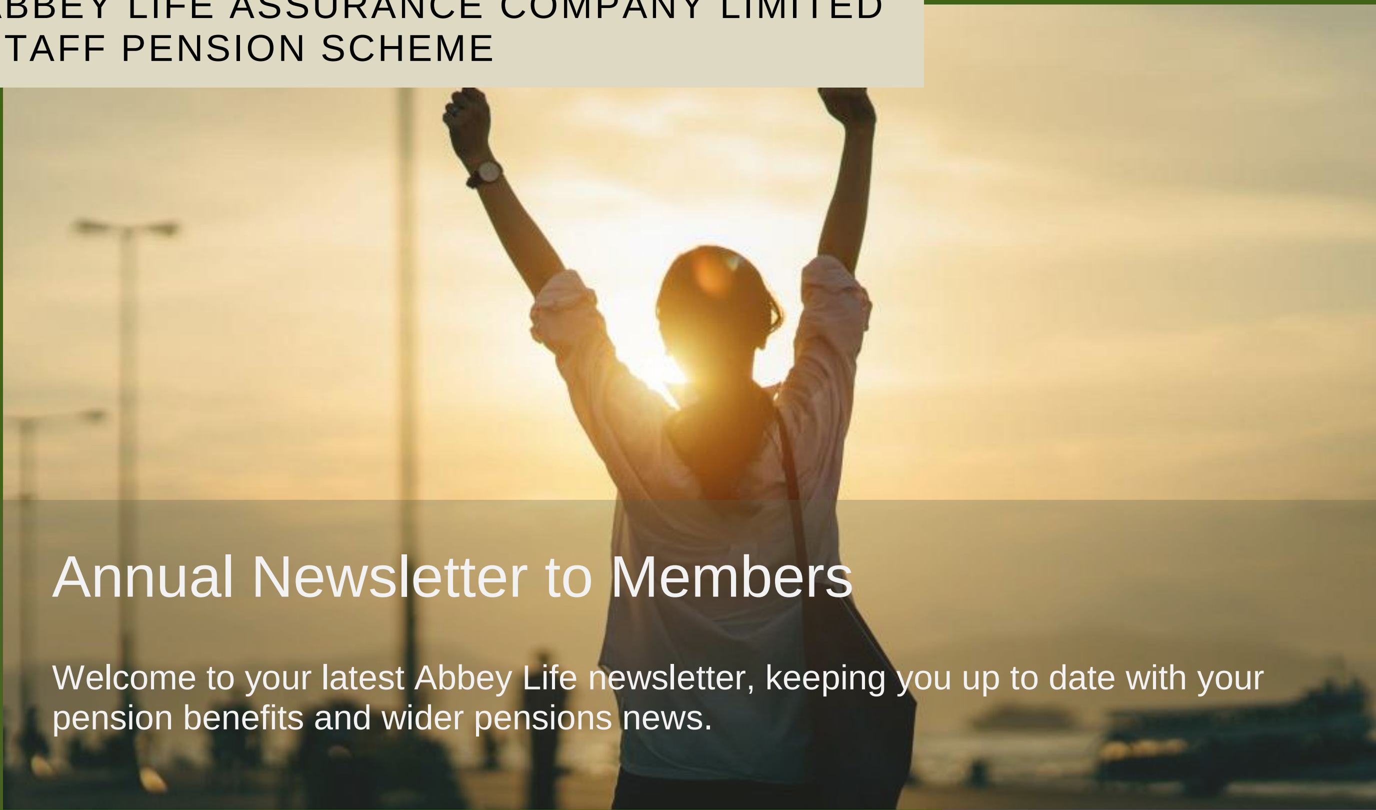
ABBEY LIFE ASSURANCE COMPANY LIMITED
STAFF PENSION SCHEME



Annual Newsletter to Members

Welcome to your latest Abbey Life newsletter, keeping you up to date with your pension benefits and wider pensions news.

February 2020

Inside you can find the usual facts and figures summarising how the Scheme has developed over the reporting year.

We report an update on the Scheme's latest funding position following the outcome of the valuation at 31 March 2018. The headline is that the funding position has improved over the year.

Away from the Scheme, Brexit uncertainty has dominated the financial landscape since the outcome of the EU referendum in 2016. As Trustee of the Scheme, we continue to keep a close eye on the markets and the wider economy. We have robust strategies in place to manage the Scheme and will continue to monitor its development as the economic landscape reacts over the coming months to the UK's departure from the EU.

