

Your

Pension Matters

The Trustee's report to members

May 2022

Pearl Group Staff Pension Scheme

Welcome

Welcome to the latest issue of *Your Pension Matters*, the newsletter for members of the Pearl Group Staff Pension Scheme. It includes news from the Scheme as well as an update about pensions in general.

The latest actuarial valuation of the Scheme is currently in progress, looking at the position as at 30 June 2021. This is a complex process, and the results are not yet available so there is no Summary Funding Statement in this issue. However, early indications are that the Scheme is expected to continue to have a small surplus. In the meantime, we have included a reminder on page 15 about what is involved in the valuation.

In the wake of the pandemic, scams of all types but particularly pension scams continue to be a danger to members. If you are thinking of transferring your benefits, please make sure that you consider your options carefully and take independent financial advice first. The government has launched a

new money and pensions advice service called MoneyHelper, which you can read more about on page 7.

The invasion of Ukraine by Russia has caused volatility in global financial markets. However, as we saw with the pandemic, short-term market impacts are typically smoothed out over the longer-term investment of a pension. The Trustee continues to keep a close eye on the developing situation.

I hope you enjoy reading this issue of *Your Pension Matters* and find it useful. If you have any questions or feedback, please get in touch with the Scheme administrators using the contact details on the back page.

Keith Jones, Chair of the Trustee

At a glance...

These are the Scheme highlights for the year to 30 June 2021, when:

the Scheme's assets were worth
£2,932 million

the Scheme had **17,646** members

the Company paid in contributions of
£50 million

the Scheme paid benefits to members
totalling **£88 million**

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Scheme news

Moving house? Keep in touch

It is very important that you let First Actuarial, the Scheme administrators, know if you change your address.

Each year, we lose contact with a proportion of our members mainly due to not being informed that they have moved house. If the administrators of the Scheme have post returned to them or suspect that you have moved without telling them, they will consider the address to be 'suspect', and all communication is stopped until a new confirmed address is received.

They will then use either the Department for Work and Pensions or an external company called The Tracing Group to trace you. If you receive a letter from The Tracing Group requesting your details, please rest assured that it is safe to respond. The Tracing Group will pass your confirmed new details back to the Scheme administrators, so they can keep in touch with you. There is further information about the Tracing Group at: <https://www.thetracinggroup.co.uk/>

We all need to take care when sharing our personal details. If you have any concerns about any letters you receive about your benefits in the Scheme, you can contact the Scheme administrators using the contact information on the back of this newsletter.

Reporting the death of a member

If you need to tell us about the death of a member of the Scheme, please contact the Scheme administrators using the details on the back page as soon as possible. If the member was receiving pension payments from the Scheme, this helps to ensure that overpayments are not made.

Whether the member was already retired or a deferred member, in most cases their spouse or partner will be entitled to a dependant's pension. Getting in touch promptly helps to ensure that this can be set up as quickly as possible.

Considering your options fully

If you have AVCs or benefits in the Money Purchase section, new requirements mean the Trustee may direct you to Pension Wise for information and guidance.

If you are thinking about retiring or are over 50 and want to transfer your benefits from June 2022, we will not be able to proceed with your application to transfer or take your benefits flexibly unless you have received appropriate guidance or opted out of doing so. It is always a good idea to take your time and consider all your options thoroughly.

Please note, if you are under 50 and simply want to transfer your benefits to bring several smaller pensions together, rather than accessing them flexibly, this guidance requirement does not apply.

Review your nomination form

One of the hardest decisions the Trustee makes is how to pay any benefits that are due when a member dies without completing an up-to-date nomination form, sometimes known as an expression of wish. It is important to let us know your wishes, especially if your situation is complicated or if your circumstances have changed, for example, you have got married or divorced, entered or left a civil partnership or had a child. If you are already married then your spouse will automatically qualify for a spouse's pension, and so there is no need to complete a nomination form for them. You can update your wishes at any time by downloading a blank nomination form at www.pearlstaffpensionscheme.co.uk/Members/Forms. You can also contact the Scheme administrators using the details on the back page.

Scheme news continued

Reducing investment risk

As reported in last year's issue of *Your Pension Matters*, the Trustee entered a buy-in agreement with Phoenix Life Limited (PLL) in November 2020 to cover 25% of the Scheme's liability for paying members' pensions.

You may recall, a buy-in – sometimes called a bulk annuity – is an insurance policy that belongs to the Scheme as one of its assets. During the last year, the Trustee has purchased two further policies with PLL in July 2021 and in November 2021. These additional policies now mean that almost three-quarters of the

Scheme's liabilities (for both deferred and pensioner member benefits) are now covered.

