



# **Scheme Report 2023**

## **Guidance Pension Scheme**

May 2024

## **A WARM WELCOME**

As the Trustee of the Guidance Pension Scheme (the 'Scheme'), we want to keep you up to date on its finances, investments and associated developments. With this in mind, we would like to welcome you to this annual report written for you, the members.

Each year we summarise the Scheme's key developments, based on its formal Report & Accounts. We also highlight the main pension news.

This issue of the annual report looks at the reporting year to 5 April 2023.

Inside, you can find a summary of the year's accounts and an overview of how the Scheme's investments performed. In our pensions round-up, you can read

about the impact of high inflation over 2023 as well as an update on GMP equalisation and the change in the Lifetime Allowance.

The Trustee has delayed issuing the newsletter whilst the valuation discussions as at 6th April 2023 were ongoing. This has now been agreed and the results are summarised in the newsletter

If you have a question about your Scheme benefits or any of the issues raised please contact the Scheme's administrators Atkin Pensions. You can find their contact details on page 11

**On behalf of the Trustee of the  
Guidance Pension Scheme**

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# THE SCHEME IN NUMBERS

## THE ACCOUNTS

The table below outlines the Scheme's finances for the 12 months to 5 April 2023. During the year, the overall value of the assets decreased by £6,834,185 to £16,055,916.

The decrease was comprised of net additions from dealings with members of £365,989 together with a net decrease in the value of investments of £6,834,185. The Scheme uses a 'Liability Driven Investment' strategy whereby the assets of the Scheme broadly mirror the increases and decreases in the value of the liabilities (i.e. the value of future benefits to members). Over the year the Scheme's net liabilities decreased by c. £8.6 million and therefore the reduction in the Scheme's net assets was driven primarily by the Scheme's liability hedging portfolio which mirrored a large proportion of this fall. The Scheme's funding level has maintained stable throughout the year.

The figures have been checked by the Scheme's appointed auditor, J W Hinks LLP. If you would like a copy of the full year's accounts, please use the contact details later in the report.

	At 5 April 2023	At 5 April 2022
<b>Value of the assets at start of year</b>	<b>22,524,112</b>	<b>20,962,629</b>
<b>Income</b>		
Deficit contributions received	900,000	750,000
Other contributions	-	-
<b>Expenditure</b>		
Retirement benefits	528,247	584,693
Death benefits	5,759	14,252
Transfers out	-	-
Other leavers' benefits	-	-
Charges and expenses	5	37
<b>Total expenditure</b>	<b>534,011</b>	<b>598,982</b>
<b>Returns on investment</b>		
Bank Interest	-	-
Change in market value of investments	(6,705,069)	1,515,195
Investment management expenses	(129,116)	(104,730)
<b>Net returns on investments</b>	<b>(6,834,185)</b>	<b>1,410,465</b>
<b>Value of the assets at end of year</b>	<b>16,055,916</b>	<b>22,524,112</b>

## THE MEMBERSHIP

This table shows how the Scheme's membership breaks down. We have included the 2022 figures to show you how the membership has changed.

All active Scheme members became deferred members in 2009, when the Scheme closed to the future build-up of benefits.

	At 6 April 2023	At 6 April 2022
<b>Deferred members</b> with preserved benefits in the Scheme	165	170
<b>Pensioner members</b> receiving benefits from the Scheme (including the dependants of members who have died)	132	128
<b>Total</b>	<b>297</b>	<b>298</b>

## PENSION INCREASES

The Scheme provides the following pension increases;

### **Increases to your pension in deferment**

After you left the Scheme and before your pension starts to be paid your pension will be increased each year. The increase will depend on the different elements of your pension. If you have any Guaranteed Minimum Pension (GMP) this will be revalued by the relevant fixed rate. Any pension in excess of GMP and your cash lump sum will be increased by inflation up to a maximum of 5% p.a.