Please do get in contact if there are topics you would like us to cover in a future issue or if you have a question. The contact details are on page 10.

Neil C H Tointon

Chairman of the Trustee

In this issue

In numbers

The membership

At 31 March 2019, there were 2,797 members in the Scheme, compared with 2,857 members at the same date last year. There are no longer any Active members in the Scheme.

1,723	**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.
1,074	**Pensioner members**- are receiving benefits from the Scheme (this figure includes the dependents of members who have died).

These figures do not include members who are paid by an annuity.

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 10.

The value of the assets supporting the Scheme at 31 March 2019	£248.3million
The increase in the value of the assets over the reporting year	£5.8million
The total value of Company contributions paid in to the Scheme during the year	£5.8million
The total value of benefits paid to members during the year	£15.5million

Investment update

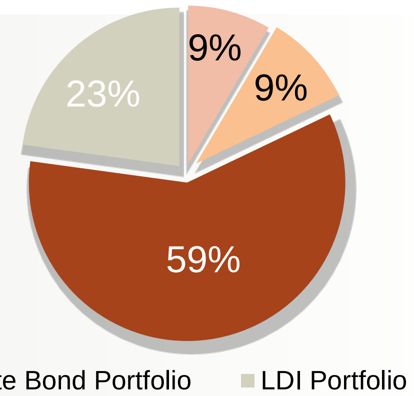
As Trustee, it is our responsibility to decide on the overall investment strategy and to make changes as and when appropriate. We work closely with our investment advisers (Aon) and our Investment Managers (Aberdeen Standard Investments (ASI)) and we keep a close eye on how the Scheme's selected investment funds are performing against our expectations. As at 31 March 2019, the Scheme's assets were in the process of being transitioned to a new investment strategy that is expected to provide a higher level of return relative to the liabilities for a similar level of investment risk.

The Trustee is very mindful of environmental, social and governance (ESG) considerations. ASI recognise that ESG investment is about doing the right thing, while aiming to achieve its clients' long-term financial goals. We are satisfied that ASI's ESG approach is consistent with our own ethos.

At 31 March 2019, the Scheme's assets were invested in an array of asset classes – UK Equity, UK Corporate Bonds, a Diversified Growth Fund (DGF) and Liability Driven Investments (LDI). Following financial year end, the explicit allocation to UK Equity was removed and the allocation to the DGF – a pooled investment vehicle with exposure to a wide and diverse set of asset classes – was increased. Over time, an allocation to privately sourced credit will also be introduced in favour of UK Corporate Bonds.

Asset allocation

The chart adjacent shows how the Scheme's investments were allocated across asset types at 31 March 2019. The Scheme is transitioning to a new 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 if appropriate.



Performance

The table below shows how the Scheme's investments have performed compared with their 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 for the entire period.

Portfolio	Performance over the twelve-month period to 31 March 2019		Performance over the three-year period to 31 March 2019 (% per year)	
	Fund	Benchmark	Fund	Benchmark
UK Equity	10.2%	6.3%	10.6%	9.5%
Public Corporate Bonds	3.5%	3.7%	4.9%	4.6%
Liability Driven Investments (LDI)	22.6%	N/A	22.8%	N/A

Over the financial year, the Scheme's assets increased from £242.5m as at 31 March 2018, to £248.3m as at 31 March 2019. Over the same period, the Scheme's liabilities calculated on a technical provisions basis increased from £334.4m to £342.3m, with the funding level remaining broadly unchanged at 72%.

The total Scheme assets delivered an investment return of 8.9% over the 12-month period to 31 March 2019. Over three years, the Scheme's assets returned 13.7% per annum.

Both the Bond mandate and UK Equity mandate are invested in "active" mandates, whereby the Investment Manager aims to outperform their appropriate market index. Over the year, the UK Equity and Bond portfolios outperformed their benchmarks.

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 given that the mandate is designed to move in line with the liabilities (which rose in value).

News bites

GMP equalisation

In our previous issue, we reported on how the ruling on equalisation for guaranteed minimum pensions (‘GMPs’) might affect the Scheme and some members. This is a complex area and we are continuing to work with our advisers to identify if and how members are affected. We hope to be able to update you later in the year.

In the meantime, recent developments include:

- A second High Court hearing was held in December 2018. The judgment provided some further clarification for pension schemes, though more hearings in the future remain a possibility.
- A new industry group has been formed, brought together and chaired by the Pensions Administration Standards Association (‘PASA’), to help schemes follow the High Court’s ruling,
- The Department for Work and Pensions has published its first version of statutory guidance on equalising GMPs by converting them into different benefits.
- HMRC has set up its own working group to consider the pension tax issues that may arise from GMP equalisation.

