BELRON
UK PENSION PLAN

Belron - UK Pension Plan
Trustee Report to Members
2023

BELRON®
UK PENSION PLAN

Chair's welcome

The last year has felt a lot like taking one step forward and one step back. There has been an ongoing dialogue ('tug-of-war'?) between The Pensions Regulator, the Department for Work and Pensions, the Treasury and MPs about a range of issues. One proposes something; another suggests a different direction. All of this leads to confusion and pension schemes end up having to second guess what regulation may be coming down the line and when. So, I'm not going to bore you with any of that!

Instead, I'd like to focus on **pension scams**. Scammers are becoming more and more sophisticated in a whole range of areas and pensions is no exception. For Defined Benefit (DB) pension schemes like ours, scams can take various forms. It could be a cold call, suggesting that you transfer your pension to get 'amazing' investment performance. Or the proposal may be for you to get access to your pension savings – except that it's the scammer who will get your pension savings.

Hopefully, you will never fall victim to the cold call. It is not just the call 'out of the blue' that you need to be on your guard about. You may be seeking advice about your pension. Finding an adviser you can rely on is not always as easy as it might seem.

There are many good, honest advisers. Unhappily, there are dishonest or incompetent ones also, who are more interested in what they can earn from you, rather than acting in your best interests. So, what should you do?

Before you appoint an adviser, check that they, or the firm they work for, is registered. This is easy to do. You can search the Financial Conduct Authority's register at https://register.fca.org.uk. As the website says: only use the contact details listed on the register. If the adviser works for a firm, you can contact the firm and ask them to confirm in writing that they employ the adviser.

When you are talking with the adviser, if they use lots of jargon, stop them and ask them to use plain English! Make sure that they explain all options to you so that you can understand them. They should be up front about how much it will cost you – their fees, and the charges for managing and investing in the fund. They should confirm their advice in writing. Once again, if you don't understand it, ask them to send it again using clear language.

The adviser may show you complex information with graphs about how funds have performed over time. It is often very difficult to know whether the fund is right for you. Your decision will likely be based on two main things: (a) whether you feel that you can trust the adviser; and (b) your attitude to risk. If the potential returns being suggested are high, then the risk will be high. Only you can decide how much risk you would like to take. As is often said: if it sounds too good to be true, it probably is.

An additional source of help is available at MoneyHelper: www.moneyhelper.org.uk. Although they will not give investment advice, they can help you make sense of what you're being told and shown.

Finally, take your time. Take your time to decide and don't let anyone pressure you. If you are being told things such as: "this is too good an opportunity to miss"; "if you sign up today…" - ask yourself why. Investing in a pension is a long-term commitment, so why do you need to make a quick decision? You will be ready to take that step when you feel that you understand everything fully and know that you will be able to sleep at night!

For those of you who are old enough (like me!) to remember Hill Street Blues – "be safe out there"!

Robert Bass
Chair

Investment update

The Plan's assets are managed by Legal & General Investment Management (LGIM) and Baillie Gifford. The total value of the Plan's assets at **31 March 2023** was **£327.6m**.

Over the year the Plan's assets have fallen in value, from £508.7m to £327.6m. Whilst this fall in the value of the Plan's assets looks concerning, it is important to remember that the Plan's investment strategy is designed to ensure (as best as possible) that the value of the assets moves in line with the value of the Plan's liabilities (the total value of the benefits payable). This means that whilst the value of the Plan's assets fell during the year, the value of the Plan's liabilities also fell during the year and the overall funding level of the Plan has remained strong throughout.

Legal & General Investment Management

Liability Driven Investment (LDI)

The LDI strategy was implemented in 2020. It aims to hedge against funding level risk, particularly interest rate and inflation risk; two of the biggest financial risks to the Plan's funding level, both of which have increased significantly over the last year. The Fund has performed in line with its expectations over the year to 31 March 2023.