### **Increases to pensions in payment and your cash lump sum**

Your pension will receive increases each April. The first increase will be proportionate if you do not retire on 6th April. Pension in excess of Guaranteed Minimum Pension (GMP) will increase each year in line with the Retail Price Index (RPI) to a maximum of 6% p.a.

Any Guaranteed Minimum Pension (GMP) will receive a fixed increase of 3% per annum.

The RPI linked increase applied in 2023 was 6.0% which was based on the increase in RPI inflation in the year up to September 2022. The increase to be applied in 2023 will be 6% based on the increase in the year up to September 2023.

## A FUNDING UPDATE

Every three years, our Scheme Actuary, a qualified and independent professional, will estimate the value of the Scheme's liabilities using a set of assumptions for the future and compare this with the value of Scheme's assets. If there is a deficit, the Trustee will agree with the Company a Recovery Plan to meet the deficit over short a period as possible.

The most recent full actuarial valuation was based on the Scheme's position at 5 April 2023 the results of which are set out in the Summary Funding Statement issued alongside this newsletter. This showed that on 5 April 2023 the Scheme had a shortfall, results noted in the table below compared to the 2021 and 2022 funding position.

Type of Valuation	Annual actuarial update	Annual actuarial update	Formal actuarial valuation
Date	5 April 2021	5 April 2022	5 April 2023
Value of the Scheme's assets	£20,954,000	£22,434,000	£16,015,000
Value of the Scheme's liabilities	£29,122,000	£28,054,000	£19,991,000
Surplus/(shortfall)	<b>(£8,168,000)</b>	<b>(£5,620,000)</b>	<b>(£3,976,000)</b>

Although the Scheme does show a deficit, the funding position has improved. This is despite the significant fall in the value of the assets as this has been matched by an equivalent fall in the value of the liabilities reflecting the higher investment returns the assets are expected to achieve in the future. The improvement in funding has also been as a consequence of the significant deficit recovery contributions paid over the period.

In order to meet this deficit, the Trustee has agreed that Babcock Training Limited ('BTL') will continue to pay monthly deficit contributions of £75,000 which is expected to clear the deficit within four years and five months from the valuation date.

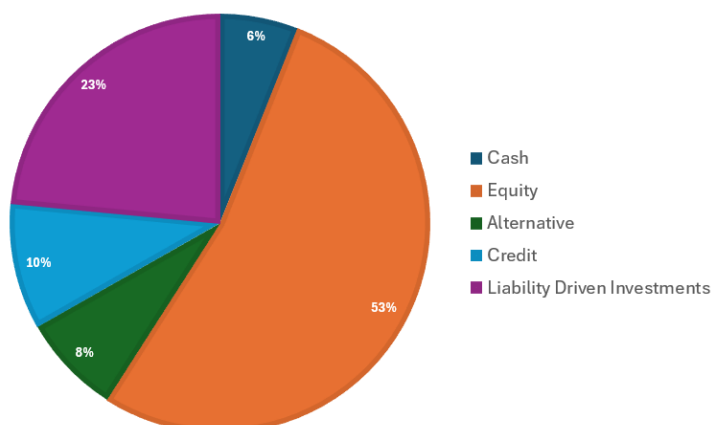
The Trustee has delayed issuing the newsletter whilst the valuation discussions as at 6th April 2023 were ongoing.

## INVESTMENT COMMENTARY

The Scheme's assets continued to be managed on a fiduciary management basis by Schroders Solutions. This means that although the Trustee remains responsible for the governance and investment of the Scheme's assets, day-to-day matters are managed by Schroders Solutions within guidelines set by the Trustee.

### ASSET ALLOCATION

The chart shows the Scheme's agreed strategic allocation as at 31 December 2023.



