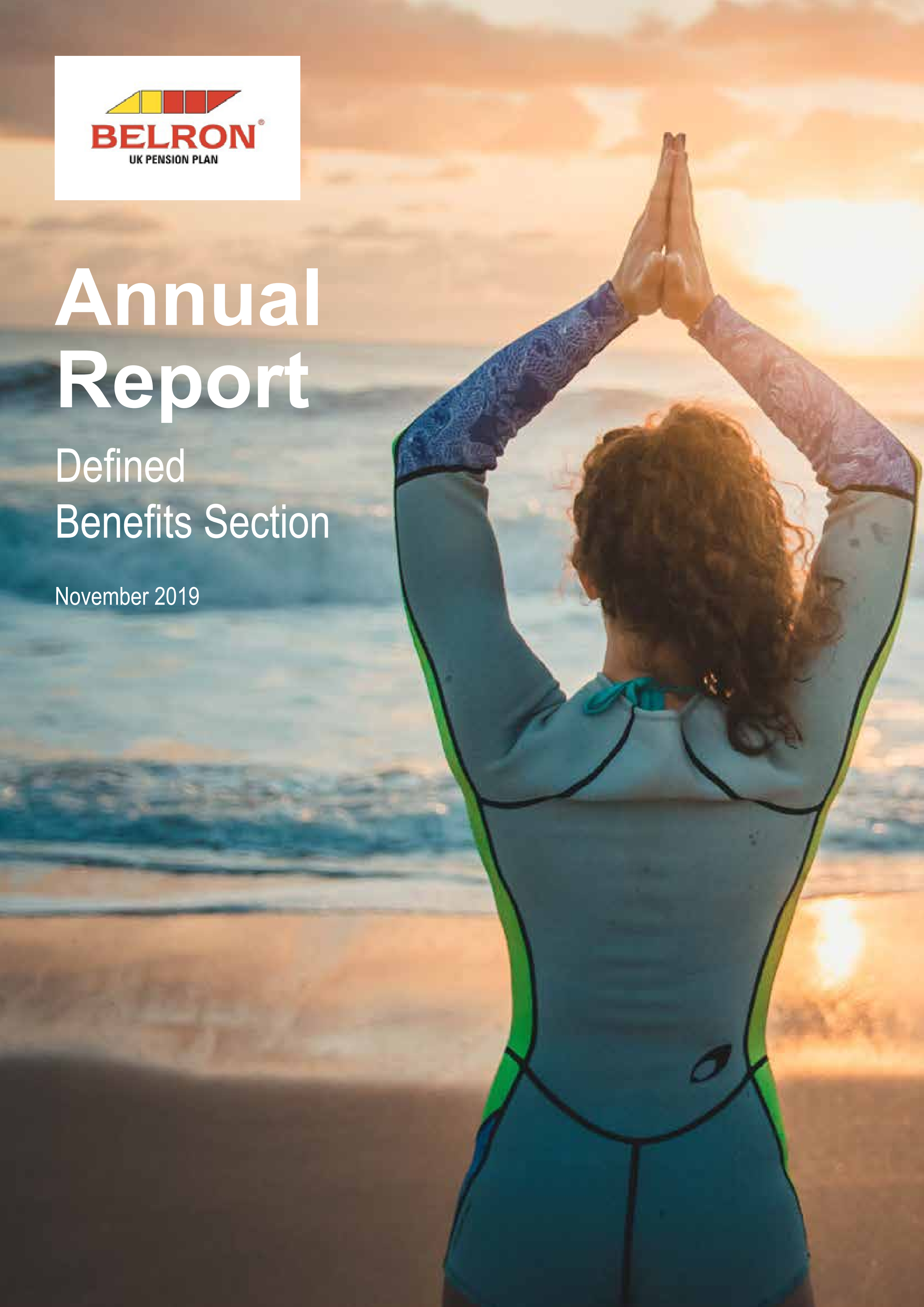
BELRON
UK PENSION PLAN

Annual Report

Defined Benefits Section

November 2019



Welcome from the Chairman

The horizon for a pension plan lies far into the future. It could well be close to the end of this century before all of our members' pensions have been paid out.

This is the objective the Trustees have to have in mind whilst, at the same time, keeping a close eye on the present. What a 'present' we have at the moment: a trade war between the US and China sparking fears of global recession, political and military instability in the Middle East, a climate emergency and of course Brexit, to name but a few.

