailed guidance > Administration > Dealing with transfer requests. These regulations are due to be reviewed in 2023 and we will provide an update as and when appropriate as to any changes to these regulations and what these mean for Members.

You can read more about the Pension Scheme Act 2021 online at:

www.thepensionsregulator.gov.uk/en/pension-schemes-act-2021.

Behind the scenes

Your Trustee Board

As Trustee Directors, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Scheme is progressing.

The Board is made up of Company-appointed Trustees and Member-nominated Trustees.

Company-appointed	Member-nominated
Richard Zugic	Neil C H Tointon
Justin Grainger	Valerie Jones
Ellie Siva	

We also appoint professionals to support us on areas of particular expertise.

Actuary	Jonathan Gainsford, Aon Solutions (UK) Limited
Administrator	EQ Limited
Auditor	PricewaterhouseCoopers LLP
Covenant Adviser	Mercer Ltd
Investment Adviser	Aon Investments Limited
Investment Manager	abrdn
Legal Adviser	Linklaters LLP

Scheme History – The Sponsor supporting your Scheme

- Founded in 1961 as the Abbey Life Assurance Company Limited, a half interest in the Company was bought by the ITT Corporation in 1964, before it fully acquired the organisation in 1970.
- First listed on the London Stock Exchange in 1986 via a 50% sale by ITT, and the remaining 50% sold in 1987, the then Lloyds Bank acquired a majority stake in the business in 1988 via a merger of five of its businesses, with the enlarged business becoming known as Lloyds Abbey Life. The Company became wholly owned by Lloyds TSB in 1996 and absorbed Hill Samuel Life Assurance Company in 1998.
- On 1 October 2007, Lloyds Banking Group sold the Company to Deutsche Bank.
- On 30 December 2016 Abbey Life was acquired by the Phoenix Group. Phoenix is a FTSE 250 company with a long history in life insurance.
- On 31 December 2018, all of the policies of Abbey Life Assurance Company Limited were transferred to Phoenix Life Limited.
- Phoenix Group, which is the Scheme's ultimate parent Sponsor, is a FTSE 100 company and has been a brand in the insurance world since 1782. The Group has grown to become the UK's largest long-term savings and retirement business acquiring other well-known brands such as Sun Life, Standard Life and ReAssure. Phoenix Group's vision is to grow a strong and sustainable business to help more people on their journey to and through retirement, across their Heritage and Open divisions. More information on Phoenix group can be found here: www.thephoenixgroup.com/about-us

More information

To find out more about the Scheme, please use the contact details below.

There are lots of useful websites that can help you understand your options and support you with your retirement planning.

Get to know your pension at

www.yourpension.gov.uk

The site has a tool that can quickly generate you a retirement checklist to help you assess where you are with your planning. It also has useful links to a pension calculator, a State Pension calculator and more.

Picture your future at

www.retirementlivingstandards.org.uk

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.

MoneyHelper

MoneyHelper is a free, impartial guidance service, backed by the Government. It brings together the support that was previously available through the Money Advice Service, the Pensions Advisory Service and Pension Wise.

www.moneyhelper.org.uk

Contact point

Please use any of the methods below to get in touch with the Administration team.

Email: abbeylifepensions@equiniti.com

Phone: 0345 712 5921
(lines are open Monday to Friday, 9am to 5pm)

Write to:
Equiniti Limited
PO Box 4991
Lancing
BN99 8WQ

Reminder to keep us up to date

Please let us know if you change your name or address so we can continue to contact you about the Scheme and your benefits.

Please also update your Beneficiary Nomination Form if you need to. This tells us who you would like to receive any benefits that become payable in the event of your death. As the Trustee, we have the final say over who receives the benefits. However, we will consider your Beneficiary Nomination Form, so if you have never filled one in, or you have not done so recently, particularly if your circumstances have changed, please complete a form and send it to us.

Please use the contact details on the left to request a blank form.

Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser. You can find an adviser in your area by searching MoneyHelper's online directory.

Go to www.moneyhelper.org.uk and choose Pensions and retirement > Taking your pension > Find a retirement adviser.

Remember: if you would like more information about the Scheme, you can request a copy of the Trustees' Annual Report & Accounts. Contact the administration team (details on the left).

