

Pension News

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

Winter 2019

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

We report on the Scheme's latest funding position following the outcome of the funding update at 31 December 2018. Looking ahead, we are now in a valuation year. The Scheme must have a full valuation every three years and this one will examine the funding position as it stands on 31 December 2019. We will let you know the results in due course.

Away from the Scheme, Brexit uncertainty has dominated the financial landscape since the outcome of the EU referendum in 2016. The European Union has agreed to grant a three-month extension to the Article 50 deadline, bringing the proposed Brexit date to 31 January 2020. Meanwhile, the UK Parliament has voted to hold a general election on 12 December 2019 in a bid to resolve the current political deadlock. As Trustees, we will continue to monitor the impact of Brexit on the Company.

In other news, we report on the increasing profile of responsible investing and highlight the new Gold Standard for independent financial advisers.

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 6.

Susan Anyan, representing Capital Cranfield Pension Trustees Limited
Chair of the Trustees

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In numbers

The membership

At 31 December 2018 there were 339 members in the Scheme compared with 353 members at the same date last year.

244	Deferred members - no longer building up benefits but have benefits in the Scheme for when they retire.
95	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 6.

The opening value of the assets supporting the Scheme at 31 December 2017	£88.2 million	
Net return on the investments over the reporting year	-£1.6 million	
The total value of benefits paid to members during the year	-£5.0 million	
The total expenses incurred during the year	-£0.2 million	
The closing value of the assets supporting the Scheme at 31 December 2018	£81.4 million	

Investment update

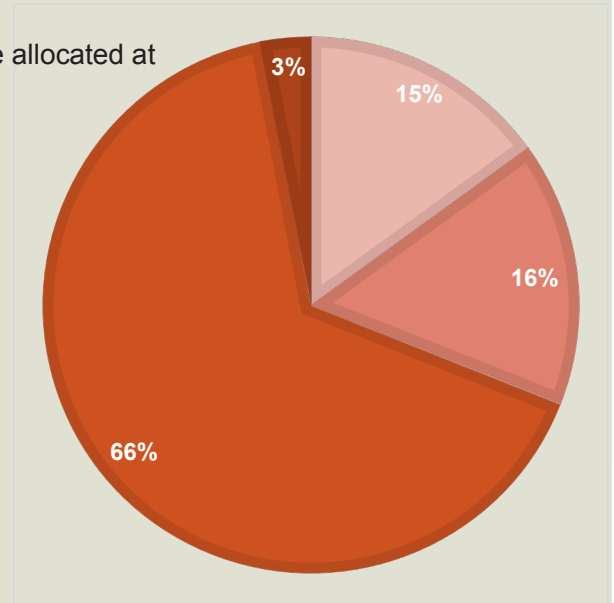
As Trustees, it is our responsibility to decide on the overall investment strategy and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

Asset allocation

At 31 December 2018, the Scheme held assets of £81.4M compared with £88.2M at the same date last year.

The chart adjacent shows how the Scheme's investments were allocated at 31 December 2018, across asset types.

- Equity 15%
- Alternatives 16%
- Matching assets 66%
- Cash 3%



Performance

The table below shows how the Scheme's investments have performed to 31 December 2018.

Over the year to date	-4.4%
Over three years (% per year)	11.7%
Over five years (% per year)	11.2%

The Trustee aims to invest the assets of the Scheme to meet members' benefits as and when they fall due. The Trustee continues to monitor performance and make any changes that are felt necessary.

Additional Voluntary Contributions (AVCs)

As you will be aware, the main benefits provided under the Scheme are 'final salary' benefits. Some Scheme members chose to pay Additional Voluntary Contributions (AVCs) to increase their overall level of benefits from the Scheme. AVC benefits are calculated in a different way to the main Scheme benefits, they are 'defined contribution' (not final salary) which means the amount of AVC benefit depends on the amount of AVCs paid in and the investment returns achieved on those AVCs.

The Trustee would like to remind you that it is important to regularly review your investment choices, to make sure they are still suitable for you. If you require further details on your AVC arrangement please contact the Aon Bridon Team (see page 6 for details).

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 will provide an update in 2020.

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 of £40,000 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 2019 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 we will keep you updated with progress.

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

Introducing the Money and Pensions Service

We are now called the Money and Pensions Service, replacing our temporary name of the Single Financial Guidance Body.

Set up by government, we are bringing together three respected bodies of financial guidance: the Money Advice Service, The Pensions Advisory Service and Pension Wise into one single organisation.

Our new brand is the first step on our journey.

Our journey

- January 2019: The Single Financial Guidance Body comes together
- April 2019: Launch of Money and Pensions Service Brand
- April to Sept 2019: Listening phase. Developing a new integrated service
- Autumn 2019: Launch of National Strategy and three-year corporate plan

Help to shape our future

As a new organisation, our mission is to put the customer at the heart of all we do, working collaboratively with you as key stakeholders, to ensure that all UK citizens can easily access the information they need to make the right financial decisions throughout their lives.