In spite of this turbulence, our investment performance has remained solid. We have a plan to reduce risk in our investments progressively over the next 25+ years, whilst retaining the flexibility to accelerate that plan in times when our assets grow particularly well. Currently, we are two years ahead of plan. The journey will never be a smooth one however. We hold different types of investment (both active and defensive) for just that reason and their returns will vary depending on what is happening at the time. During the year we took the decision to move away from Standard Life, whose fund was not performing in the way we had hoped; that portion of the fund now rests with Columbia Threadneedle from whom we hope for better things.

The plan has seen an increasing number of members transferring their benefits out to a defined contribution (DC) plan. Doing so gives access to the pension "freedoms" introduced by the Government. Transferring out is a member's right and the Trustees would not seek to interfere with that. However, it is really important that, in reaching any such decision, proper consideration is given to the benefits being given up. Independent financial advice is not only required but essential to understand whether transferring is really in a member's (and their family's) best interests. The Pensions Team has prepared an information sheet to help members to focus on the right questions to ask and to consider; please refer to it if a transfer out is something being considered.

Over the last year or so, we have advised and reminded members of our intention to move to electronic communication. Mypension.com is available for all members and, at the time of writing, almost 400 members have done so (thank you!).

This is where members will be able to find their benefit statements, these Reports to Members, together with a host of other information about the Plan. The Trustees and Pensions Team would welcome any member suggestions for additions, improvements, etc. to Mypension.com.

Over the year we have had to bid farewell to three Trustees. Chris Sykes remains with Belron but has taken up another role within the Finance Team. Being the kind of person who wishes to undertake a role only if he can give his best to it (and he does), he reluctantly decided to step away from his trustee role. Sally Lawrence and Neil Cook left Belron for other opportunities and therefore stood down from their trustee role. Both personally and on behalf of my fellow Trustees, I would like to wish them well and thank them for their contributions during their tenure. The search for replacement Trustees is ongoing; should any employee be interested in finding out more, please contact the Pensions Team.

Kind regards

Robert Bass

Mypension.com

In May this year, our administrator, XPS went digital with Mypension.com.

Now you can view and update much of your personal data online. You can also view your benefit statement and request quotes via Mypension.com.

Our Plan documents, such as the Plan booklets, Statement of Investment Principles, annual report and accounts and more can also be found there. All you need to do is log on using the details sent to you in the post and away you go!

You will no longer receive paper benefit statements so please do log-on to view this and remember to update your personal information at the same time. If you're having trouble with the service, contact XPS on **0118 313 0948**.

Lifetime allowance – What is it?

The lifetime allowance is a limit on the amount of pension benefit which can be built up in your pension scheme(s) without triggering an extra tax charge. It can also affect the amount you are paid.

The lifetime allowance for the current tax year is £1,055,000.

While most people aren't affected by the lifetime allowance, you should get independent financial advice if the total value of your pension benefits, across all your pension plans, is approaching, or above, the lifetime allowance.

As pensions are normally a long-term commitment, what might appear modest today could exceed the lifetime allowance by the time you want to take your benefits. A test for the lifetime allowance is calculated each time you access a pension benefit.

The Pensions Advisory Service has produced some information on the lifetime allowance and action that may be needed. You can read it **here**.

You can also find more information about when the lifetime allowance applies and how it may affect you on the gov.uk website – **https://www.gov.uk/tax-on-your-private-pension/lifetime-allowance**.

Investment Report

After several years of good investment performance, the 2018/19 plan year reminded us to never become complacent!

Most asset classes struggled, particularly Emerging Markets. However, the start of 2019 was more upbeat with a rebound in many areas.

Overall, the total fund achieved a positive return of 5.9% against a target of 7.8%

Here's an overview of the performance broken down by each of the fund's asset classes:

Return Seeking Assets	Performance	Target/ Benchmark	Relative Return
Global Equities	10.2%	11.1%	**-1.9%**
Multi-Asset Growth Fund	1.2%	4.2%	-3.0%
GARS	-0.1%	5.9%	-6.0%

Matching Assets	Performance
Baillie Gifford Corporate/ other bonds	5.2%
Baillie Gifford Corporate UK Fixed Interest Gilts	1.7%
Baillie Gifford Corporate UK Index Linked Gilts	5.7%

Whilst the return seeking asset classes did not achieve their targets over the year, they did achieve a positive return, with the exception of the GARS fund. Looking over the longer term, both the global equities and the multi-asset growth fund achieved returns ahead of their targets.

