

Your

# Pension Matters

The Trustees' Report to members

May 2023



Pearl Group Staff Pension Scheme

# Welcome

**As the chair of the Pearl Group Staff Pension Scheme, it gives me great pleasure to introduce your latest newsletter. As usual, it includes news from the Scheme as well as an update about pensions in general.**

Towards the end of last year, we sent out a report summarising the key results of the latest full valuation of the Scheme's Final Salary section. I am pleased that we could report a continuing surplus in the Scheme. Shortly after, the Scheme completed a fourth and final buy-in (on 16 November 2022), which means that all of our current and future pension payments to Final Salary members are insured in this way. This further increases the security of members' benefits, and you can read more on page 12.

We can also report that the funding level has improved since the last valuation date, to 104% as at 30 June 2022.

You may also have heard in the media that volatility in the gilts market had an adverse effect on defined benefit pension schemes like ours, particularly after the 'mini budget' in September. I'm sure many of our members have wondered what impact this has had on the Scheme. The article on page 5 provides some detail.

With the rising cost of living affecting all of us, the article on

page 4 sets out some useful resources to help you manage your money.

Finally, the Trustees are pleased to announce a one-off discretionary increase for deferred members, and you can find further details about this in the box opposite.

For any information about your pension benefits, please get in touch with our Scheme administrator, whose contact details are on page 20.

**Keith Jones**  
**Chair of the Trustees**

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### One-off discretionary uplift

The Trustees are pleased to say that final salary deferred members will receive a one-off discretionary increase of 1.3%. Members eligible for the uplift will have received a letter from the administrator. Pensioners will also receive the same increase on eligible pension and will have been informed in their pension increase letter.



# Scheme highlights\*

The Scheme is fully funded so the Company is no longer required to pay deficit contributions.



**£2.4 billion**

The value of the Scheme's assets on 30 June 2022.



**£82 million**

This is how much was paid out as pensions in 2021/22.



**104%**

The latest estimated funding level (as at 30 June 2022).



\*Taken from the Report and Accounts for the financial year to 30 June 2022.

# Scheme news

## Inflation and your pension

As you are no doubt aware, inflation is at the highest levels for many years.

The Scheme Rules set out the level of pension increases to be applied each year to pensions in payment.

The increases are applied each year in April, and you will have received a letter from First Actuarial setting out your revised annual pension in April 2023.

If you are retired and finding it hard to make ends meet, you may be entitled to claim Pension Credit.

This is a top-up to the State Pension for pensioners on a low income. Check if you are eligible at [www.gov.uk/pension-credit](https://www.gov.uk/pension-credit). If you are a female, you may be entitled to a higher State Pension, as the Department for Work and Pensions underpaid many women who should have received something extra based on their husband's National Insurance record. You can check to see if you are eligible for this top-up at <https://pensionunderpaid.lcp.uk.com>

Other organisations you might find useful include: [www.turn2us.org.uk](https://www.turn2us.org.uk) and [www.taxvol.org.uk](https://www.taxvol.org.uk)



## Investments and the 'mini budget'

In September 2022, the then-Chancellor Kwasi Kwarteng announced a mini-budget that led to significant turbulence in investment markets.

Not only did the value of the pound fall, but borrowing – including Government borrowing in the form of gilts – also became more expensive. This had an impact on pension funds around the UK.

As a result, the Bank of England stepped in to quell unprecedented market volatility at the beginning of October 2022, by promising to buy £65bn of gilts, which the media reported as being necessary to 'save pension funds from going bust'. Let us reassure you that pensions will continue to be paid as normal.

## Final Salary section

At the time of the mini-budget, around 75% of the Scheme's Final Salary liabilities were covered by three insurance policies with Phoenix Life Limited (PLL). These 'buy-in' policies have effectively shifted investment risk onto the insurer, providing the Scheme with much more security and helping to keep the funding level more stable, as fewer of the Scheme's investments are impacted by volatility in the financial markets.

## Money Purchase section

The impact of last year's market volatility on your pension savings will depend on the types of funds you are invested in and how close to retirement you are.