Pension transfers

You can start receiving your pension at anytime on or after your 55th birthday. At retirement you will have the option to exchange some of your pension for a one-off lump sum. This lump sum is normally tax-free. You will be provided details of this option as part of the retirement illustration provided to you at the time. If you retire early (before your normal retirement date) your benefits will be reduced to reflect the fact that they're being paid out for longer.

You can also consider transferring your pension benefits to another registered pension scheme if you so wish, and the Aon Bridon Team can provide a quotation on request.

Please note that you do not have the right to transfer your pension benefits after your normal retirement date (NRD).

If you are thinking about a transfer out, please speak to an independent financial adviser (IFA) who is registered with the Financial Conduct Authority. You can find a list of regulated advisers at unbiased.co.uk.

Responsible investing

Across the pensions industry, environmental, social and governance (ESG) considerations are becoming increasingly high profile. Related to this, the economic impact of climate change is having an increasing influence on trustees' investment strategies.

The government has recently published its first green finance strategy, including actions for all the UK's financial regulators.

It's in the interests of investment managers to consider national and international climate policies as these might provide some insight on the wider business environment.

Sustainable and responsible investment options are likely to become increasingly common. We work closely with the Scheme's investment managers to make sure that the investments held by the Scheme are appropriate.

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 website

(<https://www.moneyadvice.org.uk/en>), by going to Pensions & Retirement / Retirement adviser directory. The Money Advice Service now forms part of the Money and Pensions Service.

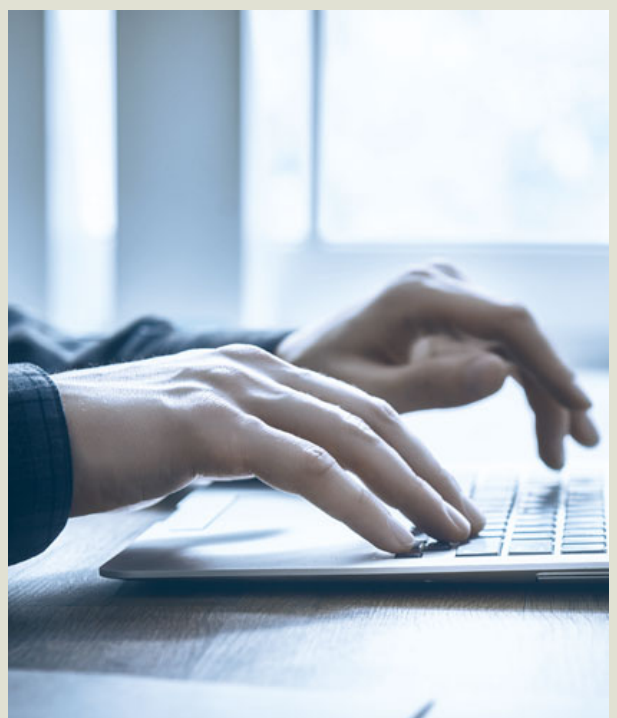
For more information on the Gold Standard, go to www.thepfs.org and go to About us / Initiatives / Pension Transfer Gold Standard.



How secure is your pension?

The Pensions Advisory Service has published an online leaflet, *Defined Benefits: how secure is my pension?* This answers some of the common questions about the funding issues surrounding defined benefit pension arrangements, and about the safeguards and guarantees that exist.

Go to www.pensionsadvisoryservice.org.uk. You can find the leaflet in the News section of the site. The Pension Advisory Service now forms part of the Money and Pensions Service.



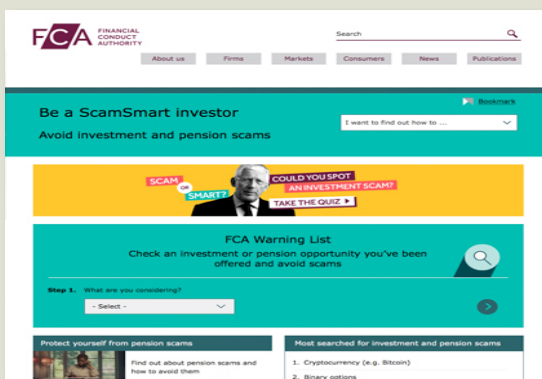
Pension fraud: are you ScamSmart?

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.

Financial advice

Before taking a transfer value, you may wish to seek advice from an Independent Financial Adviser (IFA), who can help you to understand your options. They will require some personal details surrounding your finances and health in order to provide you with the right advice. Indeed, if the transfer value of your DB benefits is more than £30,000 you must take IFA advice from an appropriately qualified and FCA-approved adviser before your transfer value can be paid.

To help you choose a suitable IFA, we have set out some things to think about.