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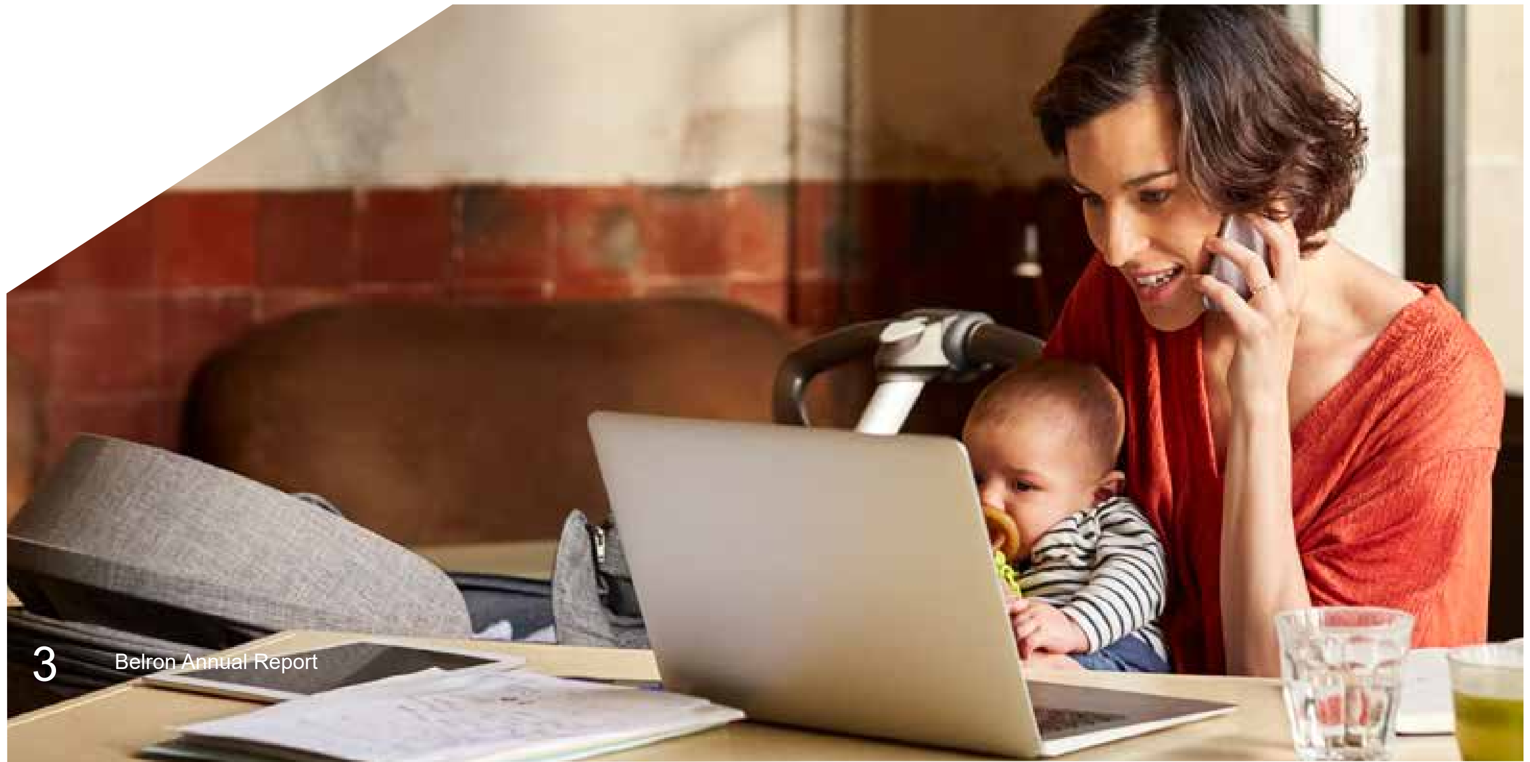

A little more on the funds in which the Plan is invested

Global Equities

The Global Select portfolio makes up 38% of the fund and is managed by Baillie Gifford. It invests in equities in both the UK and around the world. It aims to outperform the benchmark by 2-3% each year over a rolling five-year period.

Multi-Asset Growth (MAG) Fund

The MAG fund aims to provide equity like returns but with reduced volatility by investing in a wide range of assets. The fund is managed by Baillie Gifford and its objective is to outperform the UK Base Rate by 3.5% a year (net of fees), annualised over rolling five-year periods. 9% of the total fund is invested in this portfolio.