Over the course of your membership, which could be many years, your savings will experience both market highs as well as lows. Before making any decisions about your investments in response to current market conditions, it is important to consider the long-term outlook.

For members who are approaching retirement, any reduction in your pension savings may be concerning.

The key priority for those approaching retirement is to understand when and how you intend to take your pension savings to ensure your investment strategy remains suitable.

If you feel you need extra support managing your pension investments, you might want to speak to a regulated financial adviser. You can find information and guidance about money and pensions from MoneyHelper, the government's free financial guidance service, at [www.moneyhelper.org.uk](https://www.moneyhelper.org.uk) where you can also find information on how to find a financial adviser if you don't already have one.

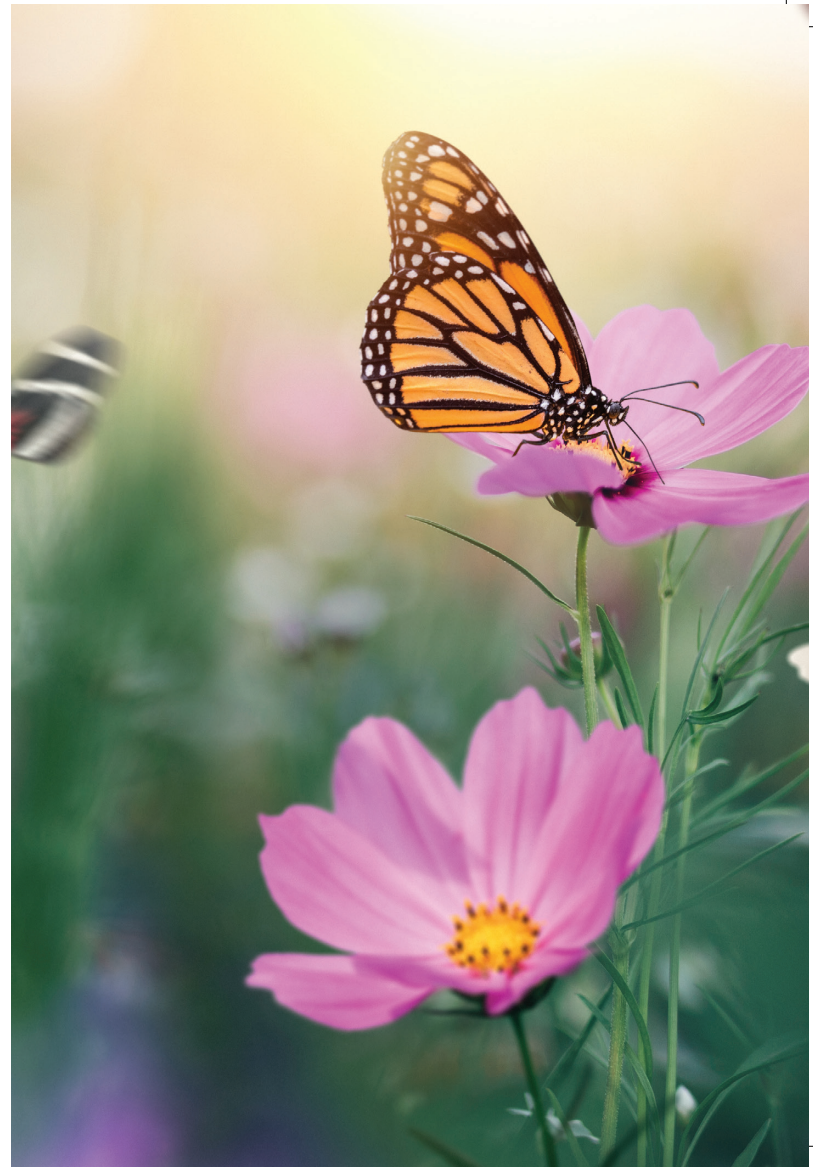
## Pensions dashboard

The new pensions dashboard programme is a government initiative that will show savers their pensions information online, securely and all in one place. To make this work, multiple parties and technical services are being connected in what's being described as an 'ecosystem'. Rather than being a central database, it will work like a giant switchboard, connecting members with their different pensions via dashboards. Pension schemes have been allocated different starting dates.