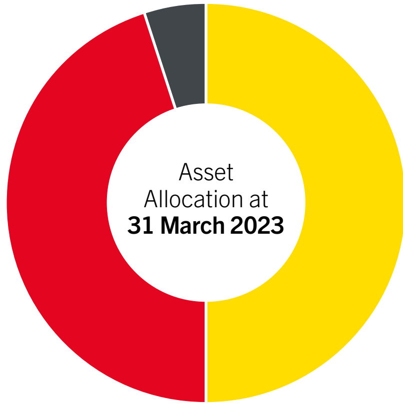
Buy & Maintain

The purpose of the Maturing Buy & Maintain fund, which was introduced in 2021, is to match movements in the Plan's liabilities (the pension benefits payable) in a cost-effective way. The Fund has performed in line with its expectations over the year to 31 March 2023. Legal & General has also engaged with the Buy & Maintain holdings on a number of Environmental, Social and Governance (ESG) issues over the year.

Baillie Gifford

Global Stewardship Fund

The volatility in equity markets experienced in early 2022 continued throughout the year. This impacted on the returns achieved in the 12 months to 31 March 2023, with the Fund performing behind its target. The Fund's investment approach is to invest in growth companies and has a five-year time horizon. The Trustee, together with its advisers, continue to monitor the performance of the Fund.



Liability Driven Investment	50%
Maturing Buy & Maintain fund	45%
Bailie Gifford Global Stewardship Fund	5%

We take a look at how the mini budget in September 2022 affected the LDI market and pension funds

Following the mini budget in September 2022, pension scheme investors were subject to huge swings in the price and yield of government bonds (also known as gilts). This had a substantial impact not only on the funding position of pension schemes, but it also put pressure on the day-to-day management of Liability Driven Investment (LDI) portfolios.

What is a LDI fund?

LDI portfolios are used by pension schemes to reduce risk and protect their funding levels. They do this by holding assets that provide a level of hedging against their liabilities (the pension benefits payable). The Belron - UK Pension Plan invests 50% of its total fund in a LDI fund managed by Legal & General Investment Management.

Many pension schemes' funding positions and asset allocations altered significantly as a result of the market movements following the mini budget in September 2022. The Belron - UK Pension Plan was also affected although to a much lesser extent, mainly because the Plan is fully funded.

Following the mini budget and the turbulent market conditions that followed it, the Plan's fund manager LGIM assessed the portfolio by carrying out a stress test against further movements in market conditions to ensure that the fund could cope with further yield and interest rate rises, together with considering alternative strategies.

LGIM recommended that the Fund's asset allocation was rebalanced to provide adequate headroom in the event of further interest rate rises and changes in market conditions. These changes were agreed by the Trustee and Employer and implemented in December 2022.

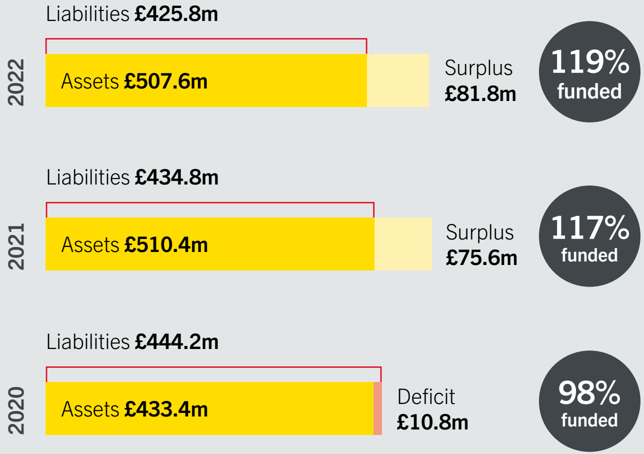
Ins and outs of the Plan

Here are the movements in the Plan's assets during the financial year ending 31 March 2023.

Assets at 31 March 2022	**£508,739,317**
Employer contributions	£1,385,047
Other income (Death in service payment)	£1,052,227
Total income	**£2,437,274**
Benefits paid	-£11,724,814
Administrative expenses	-£562,518
Other payments	-£115,496
Total payments	**-£12,402,828**
Net return on investments	-£171,152,352
Assets at 31 March 2023	**£327,621,411**

Summary Funding Statement

The Trustee is required to provide you with this statement giving you an update about the Plan's financial security. The Plan is currently undergoing its three-yearly actuarial valuation, therefore the funding information at 31 March 2023 is not yet available. We've included the figures following the latest annual update at 31 March 2022.