Your benefits are not changed by the buy-ins, and the Scheme remains responsible for paying members' pensions. The buy-ins increase the security of all members' benefits because they reduce the level of investment risk that the Scheme is exposed to. This helps to keep the funding level more stable as fewer of the Scheme's investments are impacted by volatility in the financial markets.

Full-year results for 2021 were published for the Phoenix Group on 14 March. Please visit www.thephoenixgroup.com to see the results and other news items that may be of interest.

More protection for pension transfers

New regulations designed to add more protection for pension scheme members from scams have been introduced. These require a transfer request to meet certain conditions before the Trustee can agree to it. Under certain conditions, the Trustee can automatically block a transfer or require members to get advice from MoneyHelper before proceeding.

MoneyHelper

The government's new information service, MoneyHelper, is an easy way to get free, trusted help for your money and pension choices. It combines the services previously provided by the Money Advice Service, the Pensions Advisory Service and Pension Wise.

Offering impartial help that is quick to find and easy to use, MoneyHelper is available online or over the phone, providing clear money and pensions guidance, as well as links to trusted services if you need more support. Go to www.moneyhelper.org.uk

A freeze on the Lifetime Allowance

The Lifetime Allowance (LTA), which is the maximum amount of pension savings you can have at retirement from all pension schemes without incurring an additional tax charge, has been frozen at £1,073,100 for the next four years. Since 2017, the LTA has been increasing in line with inflation, but it will now remain fixed until 2026.

Running the Scheme

The Scheme is managed by a corporate trustee called P.A.T. (Pensions) Limited. There are eight Trustee Directors, five of whom are appointed by the Company, including an independent chair, and three who are nominated by the members of the Scheme (MNT).

Your Trustee Directors

Keith Jones, Chair (independent)

Graham Felston, MNT

Max Mauchline, MNT

Chris Munro, MNT

Bob Seaman

Gary Welsh

Lesley Williams

Quentin Zentner

Secretary to the Trustee

Clare Wilson, First Actuarial LLP

Advisers to the Scheme

The Trustee has appointed the following professional advisers to help run the Scheme.

Actuary

Neil Wearing FIA, WTW

Auditor

RSM UK Audit LLP (from March 2021)

PricewaterhouseCoopers LLP (to February 2021)

Investment adviser

Aon Solutions UK Limited

Custodians

State Street Bank and Trust Company

Bank

HSBC Bank plc

Main legal adviser

Reed Smith LLP

Principal employer

Pearl Group Holdings (No. 2) Limited

Who's in the Scheme?

As at 30 June 2021, you were one of 17,646 members in the Scheme.

Final Salary section

Deferred members	6,224
Pensioner members	9,948
Total	16,172

Money Purchase section

Deferred members	1,330
Pensioner members	144
Total	1,474

Hybrid members have benefits in both the Final Salary and Money Purchase sections. They are included in the totals for the Money Purchase section.

The Money Purchase section of the Scheme closed on 30 June 2020, when all active members were offered membership of the Standard Life Master Trust.

The Scheme's finances

The information on these pages is a summary that has been taken from the Trustee's formal report and accounts for the year to 30 June 2021.

Fund value at 1 July 2020: £3,109m (including Money Purchase assets of £61m)

	12 months to 30 June 2021 (£m)			(£m)
	Final Salary	Money Purchase	TOTAL	PREVIOUS YEAR
Income				
Contributions	50.0	-	50.0	40.6
Investment income	31.5	-	31.5	16.8
Total	81.5	-	81.5	57.4
Expenditure				
Benefit payments to members	(88.2)	(0.2)	(88.4)	(88.4)
Payments to leavers	(23.2)	(2.6)	(25.8)	(25.8)
Investment expenses	(4.3)	-	(4.3)	(4.0)
Total	(115.7)	(2.8)	(118.5)	(118.2)
Income less expenditure	(34.2)	(2.8)	(37.0)	(60.8)
Change in market value	(149.9)	9.9	(140.0)	264.5
Net increase/decrease	(184.0)	7.0	(177.0)	203.7

Fund value at 30 June 2021: £2,932m (including Money Purchase assets of £67m)

Final Salary section

Investment policy

The Trustee is responsible for the Scheme's investment strategy and acts on the advice of its investment adviser. The long-term objective is for the assets to produce a return of at least 2.25% above the liabilities (the benefits that are promised to members). Some of the Scheme's assets are invested in collateral for interest rate and inflation hedging, and during the year 100% of the liabilities were protected from sudden changes in interest rates and inflation in this way.

