

# KPSS (UK) Limited Pension Scheme

## 2021 Member Newsletter



### MESSAGE FROM THE CHAIRMAN

The purpose of the newsletter is to provide you with an overview of the latest scheme accounts (this newsletter covers the year ending 5 April 2020) as well as keeping you informed of the financial position of the Scheme and current pension issues.

Since the last newsletter, PAN Trustees UK LLP, as independent Trustee, has continued to work closely with the Employer. This has been extremely important in light of the Covid-19 pandemic circumstances. Understanding the impact on the business has been key for the Trustee when discussing the current actuarial valuation of the Scheme with effective date 5 April 2020. This formal review happens every 3 years when the Trustee and Employer review the financial situation of the Scheme and agree contributions required into the Scheme. The 2020 valuation discussions remain ongoing – the Trustee is engaging independent advisers to assess the strength of the Employer as this is critical in not just determining the level of contributions the Scheme needs from the employer but also setting how conservative and prudent the Trustee need to be within the Scheme's investment strategy. The Trustee needs to ensure that investment returns on the pension scheme assets are maximised without taking unnecessary risk, in order to meet the Trustee's primary duty of seeking to protect members' pension scheme benefits. The valuation is progressing well and is very much expected to be completed within the 15 month statutory deadline (by 5 July 2021).

The Pensions Regulator will be consulting on a new code of practice for scheme funding this year, but we envisage the way the Scheme currently operates will already be well aligned with new requirements.

In 2020 we completed initial work in preparation of the equalisation of GMP pension benefits ("Guaranteed Minimum Pensions" as mentioned in the previous newsletter). This project is continuing and is likely to continue for some time as new best practice developments are published from various working parties in the pensions industry. However, we have now reconciled the GMP information the Scheme holds with the records held by HMRC so we are in a good position relative to other UK pension schemes to start the GMP Equalisation journey.

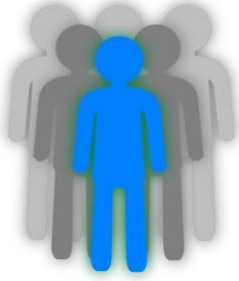
I look forward to meeting the continuing challenges which will be faced in my role as Chair of the Trustees with my primary focus continuing to be protecting the beneficiaries of the Scheme.

**Andrew Firbank – PAN Trustees UK LLP**

**Sole Independent Trustee**

**May 2021**

# Who's who?



## Trustee Qualifications

The Sole Independent Trustee is a professional Trustee and continues to update their knowledge and understanding of all Defined Benefit related pension issues. The Trustee, with the help of their advisers, receive regular updates from pension professionals.

Details of the Trustees of the Scheme are shown below:

Trustee Name	Role
PAN Trustees UK LLP represented by Andrew Firbank and Tony Earnshaw	Sole Independent Trustee (appointed 29 April 2020)

Please note that Anne Flavill retired as Member Nominated Trustee on 29 April 2020.

## The Trustee Advisers

The full list of advisers are as follows:

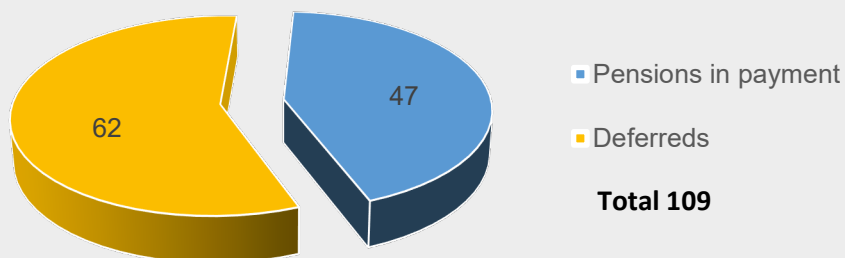
<b>Scheme Secretary</b>	Premier Pensions Management Limited
<b>Consultant</b>	Premier Pensions Management Limited
<b>Administrator</b>	Premier Pensions Management Limited
<b>Auditor</b>	Harmer Slater Limited (previously, Langdon West Williams LLP)
<b>Actuary</b>	Stephanie Murphy FIA, Premier Pensions Management Ltd
<b>Investment Consultant</b>	Ormonde Advisory Limited (previously, Gatemore Capital Management LLP)
<b>Investment Managers</b>	Various, including BMO, Ormonde, Lunar Capital and Harbert