Pension tax allowances

Please remember that it is your responsibility to understand your tax position for the Annual Allowance and Lifetime Allowance.

The Lifetime Allowance increased to £1.055 million for the 2019/20 tax year. It is expected to rise in line with inflation each year, as measured by the Consumer Prices Index. The Annual Allowance has not changed for 2019/20.

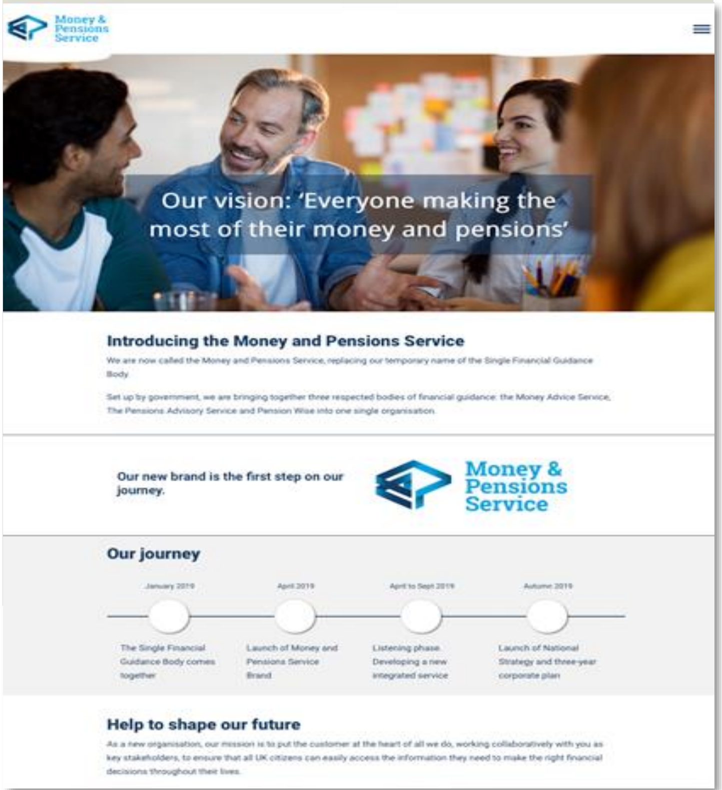
You can find information about the allowances online at www.gov.uk/tax-on-your-private-pension/overview.

One place for money and pensions support

A couple of years ago, the Government pledged to combine the Pensions Advisory Service, the Money Advice Service and Pension Wise. Why? To make it easier for people to get help and guidance about pensions and finances.

The new organisation is called the Money and Pensions Service. It came into effect at the start of the year and took on its new name on 6 April 2019 although, at the time of writing, the three guidance bodies retain their individual identities. Work continues behind the scenes and the merger is expected to complete during 2020. We will keep you updated.

Go to www.moneyandpensionsservice.org.uk to find out more.



News bites

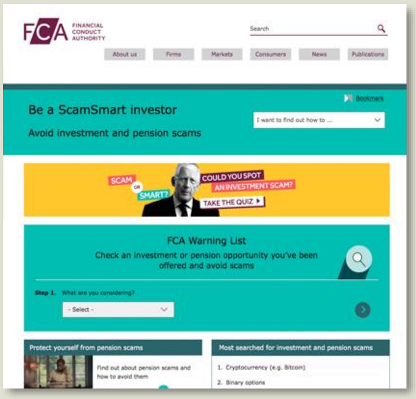
Pension fraud: are you ScamSmart?

Pension fraud remains a threat to your savings so it's important that you know what warning signs to look out for and are aware of the risks.

The Government is trying to help to tackle the problem and has banned cold calling about pensions. Companies can no longer make unsolicited calls and those that do could face significant fines.

Note that not all calls about pensions have been banned. To be legal, the caller must be Financial Conduct Authority (FCA)-authorised, or the trustee or manager of your scheme, and you must either have agreed to receive calls from the caller or have an existing client relationship with the caller and have not opted out of receiving such calls.

The Financial Conduct Authority has also launched a ScamSmart campaign. Go online to www.fca.org.uk/scamsmart and take the quiz to see if you could spot a scam.



Follow their three rules to keep your savings safe:

- Reject unexpected offers;
- Spot the warning signs;
- Check if a firm is FCA-authorised.