Accessibility

Please be aware that we can also provide a copy of this newsletter in larger print, or in an alternative format, such as text only. If you would like to request this, please use the contact details on this page and we would be happy to arrange this for you.

Summary Funding Statement

This section summarises the results of the funding update at 31 March 2022. It also looks at the most recent valuation results at 31 March 2021. These financial health checks are vital for monitoring the Scheme's progress. We hope that the information helps you to understand how the Scheme is developing.

You may have seen in the press that significant market turbulence occurred towards the end of last year. Please be assured that this turbulence has no impact on this Scheme's ability to pay pensioners their benefits as they fall due. The Scheme is in a strong financial position and we will continue to monitor the Scheme's finances carefully in conjunction with our advisers.

The latest position

The table below shows how the funding position has changed since the valuation at 31 March 2021.

	Valuation	**Update**
Date	31 March 2021	31 March 2022
The funding level	75%	94%
The funding target	£343.3 million	£324.0 million
The value of the Scheme's assets	£257.2 million	£303.7 million
The overall position	Shortfall of £86.1 million	Shortfall of £20.3 million

Reasons for the change

The latest update shows that the funding level has significantly improved since the valuation at 31 March 2021.

This is largely as a result of Company contributions into the Scheme during the year. These contributions included the payment of the New 2013 Charged Account into the Scheme in December 2021 (£42.7 million).

To a lesser extent, changes in market conditions led to an improvement in the funding level. Increases in yields available on Government and corporate bonds decreased the amount of money that needs to be put aside now to pay benefits at a later date.

This improvement was partly offset by an increase in future inflation expectations.

The next financial check will be based on the Scheme's position at 31 March 2023. We will report on the results once they are complete.

It is important to remember that it is normal for pension scheme funding levels to fluctuate over time. Even when funding is temporarily below target, the Scheme will continue to pay benefits in full as long as it continues.

In addition to the assets held in the Scheme, assets are held in a separate account called the New 2016 Charged Account, which amounted to £23.8 million at 31 March 2022.

The Scheme will receive monies from the New 2016 Charged Account should certain events occur or if there is a shortfall in the Scheme as at 31 March 2027 (assessed in a specified manner). Any payment to the Scheme from the New 2016 Charged Account will be made no later than 30 June 2028.

Summary Funding Statement

Removing the shortfall

As part of the actuarial valuation as at 31 March 2021, we agreed with the Company to bring the Scheme to a fully funded position. This is known as a 'recovery plan'.

The Company agreed to pay £400,000 per month into the Scheme until 31 July 2025 to satisfy the recovery plan. In addition, a payment of £42.7 million was received by the Scheme in December 2021 from the New 2013 Charged Account.

These monthly contributions and the payment from the New 2013 Charged Account, together with anticipated investment growth, are expected to remove the shortfall by 31 July 2025.

The Company has also agreed to pay additional contributions of £400,000 per month into the Scheme from 1 August 2025 to 30 June 2026, and annual payments of £4 million each year until 31 July 2025 into the New 2016 Charged Account.

In respect of the expenses of administering the Scheme, the Company currently pays £109,431 per month. This amount will increase annually each 1 April in line with the 2021 valuation RPI inflation assumption.

The next formal actuarial valuation will look at the Scheme's position at 31 March 2024. This will include working out if the recovery plan is on track or if changes need to be agreed.

If the Scheme came to an end

The Scheme's funding level is worked out in two ways.

- The 'ongoing' basis (shown on previous page), which assumes that the Scheme will continue into the future.
- The 'full solvency' basis, which shows the funding position if the Scheme started to 'wind up' at the date of the update. If this happened, all members' benefits would have to be secured without delay by buying insurance policies. This would be more expensive than paying benefits gradually over time, so the full solvency position is generally lower than the ongoing position, even for fully funded pension schemes.

At 31 March 2021, the Scheme full solvency funding level was 64% with a shortfall of £146.4 million.

Please note that we are legally required to report the full solvency position as part of this funding statement. The Company has no current plans to end the Scheme.

We must also tell you if there have been any payments to the Company out of Scheme funds in the last 12 months. There have not been.

The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run though it has not needed to use its powers in this way for our Scheme. You can find out more about the Regulator online at

www.thepensionsregulator.gov.uk