# Trustees' Annual Report & Accounts

## Year Ending 5 April 2020

Income	£	£
<b>Net assets at 5 April 2019</b>		<b>16,843,061</b>
Contributions:	2,140,000	
Other income:	4,093	
<b>Withdrawals</b>		
Benefits & Expenses paid:	(436,184)	
<b>Net addition for dealing with members</b>		<b>1,707,909</b>
<b>Net returns on Investments:</b>		<b>1,545,154</b>
<b>Net assets at 5 April 2020</b>		<b>20,096,124</b>

Scheme Membership as at 5 April 2020



# Funding Update



## How is your pension paid for?

The Scheme's assets are held in a common fund by the Trustees on behalf of the members. They are not held in separate funds for each individual. The Scheme's assets are independent of the KPSS UK Limited (the Employer). This fund together with any future contributions that are paid by the Employer is available for the Scheme to pay pensions to Scheme members when they retire.

## Funding position of the Scheme

A formal financial health check – the 'Actuarial Valuation' – is being carried out as at 5 April 2020. This formal valuation requires the Trustees to consult with the Employer in respect of the calculation of their required contributions. Actuarial Valuations must be carried out at least every three years by the Scheme Actuary and in the inter-valuation years the Scheme Actuary will provide an update on the funding position called an Annual Update. Whilst work to finalise the valuation remains ongoing it is expected that the funding position of the Scheme as at 5 April 2020 will be as shown below:

	5 April 2020
The value of the Scheme's liabilities were: *	£26.1 million
The Scheme's assets were valued at:*	£17.8 million
This means that there was a shortfall of:	£8.3 million
Funding Level	68%

*\*Some pension benefits are insured and paid by Aviva (policy valued at £2.3m at 5 April 2020 and excluded from the assets and liabilities above.*

## Progression of the funding level

The funding level has been increasing over time and the shortfall decreasing mainly due to the additional cash paid into the Scheme by the Employer.

## How do the Trustees know what contributions should be paid into the Scheme?

At each Actuarial Valuation the Trustees, with the assistance of the Scheme Actuary, are required to set a new Schedule of Contributions which is agreed with the employer allowing for the updated shortfall.

The Valuation and Schedule of Contributions follow guidelines and methods we have set out in a Statement of Funding Principles. This document describes how we will manage the Scheme, with the aim of being able to continue to pay members' benefits.

As discussed above, a valuation is currently in progress for 5 April 2020 and the funding plan will be revised during this process (which needs to be completed by 5 July 2021).

# Protection of your Pension Benefits

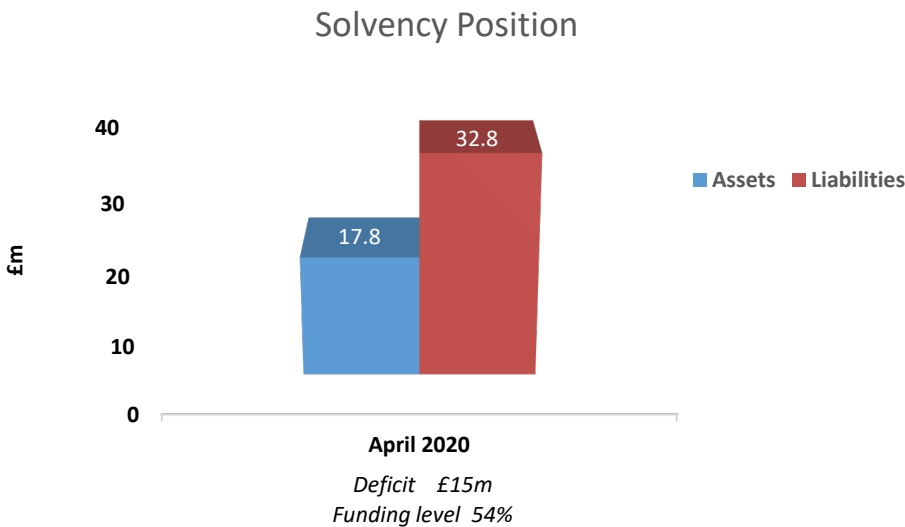
## The importance of the Employer's support

The Trustee's objective is to have enough money in the Scheme to pay pensions now and in the future. However, the success of the Scheme relies on the Employer continuing to support the Scheme because:

- the funding level can fluctuate and, if there is a funding shortfall, the Employer will usually need to put in more money
- the target funding level may turn out to not be enough and the Scheme will need to put in more money.

## What would happen if the Scheme were wound-up and there was not enough money to pay for all my benefits?

Should the Scheme wind-up it would need to attempt to purchase benefits for all members with an insurance company. The cost of purchasing insurance policies versus the size of the assets available to do so on winding up as at 5 April 2020 was estimated to be as follows:



This description of the position of the Scheme were it to wind up is purely for information only and it is not intended to suggest that the Employer is thinking of winding up the Scheme.