Global Absolute Returns Strategy (GARS)

The GARS fund, managed by Aberdeen Standard Investments, is a diversified growth fund which aims to achieve equity like returns but with reduced volatility. The fund's objective is to outperform the six-month Libor rate (essentially cash) by 5% per annum, over rolling five-year periods.

The GARS fund continued to underperform throughout the Plan year and, over the long term, was 4.5% behind its target return. Due to the ongoing poor performance, the Trustees decided to review their holding in early 2019. Following a formal review, the Trustees made the decision to disinvest all the monies held in the fund and this was completed in April 2019.

Columbia Threadneedle Dynamic Real Return Fund

The monies from the GARS fund were re-invested in the Dynamic Real Return fund, a diversified growth fund managed by Columbia Threadneedle. The fund's objective is to achieve a return of CPI + 4% per annum. The transfer of assets was completed in April 2019.

Matching Assets

The bond portfolio is split into three separate components. The objective of the bond fund is to match a proportion of the Plan's liabilities as closely as possible and to help protect the fund against changes in interest rates and inflation. Each of the funds performed as expected over the Plan year. At 31 March 2019 44.8% of the fund is made up of matching assets.

Each year 2% of the return seeking assets are disinvested and reinvested in the matching assets, in line with the Trustees' risk reduction strategy. The strategy aims to protect the liabilities as the Plan matures. More information on this can be found in the Statement of Investment Principles, which is available on **Mypension.com**

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Summary Funding Statement

The 2017 ongoing funding valuation

The most recent funding valuation of the Plan was carried out at 31 March 2017. The funding position at this date was as follows:

ASSETS
£397.8m

Amount needed to provide benefits
£394.3m

SURPLUS
£3.5m

FUNDING LEVEL
101%

The estimated amount needed to ensure that all members' benefits could be paid in full if the scheme had started winding up (full solvency) was £558.6m. We are required to provide this information to you in line with current legislation. Inclusion of this does not imply that the Employer is thinking of winding-up the scheme.