The last actuarial valuation at 31 March 2020

An actuarial valuation is an exercise to compare how much money the Plan has (its assets) with how much it needs to be able to pay everyone the benefits they are entitled to (its liabilities). If the Plan's assets are more than its liabilities, there is a surplus; if they are less, there is a shortfall, or deficit.

Full valuations usually take place every three years and the last one was on **31 March 2020**, with a yearly update on **31 March 2021** and **31 March 2022**. The results of these valuations are shown on the left.

Summary of the Recovery Plan

At the 2020 valuation there was a deficit in the funding position. This deficit has been removed following higher than assumed investment returns on the Plan's assets during the two year period ending **31 March 2022**.

Change in funding position since previous statement

The funding of the Plan has improved slightly since the previous statement you received showing the position as at **31 March 2021**, mainly due to modest asset outperformance.

We hope you find this update useful and easy to understand, but if you have any questions please contact XPS Administration at **belronadmin@xpsgroup.com** or in writing at **XPS Administration**, PO Box 562, Middlesbrough, TS1 9JA.

Payment to the Company

We have to tell you that there has not been any payment made to the Company out of the Plan's assets since the last Summary Funding Statement.

How is my pension paid for?

The Plan is a defined benefit pension arrangement. This means members build up benefits based on length of service and their salary. The Plan has a pool of money (assets) to pay for these benefits as they become due; it does not hold assets separately for each individual. The Trustee's goal is for the Plan to have enough money to pay all members their benefits, both now and into the future.

How do you work out how much the Plan needs?

As part of the three-yearly actuarial valuation, the Trustee agrees a funding plan (the Statement of Funding Principles) with the Company, which aims to make sure there is enough money in the Plan to pay for pensions now and into the future. The Company pays towards the ongoing running costs of the Plan together with contributions to help meet the cost of benefits payable on death or ill-health of members who are currently employed by the Company. This is why the Plan relies on the Company's continuing support.

Winding-up

Should the Plan be wound up, the duty to pay all members' benefits may be transferred to an insurance company. In the 2020 valuation it was estimated that the amount needed to secure all the Plan's benefits was £531.7m, which was £98.3m more than the Plan's assets. This is just an indication and is required under legislation, it does not mean that the Trustee or Company are considering winding up the Plan.

The assets are now expected to be broadly sufficient to meet the cost of securing members' benefits with an insurance company.

What would happen if the Plan started to wind up?

Whilst the Plan is still running, benefits will still be paid in full. If the Plan did start to wind up, benefits may be secured with an insurance company.

The Plan's assets are now expected to be broadly sufficient to meet the cost of securing members' benefits with an insurance company. However, if there weren't enough assets to secure all the benefits, the Company would have to make up the difference. You might not get all of the benefits you have built up, especially if the Company is not there to pay for any shortfall. In this case, the Pension Protection Fund (**PPF**) might be able to take over the Plan and pay compensation to members. Further information is available at www.ppf.co.uk

It is only if the Company became insolvent and assets available to the Plan were insufficient to secure PPF level benefits that the Plan would apply for entry to the PPF.

Given the strong funding position of the Plan (as well as the ongoing support of the Company) it is highly unlikely that the Plan would apply for entry to the PPF.

Why doesn't the Trustee aim to have enough money to secure benefits on wind up?

Insurers take a very cautious view of the future and need to make a profit; they will also take into account the future cost of running the Plan. This means the cost of securing pensions in this way is considerably more expensive than if the Plan runs normally with the continuing support of the Company. Aiming to have enough money to cover that cost would likely mean that the Plan will have far more than it actually needs if it keeps running.

The Pensions Regulator

In certain circumstances The Pensions Regulator can:

- Direct how the Plan's liabilities must be calculated
- Set the period for removing any funding shortfall
- Set the level of Company contributions to be paid
- Change the way members build up benefits in the future

None of these things have happened in the Plan.

Considering a transfer?

If you are thinking about transferring your pension to an alternative arrangement in order to access your benefits more flexibly, it is very important to consider all your options and be aware of possible scams. The Plan uses the XPS Scam Protection Service to help protect you from the risk of scams.

Before the Trustee can approve a request to transfer your benefits out of the Plan, they will look for red and amber flags that could indicate that you are at risk of being scammed. The Scam Protection Team will contact you and ask you some questions to help identify whether you are at risk of becoming a victim of a pension scam.