Once up and running the system will revolutionise retirement planning and preparation for savers by allowing them to see all their different pensions in one place.

### Are you planning a house move?

If so, remember to let First Actuarial (the Scheme administrator) know. You can complete a change of address notification form, available on the Scheme website, to ensure you continue to receive important information about your benefits.





## Retirement Living Standards updated

Back in 2019, the Pensions and Lifetime Savings Association (PLSA) set up a website at [www.retirementlivingstandards.org.uk](http://www.retirementlivingstandards.org.uk), to help people understand how much income they need to achieve a basic, moderate or comfortable retirement. The standards in 2019 can be briefly summarised as 10k-20k-30k for individuals and 15k-30k-45k for couples.

In January 2023, the PLSA published updated standards based on the latest inflation figures – which show that a single person on the minimum standard will need an extra 20% to support their (very basic) lifestyle. This group has seen the largest percentage increase in the cost of their retirement, owing to the higher proportion of their budget going towards the things that have risen the most in price: food and energy.

To find out more, visit:  
[www.retirementlivingstandards.org.uk](http://www.retirementlivingstandards.org.uk)



# Running the Scheme

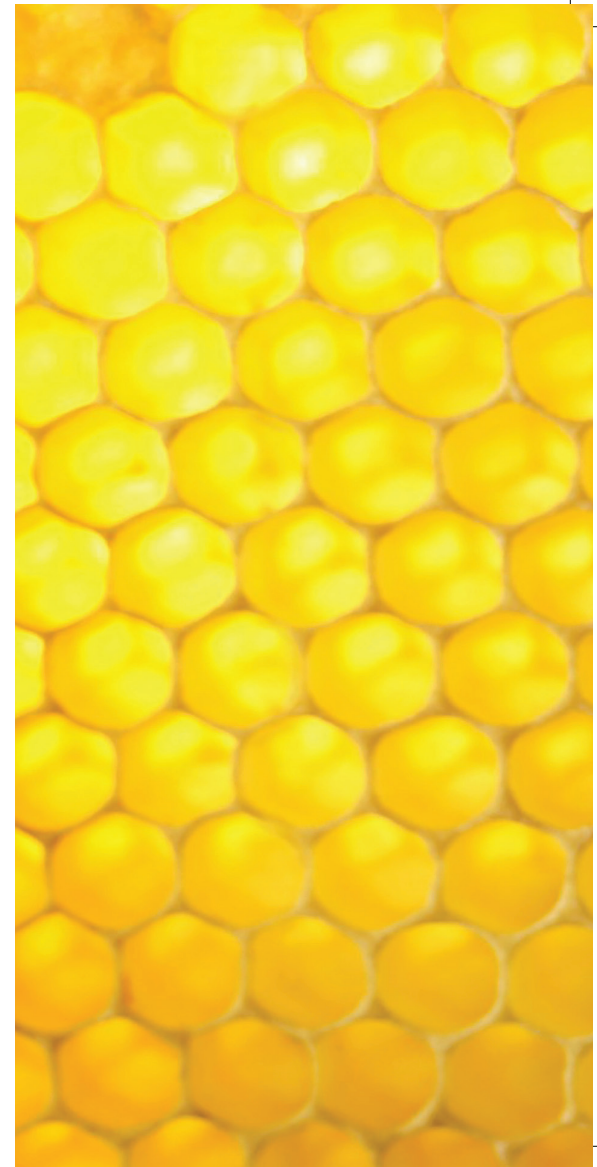
The Scheme is managed by a corporate trustee called P.A.T. (Pensions) Limited. There are eight Trustee Directors, five of whom are appointed by the Company, including an independent chair, and three who are nominated by the members of the Scheme (MNT).

## 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

#### Bank

HSBC Bank plc

#### Auditor

RSM UK Audit LLP

#### Main legal adviser

Reed Smith LLP

#### Investment adviser

Aon Solutions UK Limited

#### Principal employer

Pearl Group Holdings (No. 2) Limited

#### Custodians

State Street Bank and Trust Company

# Who's in the Scheme?

As at 30 June 2022, there were 17,309 members in the Scheme.