The Pension Protection Fund (PPF) exists to pay compensation to members of schemes that wind-up where the scheme and the employers do not have enough money to cover the cost of securing benefits (at the minimum level specified by the PPF) with an insurer. This minimum level of benefits and the compensation paid from the PPF might be less than the full benefit that the member has earned, depending on their age and when their benefits were earned. Further information is available on the PPF website at:

[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) or you can write to the Pension Protection Fund at:

Renaissance, 12 Dingwall Road  
Croydon CR0 2NA.

As at 5 April 2020 the Scheme funding position would not have covered the minimum level of benefits provided by the PPF.

# Protection of your Pension Benefits (cont'd)

## Investment Strategy and Scheme Objective

The Trustees have set out three main objectives for the investment strategy:-

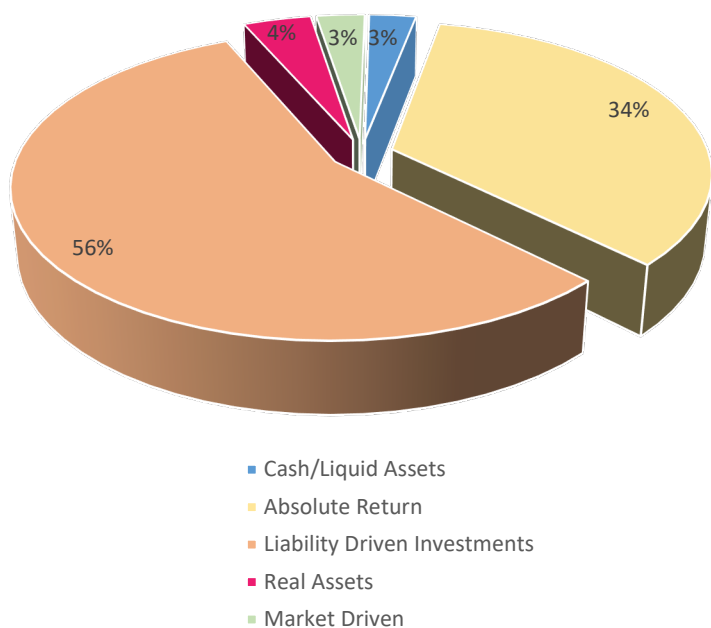
- to ensure there are sufficiently realisable investments to meet capital calls, including member payments, when they fall due;
- for the value of the assets to be in excess of the value of the liabilities on an ongoing basis, within the timeframe of the Recovery Plan
- to substantially reduce funding level volatility by increasing interest rate and inflation hedges

Over the longer term, the aim is to gradually increase the asset allocation in bonds in order to provide a good matching income to the pension payments made by the Scheme.

## Asset Allocation

At 5 April 2020, 41% of the Scheme assets were invested in 'growth' assets and the remainder in 'matching' assets which are expected to move in line with liabilities in the Scheme. The Trustee also holds an insurance policy which pays pensions directly to some pensioners in the Scheme.

The chart below shows the Scheme's invested assets (plus cash in the Trustee's bank account).





## COVID-19

Covid-19 has had a significant impact on the way the Scheme is run. Since March 2020, the Trustee Board has been convening online but we have adapted well to the use of videoconference technology. Lockdown has not stopped any meetings taking place nor has the lack of face-to-face engagement been a barrier to good decision-making.

Our administrator, Premier Pensions Management Limited, has also largely had to manage the administration of the Scheme through many staff homeworking but has done so successfully, maintaining a strong level of service. Of utmost concern was ensuring that our retired members continued to receive pensions and we are pleased to say that this continued uninterrupted.

## Rise in State pension age – mind the gap!

The government is gradually increasing the State pension age. It is currently age 66, with a rise to age 67 due to take place between 2026 and 2028.

A further increase to age 68 is planned between 2037 and 2039, seven years earlier than originally intended. It will affect people born between 6 April 1970 and 5 April 1978, currently those aged between 42 and 50. As a result, your State pension age may not be the same as your Normal Retirement Age from the Scheme. This could mean there will be a gap in your retirement income between taking your Scheme pension and receiving your State pension. You can check you State pension age at <http://www.gov.uk/state-pension-age>.

You can also find out how much State pension you might be entitled to by getting a forecast of your State pension at <http://www.gov.uk/check-state-pension>.