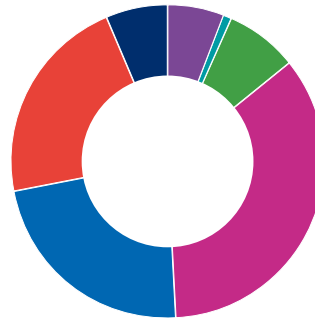
The Scheme also holds an investment in a Qualified Investor Fund (QIF) with L&G, which is a bespoke pooled fund arrangement enabling the Scheme to hold a portfolio of risk-reducing assets which aims to match the liability profile of the Scheme.

Following negotiations with the Company, the Trustee agreed to reduce investment risk and has entered into a series of buy-in policies with Phoenix Life Limited (PLL). The first one was purchased in November 2020, followed by further policies in July 2021 and November 2021. There are more details about this on page 6.



Final Salary section continued

Asset allocation as at 31 December 2021
(excluding buy-in assets)



Return-seeking assets

Property	5.9%
Hedge funds	1.0%
Infrastructure equity	7.5%

Risk-reducing assets

Liability hedging portfolio	34.8%
Corporate bonds	23.0%
Infrastructure debt	21.5%
Cash	6.3%

If you would like to know more about the Scheme's investments, please see the Statement of Investment Principles (SIP) which is the formal document that sets out how the Trustee invests the Scheme's assets.

New regulations require the Trustee also to publish an 'Implementation Statement' which explains how the Trustee has carried out its investment responsibilities during the year, along with any changes from the strategy set out in the SIP.

You can find both the SIP and the Implementation Statement on the Scheme website at www.pearlstaffpensionscheme.co.uk



Final Salary section continued

Investment performance

During the year to 30 June 2021, the Scheme's investments returned -2.8%, compared with a benchmark of -2.2%, but continued to outperform over three and five years. The table below shows the annualised performance for the three and five-year periods.

	1 year %	3 years % p.a.	5 years % p.a.
Scheme	-2.8	5.6	5.1
Benchmark	-2.2	5.2	4.7
Difference	-0.6	0.4	0.4

Putting a value on the Scheme

Every three years, the Scheme's actuary carries out a full actuarial valuation. This is a detailed snapshot of the financial position of the Scheme on a given date, in our case 30 June.

The actuary compares the value of the Scheme's assets with that of the liabilities, and the funding level is expressed as a percentage of the liabilities that can be covered by the assets. In the years between valuations, the actuary also provides an estimated update of the funding position.

The most recent full valuation, looking at the position as at 30 June 2021, is currently in progress. It is a complex process, and the final results won't be known for some time, but early indications are that the Scheme is expected to continue to have a small surplus. We will send you an update later in the year when the results have been agreed between the Trustee and the Company.

Pension increases

All pensions in payment were increased during the year as set out under the Scheme Rules and in line with statutory requirements. The table summarises the most recent increases applied:

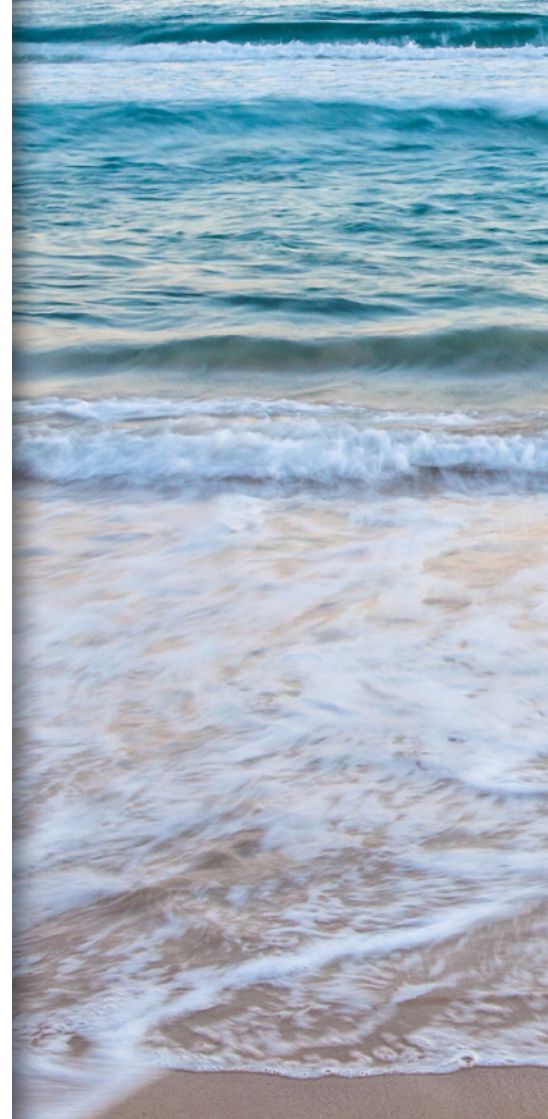
April 2019	2.5%
April 2020	2.5%
April 2021	1.4%
April 2022	5.0%

Deferred pensions were increased in accordance with statutory requirements.