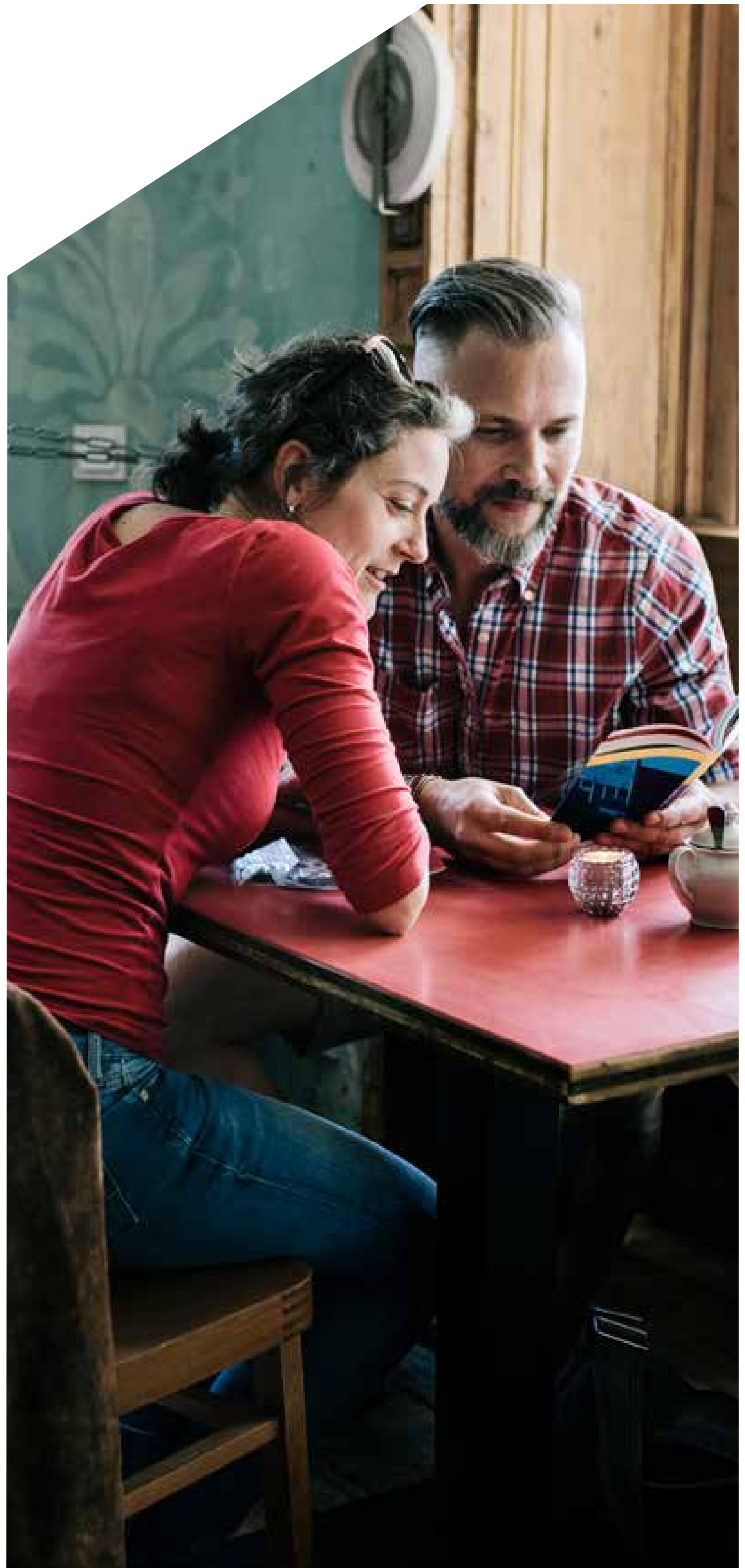
Change in funding position

The most recent funding update showed that the Plan's funding level has increased to 107%. This is due to higher than expected investment returns relative to the growth in liabilities. The funding position of the Plan will always be sensitive to changes in market conditions and the Trustees continue to monitor the position.

The next funding valuation will be carried out at 31 March 2020.

Payment to the Employer

There have been no payments to the Employer from the Plan funds, other than reimbursement of costs paid by the Employer on behalf of the Plan.



How the Plan operates

How is my pension paid for?

The Plan closed to future accrual on 31 May 2015, so contributions are no longer paid by members to the Final Earnings Section and Retirement Capital Sections of the Plan. The Employer continues to pay contributions to the Plan to pay for the benefits provided by the Plan and to cover the running costs of the Plan.

The money to pay for members' benefits is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Plan needs worked out?

The Trustees receive regular valuations of the benefits earned by members (called the 'technical provisions'). Using this information, the Trustees come to an agreement with the Employer on the level of future contributions.

The importance of the Employer's support

The Trustees' aim is to have enough money in the Plan to pay benefits now and in the future. Success of the Plan relies on the continued support of the Employer. In the event that the target funding level is not met, the Employer will need to pay the shortfall.

What would happen if the Plan started to wind up?

If the Plan were to wind up, you might not receive the full amount of pension you have built up, even if the Plan is fully funded. However, whilst the Plan remains ongoing, even though funding may from time to time be below target, benefits will continue to be paid in full. The Employer has no plan to wind up the Plan.

If the Plan were to start to wind up, the Employer must pay enough into the Plan to secure members' benefits with an insurance company. Should the Employer not be able to pay this full amount (say, if the Employer became insolvent), the *Pension Protection Fund* might be able to take over the Plan and pay compensation to members.

Further information and guidance is available on the Pension Protection Fund's website at **www.ppf.co.uk**. You can also write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

Why does the funding plan not insist the Plan is fully funded 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 incorporates the future expenses involved in administration. By contrast, our funding plan assumes that the Employer will continue in business and support the Plan.

What is the Plan invested in?

The Trustees' policy is to invest in a broad range of assets subject to asset class limits as follows:

	Actual Asset Allocation at 31 March 2019 %
Return Seeking Assets	**50.6**
Global Equities	33.6
Multi Asset Growth Fund	8.8
Global Absolute Return Strategies Fund	8.2
Matching Assets	**49.4**
UK Corporate Bonds	8.3
UK Fixed Interest Gilts	8
UK Index-linked gilts	32.7
Cash	0.4

Where can I get more information?

If you have any other questions, or you'd like any more information, please contact the Pensions Team at **pensions@belronuk.com** or call **01234 279400**. A list of documents, which provide further information, is detailed below. If you would like a copy of any of these documents, please let us know.

If you are thinking of leaving the Plan for any reason, you should seek independent financial advice before taking any action.

Additional documents available on request

- Statement of Investment Principles
- Schedule of Contributions
- Annual Report and Accounts
- Actuarial Valuation Report
- Belron - UK Pension Plan Booklet

BELRON UK PENSION PLAN

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