If someone approaches you with an offer that sounds too good to be true, know what to look for and what your next steps should be.

If you have any doubts about the legitimacy of any offer you receive, speak to an expert before you sign up for anything.

If you think you may be a victim of a pension scam, contact Action Fraud. Phone **0300 123 2040** or go to their website, **www.actionfraud.police.uk**, and fill in an online fraud report.

Gold Standard for Financial Advisers

Members of 'defined benefit' (DB) pension arrangements, such as the Scheme, can transfer their benefits to an alternative arrangement, to access more flexible retirement options. It is important (and in some cases a requirement) to take independent financial advice before taking such transfers.

The Pensions Advice Taskforce recently launched the Pensions Transfer Gold Standard for financial advisers - a voluntary code of good practice for giving advice on transferring from DB arrangements.

Regulated financial advice firms must already adhere to two existing regulatory principles – a firm must pay due regard to:

- the interests of its customers - and treat them fairly, and
- the information needs of its clients - and communicate information to them in a way that is clear, fair and not misleading.

Firms that work in line with the Gold Standard must also adhere to a further set of nine Gold Standard principles.

Firms that adopt the Gold Standard will display the 'badge' on their literature.

You can find Gold Standard IFAs on the Money Advice Service (https://www.moneyadviceservice.org.uk/en)

by going to Pensions & Retirement / Retirement adviser directory. The Money Advice Service now forms part of the Money and Pensions Service.

For more information on the Gold Standard, go to www.thepfs.org and go to About us / Initiatives / Pension Transfer Gold Standard.

Scheme update

Your Trustee Board

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

Last year we brought you up-to-date with the various changes in the Board's structure. There had been some of changes to the overall structure, including the appointment of three new Company-appointed Trustee Directors since the end of 2017. Each of our Company-appointed Trustee Directors bring with them a wealth of knowledge and expertise, particularly in the pensions funding and investment space. Both of our Member-nominated Trustees have also been supporting our Scheme on its journey for many years now, being well versed in all areas of running the Scheme.

There have been no further changes to the Board and we would like to reassure members that we continue to work together with a strong and continued commitment to supporting the Scheme through into the future. As a reminder, the current list of Trustee Directors can be found within the table below.

Member Nominated Trustee Directors – Terms of Office

The 5-year terms of office for both Member Nominated Trustee Directors (MNTDs) come to an end on 31 May 2020. Both Trustee Directors have confirmed that they intend to stand again for a further 5-year term.

In line with the Trustee's MNTD nomination process, we will be writing separately to all eligible Scheme members, inviting any further nominations to act as an MNTD for the Scheme. This communication will include further details around the commitments of the role, as well as the skill and knowledge requirements in order to run a successful Board.

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

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

Administrator	Equiniti Limited
Actuary	Jonathan Gainsford, Aon
Auditor	PricewaterhouseCoopers LLP
Covenant Advice	Mercer Ltd
Investment Adviser	Aon
Investment Manager	Aberdeen Standard Investments (ASI)
Legal Adviser	Linklaters LLP

Partial Transfer Value Limits

The Partial Transfer Value option for deferred members was introduced by the Trustee at the beginning of 2019. This option allows the transfer of part of your Scheme pension to another provider, whilst retaining a reduced pension in the Scheme.

There are various conditions that must be met for a member to be eligible and one of the key conditions was that the cash equivalent transfer value of your benefits must be at least £400k.

The Trustee has considered this particular limit carefully and agreed that it will now be reduced to £300k with immediate effect.

Further information on this option can be requested from Equiniti using the contact details on page 10.

Summary Funding Statement

This section summarises the results of the funding update at 31 March 2019. It also looks at the results of the valuation at 31 March 2018. These financial health checks are vital for monitoring the Scheme's progress. We hope the information helps you to understand how the Scheme is developing.

The latest position

	Valuation	Update
Date	31 March 2018	31 March 2019
The funding level	71%	72%
The funding target	£338.3 million	£342.4 million
The value of the Scheme's assets	£240.2 million	£246.5 million
The overall position	Shortfall of £98.1 million	Shortfall of £95.9 million

Note: the value of the Scheme's assets in the table above is slightly different to the value of assets shown in the accounts and investment updates on pages 2 and 3. This is because the values include adjustments in respect of money purchase benefits.

Reasons for the change

The latest update shows that the funding level has improved slightly since the valuation at 31 March 2018.