## Planning ahead – minimum retirement age to change

Corresponding with the increase to the State pension age, there is also to be an increase to the minimum pension age (the earliest age at which you can draw your pension unless you are in ill health or unless you have a protected minimum early retirement age). In 2028, this is set to rise from age 55 to 57. It means any pension savers aged 46 and under may now have to rethink their early retirement plans – especially those who are due to reach their 55th birthday sometime in 2028.

## Scam alert!

A major event like the Covid-19 crisis can lead to new types of scams. With this in mind, we urge you to be vigilant for scams of all kinds. These could be about insurance policies, pension transfers or high-return investment opportunities, including investments in crypto-assets. Scammers are sophisticated, opportunistic and will try to get personal details or money from victims in many ways, and they tend to target people who are feeling vulnerable.

Pension scams can be hard to spot but their effects are devastating, with many people losing their entire life savings. While promising high returns and low risk, in reality pension scams can leave you with nothing. You could also face a high tax bill from HM Revenue and Customs if you withdraw your savings before age 55.



Scams often involve unusual, high-risk investments like overseas property, renewable energy bonds, forestry, parking or storage units. If it sounds too good to be true, it probably is. Anyone can be a victim of a pension scam, no matter how sharp-witted they think they are. You can check with the Financial Conduct Authority if an offer sounds suspicious.

- The FCA's most searched-for investment and pension scams are:
- Cryptocurrency (e.g. Bitcoin)
- Binary options
- Foreign exchange
- Shares
- Bonds
- Pension review
- Pension loan/liberation

For more information about these and other pension scams as well as how to avoid them, visit <http://www.fca.org.uk/scamsmart> or <http://www.thepensionsregulator.gov.uk/pension-scams>

If you think you may be a victim of a pension scam, contact Action Fraud at: <http://www.actionfraud.police.uk>.

We also enclose a fact sheet from the Pensions Regulator regarding pensions scams.

### **Lifetime Allowance from 6 April 2020**

The Lifetime allowance is the maximum amount of benefits that you can have at retirement from all pension schemes without triggering additional tax charges. The Lifetime Allowance is currently £1.073 m.

If you think that you may be affected, you should contact the scheme administrator and you may require independent financial advice.

### **Equalisation of Guaranteed Minimum Pensions**

The Guaranteed Minimum Pension (GMP) is the minimum pension which a United Kingdom occupational pension scheme has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997.

There has been a requirement to equalise pension scheme benefits for men and women since 17 May 1990 and the main benefits under the Scheme were equalised accordingly. As mentioned in last years' newsletter, clarification on the equalisation of GMPs was only confirmed in a legal case involving Lloyds Bank in October 2018. Various working parties have since been set up in the pensions industry to deal with the complexities arising with GMP Equalisation. This work is ongoing and we will report on progress in future newsletters.



# Keeping in Touch



Research from the Association of British Insurers (ABI) shows that around 1.6 million pension pots worth an estimated £19.4 billion have been lost because people move home but forget to tell their pension providers their new address. This is the equivalent of £13,000 lost per person. In the ABI survey, nine out of 10 people said they automatically think of telling their GP or dentist about their change of address, but only one in 25 thinks about updating their pension scheme.

As well as being able to receive your copy of future Newsletters there are lots of other valid reasons to keep in touch with the Scheme administrators. The Trustee sometimes has important information to give you and, of course, when your pension is due to be paid or increased (if you are already receiving it) we need to let you know. So, if you move house or your personal circumstances change, please do remember to contact the Scheme administrators to let them know.

## Questions about your benefits

If you have any questions about your benefits, you can contact the Scheme Administrator, via e-mail on:

[kpss@premiercompanies.co.uk](mailto:kpss@premiercompanies.co.uk) or access the online web access to standard forms:  
<https://premieradministration.co.uk/downloads/> to be completed and submitted.

If you have any comments or suggestions to be included in this Newsletter please contact Sally Clarke at Premier:

[sally.clarke@premiercompanies.co.uk](mailto:sally.clarke@premiercompanies.co.uk).

## Advice and Guidance on Pensions

If you are thinking of making any changes to your pension arrangements at any time, you should obtain as much information as you can and think about getting professional independent financial advice. You can get more information using this website: <https://www.moneyandpensionservice.org.uk>.

If you think you have a lost pension, the Pension Tracing Service will help you track down lost retirement pots. For more information, go to: <http://www.gov.uk/find-pension-contact-details>.

## Pensions Dashboard

The Government has a website which provides information about State pensions, for those planning for the future, about to retire, or already retired: [www.gov.uk/browse/working/state-pension](http://www.gov.uk/browse/working/state-pension).