## Final Salary section



5,860

Deferred members

9,989

Pensioner members

**Total 15,849**

## Money Purchase section



1,296

Deferred members

164

Pensioner members

**Total 1,460**

Some of our members have benefits in both sections of the Scheme. They are included in the totals for the Money Purchase section.

# 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 2022.

	12 months to 30 June 2022 (£m)			
	Final Salary section	Money Purchase section	Total	Previous year
<b>Income</b>				
Contributions*	-	-	-	50.0
Investment income	85.1	-	85.1	31.5
<b>Total</b>	<b>85.1</b>	<b>-</b>	<b>85.1</b>	<b>81.5</b>
<b>Expenditure</b>				
Benefits payments to members	(89.8)	(0.3)	(90.1)	(88.4)
Payment to leavers	(10.0)	(0.9)	(10.9)	(25.8)
Investment expenses	(1.5)	-	(1.5)	(4.3)
<b>Total</b>	<b>(101.3)</b>	<b>(1.2)</b>	<b>(102.5)</b>	<b>(118.5)</b>
<b>Income less expenditure</b>	<b>(16.2)</b>	<b>(1.2)</b>	<b>(17.4)</b>	<b>(37.0)</b>
<b>Change in market value</b>	<b>(497.2)</b>	<b>(3.4)</b>	<b>(500.6)</b>	<b>(140.0)</b>
<b>Net increase/decrease</b>	<b>(513.4)</b>	<b>(4.6)</b>	<b>(518.0)</b>	<b>(177.0)</b>
<b>Fund value at 30 June 2022: £2,414.1m (including Money Purchase assets of £61.1m)</b>				

\*The Scheme has a funding surplus (see page 13), which means the Company is not required to pay contributions. This is reassessed by the Trustee after each full valuation.

# Final Salary section

## Full Scheme buy-in

In November 2022, the Trustee completed a fourth buy-in with Phoenix Life Limited (PLL), which means that the Scheme's Final Salary assets are now fully bought in.

This final tranche, worth £560m, was completed on 16 November 2022 and was funded by selling assets in the Qualified Investor Fund (QIF) with Legal & General and the portfolio with Macquarie.

The buy-ins are excellent news for the security of your benefits because we have effectively insured all the Final Salary benefits in the Scheme. It means that the Scheme is no longer exposed to any investment risk, and we are no longer required to manage any investments to ensure there is enough money to pay pensions to members now and in the future.





## Summary funding statement

Every three years, the Scheme actuary carries out a full actuarial valuation. In between valuations, the actuary provides an estimated update of the Scheme's financial position. The results of the most recent valuation as at 30 June 2021 are shown in the table below, along with the update as at 2022.

	30 June 2022 (annual update)	30 June 2021 (valuation)
 Market value of assets*	£2,414m	£2,932m
 Amount needed to provide benefits*	£2,312m	£2,865m
 Surplus	£102m	£67m
 Funding level	104%	102%

\*Excludes money purchase funds and AVCs.

The Scheme's funding level was 2% higher on the ongoing technical provisions basis, compared with 102% at the 30 June 2021 valuation. The main factor contributing to the change was the increase in gilt yields over that period, which reduced the value of the liabilities. The Scheme assets are broadly matched with liabilities, so although they also reduced significantly, they didn't fall by as much, leading to the slightly improved funding position shown above.



The next valuation, which will have an effective date of 30 June 2024, must be completed by 30 June 2025.

### **How is my pension paid for?**

The assets of the Scheme are held in a common fund which is used to pay pensions and other benefits to members as they are due. They are not held in separate accounts for each individual.

### **How is the amount the Scheme needs worked out?**

The Trustees agree a funding plan with the Company which aims to make sure there is enough money in the Scheme to pay for pensions now and in the future. The amount of money that the Company pays into the Scheme may go up or down following actuarial valuations.

When calculating the amount needed to provide benefits, the actuary has to make prudent assumptions about what might happen in the future. These include how long members will live, what inflation might be and what investment returns the Scheme can expect. Together, the Trustees and the Company agree on what these assumptions should be.