Further details of the Scheme's investment strategy are set out in the Statement of Investment Principles ("SIP"), which is available at ([Guidance Pension Scheme \(pensionpal.co.uk\)](https://www.pensionpal.co.uk/Guidance-Pension-Scheme))

The SIP also sets out the Trustee's investment policies on to Environment, Social and Governance ("ESG") factors including climate change and stewardship which involves voting and engagement. Currently the Trustee delegates responsibility around corporate governance and stewardship to the fiduciary manager. The Trustee continues to believe it is appropriate to delegate voting and engagements decisions to the fiduciary manager and their Underlying Investment Managers in order to achieve an integrated and joined up approach, which will benefit the Scheme's members in financial and non-financial terms as a result. Further details can be found in the Section 4 of the SIP.

Schroders Solutions reports to the Trustee every quarter and at Trustee meetings where the Trustee focuses on investment matters in greater detail.

### INVESTMENT PERFORMANCE

The Scheme aims to outperform the expected liabilities by c.3.3% per year (or in monetary terms about £0.75m p.a.). We represent the liabilities by a collection of government bonds (gilts) and gilt like instruments that have similar interest rate and inflation sensitivity as our Scheme's expected pension payments. This collection is called the Liability Benchmark Portfolio (LBP), and it's what we compare our performance to. So, the aim is to do better than the LBP by 3.3% per year.

This approach means that a combination of Company contributions and investment return will together continue to improve the financial health of the Scheme towards full funding. For the Scheme year, the overall target was -8.6%. However, the Scheme's assets delivered -9%, which was slightly below the target of LBP+3.3%. But, it still did better than the liabilities, so it had a positive effect on the Scheme's financial health. The Trustees continue to monitor performance regularly.

# PENSIONS ROUND-UP

In this section we outline some headline news items of more general pensions interest.

## INFLATION

Although UK inflation has reduced from the levels that we witnessed last year it is still high compared to recent history. As a result, pension increases are set to be below the rate of inflation. We are monitoring this situation closely to ensure that our funding strategy, investment strategy and benefit conversion terms remain appropriate.

If you are thinking of retiring or transferring your benefits out of the Scheme for any reason, you should consider the impact of inflation and take appropriate advice from a financial adviser regulated by the Financial Conduct Authority before taking any action.

## MINIMUM PENSION AGE TO INCREASE FROM 55 TO AGE 57

The earliest age you are currently allowed under pensions tax law to take your pension savings is age 55 (unless you are in ill-health).

In 2014 the Government announced that this would increase to age 57 from 2028. From then on, the minimum pension age in the tax rules would remain ten years below State Pension Age. The government has indicated that this is still the intention.

Before you make any decision about your benefits in the Scheme, we would urge you to seek independent financial advice.

## GMP EQUALISATION

Benefits for members who joined the Scheme prior to April 1997 include a Guaranteed Minimum Pension (GMP) which broadly represents the pension which they would otherwise have accrued under the old State Earnings-Related Pension Scheme (SERPS). As advised in previous newsletters, following a High Court Judgment in October 2018 the “Lloyds Bank” Case, the Trustee is aware that there is now a requirement to adjust some members’ Scheme benefits to address the current inequalities in the calculation of GMPs between men and women. A further High Court Judgment in November 2020 has confirmed that this requirement for equalisation also applies to previous transfers paid out of the Scheme.

We are currently reviewing with our advisers the appropriate way to implement GMP equalisation.

Please note that while this may result in modest increases in benefits for some members, many may see no change, but no member will see the value of their benefits reduce as a result of this Judgment.

## KEEPING SAFE ONLINE

You will be aware in the media of high-profile cyber and data exfiltration attacks during the past year. Pension schemes are also a potential target for cyber criminals due to the data held. The Trustee takes the matter seriously and works with Atkin Pensions in particular to ensure there are controls in place and that we are aware any control testing undertaken. While every effort is made to keep your data safe, below are some important steps you can take to help protect yourself:

- ✓ **Look out for phishing emails or fraudulent activity** on your pension or other online accounts
- ✓ **Reset passwords** on your pension and other online accounts
- ✓ **Use strong, unique passwords** for each online account you have

## LTA/AA CHANGES

The Chancellor's Spring Budget delivered on 15 March 2023 brought with it some significant changes to UK pension taxation from 6 April 2023. However for the 2023/24 tax year all existing rules for calculating pension commencement lump sums remained and lifetime allowance checks still needed to be done at benefit crystallisation events.