Money Purchase section

The Money Purchase section was closed to future contributions on 30 June 2020, and active members were offered membership of the Standard Life Master Trust.

If you are a deferred member of the Money Purchase section, you can choose how your savings are invested. You can use the Retirement Pathway, where your investments are managed for you, or you can use the Self-Select Funds, where you take an active role in managing your investments.





At retirement – accessing your savings

When you decide to retire, you can use your savings in the Money Purchase section in the way that works best for you. Not all the options are available directly through the Scheme, and you would need to transfer to another pension provider if you want to take your savings flexibly. The options include:

- an annuity – you use your savings to buy an insurance product which provides a guaranteed income for life.
- income drawdown – you leave your savings invested but take cash sums as and when you need to.
- cash lump sum – you take the whole of your Money Purchase account in cash.
- a pension from the Scheme – most Money Purchase members have a Reference Scheme Test underpin which means the Scheme has to provide a minimum level of pension at your normal retirement age.

Tax implications

It's important to think about the impact each option will have on the amount of tax you pay before you make your final decision.

You can find further information about your pension options and book a free Pension Wise appointment at www.moneyhelper.org.uk

Money Purchase section continued

Retirement Pathway Funds

Performance (gross) for the year to 31 December 2021 (%)

Aon Managed Retirement Pathway Fund	Portfolio	Benchmark	Relative
Perpetual	4.2	3.4	0.8
2016-2018	5.6	5.0	0.6
2019-2021	6.5	5.9	0.6
2022-2024	7.7	7.2	0.5
2025-2027	9.1	8.5	0.6
2028-2030	10.9	10.5	0.4
2031-2033	14.1	13.9	0.2
2034-2036	18.4	19.1	-0.7
2037-2039, 2040-2042, 2043-2045, 2046-2048	19.5	20.3	-0.8
Aon Managed Retirement Pathway to Annuity			
2022-2024	2.1	1.9	0.2
Aon Managed Retirement Pathway to Cash			
2019-2021	0.0	-0.1	0.1
2022-2024	4.1	3.6	0.5
2025-2027*	8.9	8.4	0.5

Source: Aegon, Aon Investments Limited. Returns are shown gross of fees and will be reduced by the AMC paid by members. Inception date for majority of funds is 31 May 2015, except funds marked * which launched 29 June 2019. For funds with a target date after 2037 performance is shown for the 2037-2039 Fund and the asset value shown reflects total assets invested in the 2037-2039 Fund through to 2067-2069 Fund.

Self-Select Funds

Performance (gross) for the year to 31 December 2021 (%)

	Portfolio	Benchmark	Relative
Global Equity	18.8	19.6	-0.8
Active Global Equity	17.1	22.9	-5.8
Global Impact Fund	21.3	22.9	-1.6
Property & Infrastructure	26.6	22.7	3.9
Passive Corporate Bond	-3.1	-3.1	0.0
Diversified Asset*	4.8	3.3	1.5
Long-term inflation linked	4.2	4.2	0.0
Pre-retirement bond	-5.0	-4.9	-0.1
Liquidity	0.0	-0.1	0.1

Source: Aegon, Aon Investments Limited. Returns are shown gross of fees and will be reduced by the AMC paid by members.

Inception date: Aon Managed Funds 31/12/2014, Aon Managed Global Impact Fund 31/10/2020

*Returns are shown relative to the performance objective. AM Diversified Asset Fund: LIBOR +3% p.a. up to 31 October 2019 and SONIA +3.25% p.a. with effect from 31 October 2019

Please remember that past performance is not a guide to future returns and the value of your investments and income from them can fluctuate and is not guaranteed.

You can change your investments at any time. It is free to make changes up to three times a year, and you can do this by completing an Investment Option form which is available from the Scheme administrator or the Scheme website.

Get in touch

If you have any questions about the Scheme or your benefits, please contact the Scheme administrators.

Call us:

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Email us:

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Peterborough PE2 6FT

Scheme website:

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Remember to tell us!

Please let us know if you move house or your personal circumstances change, so we can keep in touch with you and pay your benefits when they are due.