- 1) You should always be sure that they are appropriately qualified to provide pensions transfer advice. Only individuals qualified as a Pension Transfer Specialist can give advice on pension transfers. You should check the adviser has this qualification.
- 2) Consider the level and experience the adviser has. Look at the service they offer and think about how they will interact with you. Ask them how many transfers from 'defined benefit' pension schemes they have advised on.
- 3) Are you clear on how the IFA will charge for their advice? It is important to make sure that the fees you pay are reasonable. Remember though, that for many people, their pension pot is the most valuable asset they have (even more than their home), so getting professional advice is important. You may want to ask the following questions before you take advice:
 - "Can you confirm in pound terms, the fee you receive if I don't go ahead with the transfer, and the fee you receive if I do go ahead with the transfer?"
 - "Can you confirm if you will receive or request any ongoing supplementary fees after my transfer is made, and if so, what these are likely to be in pound terms?"
- 4) Before proceeding with a transfer, it is important that you understand all of your options. There are likely to be a variety of options available to you if you transfer. For example, you could buy an annuity, take all your pension savings as a one-off cash sum, or choose to take income over a period of time. Your adviser should provide you with a written recommendation as to whether you should transfer, and if they think that you should do so, which option they recommend for you (along with details as to how they have reached their recommendation).

More information

To find out more about the Scheme, please go to www.bridonpensions.co.uk.

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:

Go to 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: bridonpensions@aonhewitt.com

Phone: 0345 268 8476
(lines are open Monday to Friday, 9am to 5pm)

Write to: Bridon Pensions
Aon
PO Box 196
Huddersfield
HD8 1EG

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 Expression of Wishes 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 Trustees, we have the final say over who receives the benefits. We will consider your Expression of Wishes 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.

You can download a blank Expression of Wishes form from the Scheme website.

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 phoning the Financial Conduct Authority helpline, **0800 111 6768**.

This Newsletter is for information purposes only. Your benefits within the Scheme are based on the Scheme Rules. In the event of any discrepancy between any information provided to you in this Newsletter and Scheme Rules, the Scheme Rules will prevail.

Behind the scenes

As Trustees 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, an Independent and member-nominated Trustees.

Company-appointed	Member-nominated	Independent
G Cook	G Dallard G Peters	S Anyan, Chair, representing Capital Cranfield Pension Trustees Limited

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

Administrator	Aon Hewitt Limited
Actuary	A Shah, Aon Hewitt Limited
Auditor	Ernest & Young LLP
Legal Adviser	Squire Patton Boggs (UK) LLP

Summary Funding Statement

This section summarises the results of the funding update at 31 December 2018. It also looks at the most recent previous results. 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

The table below shows how the funding position has changed since the valuation at 31 December 2016 and the last funding update.

	Annual Actuarial Update	Annual Actuarial Update	Actuarial Valuation
Date	31 December 2018	31 December 2017	31 December 2016
The funding level	96%	99%	93%
The funding target	£84.5 million	£88.8 million	£88.1 million
The value of the Scheme's assets*	£81.3 million	£88.1 million	£82.3 million
The overall position	Shortfall of £3.2 million	Shortfall of £0.7 million	Shortfall of £5.8 million

*this excludes the value of the Scheme's Additional Voluntary Contributions (AVCs). The value of the Scheme's AVCs as at 31 December 2018 was £0.1M.

The latest update shows that the funding level has improved since the valuation at 31 December 2016 but there is a slight deterioration from the previous year's update.

The next financial check will be a formal actuarial valuation based on the Scheme's position at 31 December 2019. We will report on the valuation 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.

Reasons for the change

The increase in the shortfall over the year is largely as a result of decreases in yields available on government bonds which increase the value placed on the Scheme's liabilities. This has been partially offset by positive investment returns on the Scheme's assets.

As benefits are paid out from the Scheme, it is normal for the both the value of the assets and liabilities to decrease with time.

Removing the shortfall

As part of the valuation at 31 December 2016, we agreed with Bridon International Limited (the Company) to bring the Scheme to a fully funded position. This is known as a 'recovery plan'. The Company agreed to pay:

- £158,333 per month from 1 January 2017 to 31 December 2017 (12 months);
- Nil from 1 January 2018 to 31 December 2018 (12 months); and
- £62,500 per month from 1 January 2019 to 31 August 2021 (2 years 8 months).

These contributions and anticipated investment growth are expected to remove the shortfall by 31 August 2021.

In addition, the Company continues to pay:

- All administration costs subject to a cap of £0.33M per annum.
- The Pension Protection levy

The next formal valuation will look at the Scheme's position at 31 December 2019. 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, 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 without delay by buying insurance policies. This would be more expensive than paying benefits gradually over time so the full solvency position funding level is generally lower than the ongoing position, even for fully funded pension schemes.

At 31 December 2016, the Scheme's full solvency funding level was 58% with a shortfall of £59.9 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. We can confirm that there have not been any such payments in the last 12 months, other than reimbursing the Company for administration costs in excess of the cap.

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.