The lifetime allowance is the maximum amount of savings you can have at retirement from all pension schemes without incurring an additional tax charge. **The additional tax charge on any lifetime pension savings above the lifetime allowance will no longer apply from 6 April 2023.**

The lifetime allowance was removed on 6 April 2024 to be replaced with three different allowances:

- the lump sum allowance - £268,275
- the lump sum and death benefit allowance - £1,073,100
- the overseas transfer allowance - £1,073,100

The first two limit the amount of tax-free benefits that can be paid, the last to overseas transfers.

The lump sum allowance applies at a relevant benefit crystallisation event, which is when tax-free benefits are taken. Any amount of pension commencement lump sum or the untaxed part of an uncrystallised funds pension lump sum is deducted from this allowance, £268,275. The remaining amount, the income part, is taxed at the individual's marginal rate of income tax.

A check is made against these allowances when benefits are paid, these may be higher if the individual has lifetime allowance protection and will be reduced if benefits were taken between 6 April 2006 and 5 April 2024.

The annual allowance also remains which is the maximum amount of pension benefits you can save each year with the benefit of tax relief. The annual allowance will increase for everyone from 6 April 2023. For the 2023/24 tax year, it is £60,000 but if you have a high income or have started to draw money purchase benefits in a flexible way, your annual allowance may be as low as £10,000 a year.

**If you are impacted by any of these changes, we recommend you seek professional advice prior to taking any action.**



## Be aware of Pension Scams

Over the past year the issue of pension scams has not gone away and we continue to encourage our members to consult a financial adviser regulated by the Financial Conduct Authority (FCA) if you are considering transferring your pension savings out of the Scheme. Details of FCA-authorized advisers can be found via the MoneyHelper Retirement Adviser Directory.

Please remain vigilant when approached in respect of your pensions savings.

Please remember to look out for the following aspects, which are key indicators that you may have been targeted by a pension scam.

- Being offered a 'free pension review'
- Being approached out of the blue by phone, text or even 'door to door'
- Being asked to transfer investments overseas
- Being pressured into transferring money very quickly
- Being told you can access your pension before age 55

One of the most common methods used by scammers to commit pension fraud is through cold-calling. Regulations banning pensions cold-calling came into force on 9 January 2019. The new rules mean firms will no longer be able to make unsolicited marketing calls about pension schemes. Firms found flouting the ban will face enforcement action from the Information Commissioner's Office and could be fined up to £500,000. Despite the cold-calling ban, it is thought that fraudsters may ignore the ban and so it is important to remain vigilant and be aware of the dangers of pension scams. If you receive a call concerning your pension from anyone other than Atkin Pension or the Trustee then hang-up the phone.

Action Fraud lists 4 basic steps that pension scheme savers can use to protect themselves from scams. These include

- 1) Rejecting unexpected offers related to their pension
- 2) Checking that the company they are dealing with is authorized and not a 'clone'
- 3) Refusing to be rushed or pressured and
- 4) Getting impartial information or advice.

The four-step guide can be found here: <https://www.actionfraud.police.uk/news/dont-let-a-scammer-enjoy-your-retirement>

You should also see the FCA's 'ScamSmart' website so that you are aware of the risks and can protect yourself and your pension savings: [www.fca.org.uk/scamsmart/how-avoid-pension-scams](http://www.fca.org.uk/scamsmart/how-avoid-pension-scams)

The FCA has also provided useful guidance for members who are considering retirement and taking benefit from their pension savings from a 'final salary' pension scheme.

[How to avoid pension scams | FCA](#)

The MoneyHelper website contains lots of useful information which includes a very good guide to pension scams. We have provided the website address for MoneyHelper on the last page of this newsletter.