This is largely as a result of Company contributions and investment growth, partly offset by changes in market conditions, which have increased the value of the liabilities – the amount the Scheme needs to hold to pay member's benefits. Decreases in yields available on Government and corporate bonds increases the amount of money that needs to be put aside now to pay benefits at a later date.

In addition to the assets held in the Scheme, additional assets are held in separate accounts, called the New 2013 Charged Account and the New 2016 Charged Account, which amounted to £38.5 million and £11.6 million respectively at 31 March 2019.

The Scheme will receive monies from the New 2013 and New 2016 Charged Accounts should certain events occur, or if there is a shortfall in the Scheme as at 31 March 2021 for the New 2013 Charged Account, or 31 March 2027 for the New 2016 Charged Account (assessed in a specified manner).

Any payment to the Scheme from the New 2013 Charged Account would be made no later than 30 June 2022, and any payment to the Scheme from the New 2016 Charged Account will be made no later than 30 June 2028.

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.

The next financial check will be based on the Scheme's position at 31 March 2020. We will report on the results once they are complete.

Summary Funding Statement

Removing the shortfall

As part of the valuation at 31 March 2018, 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 until 31 July 2025 to satisfy the recovery plan.

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

The Company has also agreed to pay additional contributions of £400,000 per month from 1 August 2025 to 30 June 2026.

The Company will also make additional annual contributions of £4m 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 £100,000 per month. This amount will increase annually each 1 April in line with inflation.

The next formal valuation will look at the Scheme's position at 31 March 2021. 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 the 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 valuation. If this happened, all members' benefits would have to be secured by buying insurance policies. This would be more expensive than paying benefits from the Scheme so the full solvency position is generally lower than the ongoing position, even for fully funded pension schemes.

At 31 March 2018, the Scheme's full solvency funding level was 56% with a shortfall of £192.2 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.

Privacy notice

The Trustee holds some personal information which we need in order to administer the Scheme. Without your personal information, we cannot provide you and your dependants with the correct benefits at the right time. This will include personal information about you, such as your name and contact details, information about your pension contributions, age of retirement, and in some limited circumstances information about your health (where this impacts your retirement age). The purposes for which your personal information will be used include management of the pension scheme and your membership within it, to calculate and pay benefits, funding the pension scheme (i.e. helping to ensure that the funds within the pension scheme are sufficient to cover the members who are party to it), liability management (that is to say providing advice on the different ways benefits could be determined, and drawn, from the pension scheme), scheme actuary duties (which include assessing individuals who are members of the pension scheme and assessing how the make-up of the membership may affect the amounts payable and when they become payable so as to manage the pension scheme appropriately), regulatory compliance, process and service improvement and benchmarking.

We may pass your personal information to third parties such as advisors and benefits providers, insurers and to certain regulatory bodies where legally required to do so. Depending on the circumstances, this may involve a transfer of data outside the UK and the European Economic Area to countries that have less robust data protection laws. Any such transfer will be made with appropriate safeguards in place.

More detail about our use of your personal information is set out in our full Privacy Notice which has previously been sent to you. If you need a further copy, please contact us using the contact details on page 10.

More information

For more general information on pensions and saving for retirement, the following websites are useful resources.

www.moneyadviceservice.org.uk

The Money Advice Service provides general advice on all money matters including pensions and finding an independent financial adviser.

www.gov.uk

The Government's website features a section 'Working, jobs and pensions', which includes a State Pension Age calculator.

Early Resolution Service

If you have a concern about your benefits, contact the Early Resolution Team:

www.pensions-ombudsman.org.uk/our-service/make-a-complaint

Phone: **0800 917 4487** and select the option to discuss a potential complaint

Email: **helpline@pensions-ombudsman.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

Scheme Web Page

The Trustee, with the support of the Sponsor, Phoenix Group, has now established a Scheme section within Phoenix Group's website to hold key Scheme documents. These documents include:

- Previous editions of the annual member newsletter;
- The Scheme's Statement of Investment Principles;
- The Scheme's DC Chairman's Statement.

This web page can be accessed via the link below:

www.thephoenixgroup.com/site-services/abbeylifestaffpensionscheme

Reminder to keep us up to date

Please let us know if you change your name or address so that 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. 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 adjacent 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 (IFA). You can find an adviser in your area by searching the Money Advice Service directory at:

https://directory.moneyadviceservice.org.uk/en.

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised. You can do this online at **https://register.fca.org.uk** or by telephoning the Financial Conduct Authority helpline **0800 111 6768.**