### **The importance of the Company's support**

The success of the Scheme relies on the Company continuing to support it because:

- the Company will be paying the future expenses of running the Scheme each year
- the funding level can fluctuate and when there is a funding deficit, the Company will usually need to put in more money
- if the target funding level is insufficient, the Company will need to put in more money.

### **The solvency position**

If the Scheme had started to wind up (full solvency) at 30 June 2021, it is estimated that the assets available would have been sufficient to secure 100% of benefits for members of the Final Salary sections (compared with 90% as at the 2018 valuation).

Continues overleaf...





### **What would happen if the Scheme were to wind up?**

If the Scheme were to wind up, you might not get the full amount of pension you have built up. In this situation, the Company is required to pay enough into the Scheme to enable members' benefits to be completely secured with an insurance company. It may be, however, that the Company would not be able to pay this full amount. If the Company became insolvent, the Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members. You can find out more about the PPF at [www.ppf.co.uk](http://www.ppf.co.uk)

### **Why does the funding plan not call for full solvency at all times?**

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also includes future administration expenses.

By contrast, our funding plan assumes that the Company will continue in business and support the Scheme.

### **Payments to the Company**

There have not been any payments to the Company out of Scheme funds since the last summary funding statement was issued.



# 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.

You can find out more about the investment funds available on the Scheme website.



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



## Retirement Pathway Funds

Performance (gross) for the year to 31 December 2022 (%)

Aon Managed Retirement Pathway Fund	Portfolio	Benchmark	Relative
Perpetual	-6.9	-4.7	-2.2
2016-2018	-7.5	-5.4	-2.1
2019-2021	-7.8	-5.7	-2.1
2022-2024	-8.1	-6.2	-1.9
2025-2027	-8.3	-6.6	-1.7
2028-2030	-8.6	-7.0	-1.6
2031-2033	-8.7	-7.5	-1.2
2034-2036	-8.2	-7.9	-0.3
2037-2039, 2040-2042, 2043-2045, 2046-2048	-7.3	-8.3	1.0
Aon Managed Retirement Pathway to Annuity			
2022-2024	-19.7	-15.8	-3.9
2025-2027 *	-11.0	-7.7	-3.3
2028-2030**	N/A	N/A	N/A
Aon Managed Retirement Pathway to Cash			
2019-2021	1.3	1.4	-0.1
2022-2024	-1.7	-1.3	-0.4
2025-2027*	-6.8	-5.3	-1.5

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 with\* which launched 29 June 2019 and funds marked \*\* which launched 30 June 2022. 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 the 2067-2069 Fund.

## Self-Select funds

Performance (gross) for the year to 31 December 2022 (%)

	Portfolio	Benchmark	Relative
Global Equity	-5.8	-8.1	2.3
Active Global Equity	-11.1	-7.8	-3.3
Global Impact Fund	-16.6	-7.8	-8.8
Property & Infrastructure	-11.2	-11.6	0.4
Passive Corporate Bond	-17.7	-17.7	0.0
Diversified Asset*	-8.1	4.6	-12.7
Long-term inflation linked	-38.0	-38.0	0.0
Pre-retirement bond	-29.1	-24.7	-4.4
Liquidity	1.3	1.4	-0.1
BlackRock UK Equity Index	-0.3	0.3	-0.6

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, Aegon BlackRock UK Equity Index Fund 31/10/2009, 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. (See also page 5.)

You can read more about the performance of the funds in the Money Purchase section in the document '2022 DC Fund Performance Commentary', which you can find in the members' area of the Pearl website under Money Purchase Investment Information.

# Get in touch

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



**Call us:**

01733 447620



**Email us:**

[pearl@firstactuarial.co.uk](mailto:pearl@firstactuarial.co.uk)



**Write to us:**

Pearl Group Staff Pension Scheme  
First Actuarial LLP  
First House  
Minerva Business Park  
Lynch Wood  
Peterborough PE2 6FT



**Scheme website:**

[www.pearlstaffpensionscheme.co.uk](http://www.pearlstaffpensionscheme.co.uk)

## 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.