### **If you would like financial advice**

The law does not allow anyone involved with the Scheme or employed by BTL to give you financial advice. If you would like help with your pension arrangements or retirement planning, consider talking to your independent financial adviser (IFA).

If you do not have an appointed IFA, you can find one in your area by searching online at [www.unbiased.co.uk](http://www.unbiased.co.uk). Simply enter your postcode into the search bar on the homepage to see a list of IFAs local to you. The Financial Conduct Authority also provides some useful tips on finding an IFA. Go to [www.fca.org.uk/consumers/financial-services-products/investments/financial-advice/finding-an-adviser](http://www.fca.org.uk/consumers/financial-services-products/investments/financial-advice/finding-an-adviser)

### **YOUR BENEFIT OPTIONS**

Your pension benefits are held in the Scheme to be paid from your retirement. If you have not already retired, you have the options to:

- request to transfer the value of your own benefits to another approved pension arrangement. If the value exceeds £30,000 you must take independent financial advice before the transfer can proceed
- request early retirement if you are age 55 or over, although this is subject to the agreement of the trustee and the employer.

Before you make any decision about your benefits in the Scheme we would urge you to seek independent financial advice.

## BEHIND THE SCENES

This section lists the people and organisations who continue to manage the Scheme on your behalf.

### YOUR TRUSTEE

The Scheme is set up under 'trust' and managed by Capital Cranfield Pension Trustees Limited. The Scheme assets are held separately from those of Babcock Training Limited (BTL).

Our role as Trustee is to manage the Scheme in line with its own Rules and pensions law, and with all members' best interests in mind. We decide on the overall investment strategy and ensure that members' benefits are paid correctly and on time.

You can contact the Trustee at the address below:

Secretary to the Trustee, Guidance Pension Scheme  
Capital Cranfield Trustees Ltd  
Unit 15  
Poplars Court  
Lenton Lane  
Nottingham  
NG7 2RR

Or by email: [guidanceenterprises@cctl.co.uk](mailto:guidanceenterprises@cctl.co.uk)

### OUR ADVISERS

To help us run the Scheme, we appoint a number of professionals to advise us on areas which require particular expertise.

**Actuary:** N Atkin, Atkin Pensions

**Administrators:** Atkin Pensions

**Auditors:** J W Hinks LLP

**Lawyers:** Arc Pensions Law

**Fiduciary manager:** Schroders

**Banker:** Natwest

#### **Reminder: keeping us updated**

It is important that we have your correct details on file so that we can contact you about the Scheme and your benefits. If you change your name or move house, please remember to let us know using the attached form. Additionally if you are a pensioner member, please update us if there is a change to your bank or building society account.

It is also your responsibility to update your Expression of Wish form. This is the form we use to help us decide who any benefits should go to if you die before you retire. It is a good idea to update your form every so often, particularly if there is a change in your circumstances, for example if you marry or become a parent. Your form will automatically replace any previous nominations you made.

## CONTACT POINT

As a member of the Scheme, you can obtain further information on it on request. The contact details you need are:

Email: [email@atkin.uk.com](mailto:email@atkin.uk.com)

Phone: 0121 506 8200

Or write to:

Atkin Pensions  
Cornwall House  
Blythe Valley Business Park  
Solihull  
B90 8AF

## FURTHER INFORMATION

If you would like more general information about pensions and saving for retirement, there are a number of helpful websites.

<https://maps.org.uk/>

The Money & Pensions Service provides free, impartial advice on all money matters including pensions and how to find an IFA. Provides the MoneyHelper website.

<https://www.moneyhelper.org.uk/en/pensions-and-retirement>

<https://www.moneyhelper.org.uk/retirement-adviser-directory>

### **www.gov.uk**

The Government's website features a section 'Working, jobs and pensions'.

<https://www.gov.uk/plan-retirement-income>

<https://www.gov.uk/state-pension-age>

[www.age.uk](http://www.age.uk) provides information on pensions and annuities

<https://www.ageuk.org.uk/information-advice/money-legal/pensions/>