Red flags

If any red flags are identified, the transfer will not go ahead for that member. Here are a few examples of red flags:

- The member has not provided evidence of receiving MoneyHelper guidance
- The member has been offered an incentive to make the transfer
- The member has been pressured to make the transfer

Amber flags

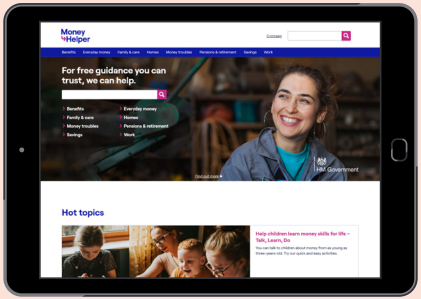
If any amber flags are identified, XPS Administration will arrange for you to have a guidance session with MoneyHelper before the transfer can proceed. Amber flags can include:

- The receiving scheme's charges are unclear or high
- The receiving scheme's investment structure is unclear, complex or unorthodox
- A sharp, unusual rise in transfers involving the same scheme or adviser

Taking financial advice

If you are thinking about transferring your pension, please be extremely cautious. Visit www.fca.org.uk/scamsmart to check whether what you're being offered is a known scam or has the signs of a scam. Read the leaflet **Don't let a scammer enjoy your retirement** to find out how pension scams work, how to avoid them and what to do if you suspect a scam. You can find it at:

www.fca.org.uk/publication/fca/pensions-scams-leaflet-screen.pdf



It is very important to take financial advice, and in many cases a legal requirement, before transferring your benefits. You can find an FCA-approved adviser at:

www.moneyhelper.org.uk

(search **Choosing a financial adviser**)

The Trustee

The Trustee is responsible for ensuring that the Plan is run in accordance with the Trust Deed and Rules and complies with all relevant legislation. The individual trustees are committed to continually improving and updating their knowledge. A training day is held every year and each trustee has either achieved or is working towards the Award in Pension Trusteeship, an industry recognised qualification.

Chair

- Robert Bass

Independent Trustees

- Carol Madeley
- Leslie Robb

Company nominated

- Paul Hadlow
- Nina Platt

Member nominated

- Mike Pert
- Mark Reay (appointed September 2022)
- Paul Warner

Secretary to the Trustee

- Camilla Manning

Trustee's Advisers

The trustees' job would be impossible without the assistance and advice from their advisers. During the year the Plan's advisers were:

- **Administrator**
  XPS Administration Ltd
- **Actuary & Investment Consultants**
  XPS Ltd and XPS Consulting Ltd
- **Auditor**
  Ernst & Young
- **Investment Managers**
  Baillie Gifford & Co
  Legal & General Investment Management
- **Custodian Trustee**
  BNY Mellon
- **Solicitors**
  Gowling WLG

Get in touch

If you would like further information about the Plan, please contact the Pensions Team. The team can be contacted in the following ways:

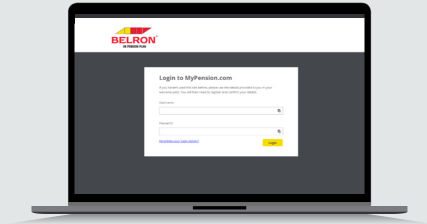
pensions@belronuk.com

https://belronuk.sharepoint.com/sites/PeopleExperience/SitePages/Pensions.aspx

www.members.pensionpal.co.uk/belronpensions

Pensions Team
Autoglass
1 Priory Business Park
Cardington
Bedford
MK44 3US

This report provides a brief summary of the formal Trustee's Annual Report and Accounts for the year ended 31 March 2023. You are welcome to request a copy of the full Trustee's Annual Report and Accounts or any other document relating to the Plan, including the latest Actuarial Valuation report, Statement of Investment Principles, Statement of Funding Principles, and Schedule of Contributions. You can request a copy of any of these documents from the Pensions Team.



MyPension

Have you logged on to MyPension recently? Just go to www.mypension.com/belron to view your pension details.

If you've lost your login details, please click **Forgotten your login details** on the login page or contact XPS Administration at enquiries@mypension.com

If you've not registered before and need your login details, please contact the XPS Administration team at belronadmin@xpsgroup.com or call **0118 313 0948**.