

Bradford & Bingley Staff Pension Scheme

Pension News – February 2021



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Funding update

The Trustee formally assesses the funding level of the Scheme every three years, with the most recent formal valuation taking place at 30 June 2018.

At that date the Scheme had a deficit of c. £22m, and a funding level of c.98%.

This was a marked improvement from the previous valuation, at 30 June 2015, which showed a c. £188m deficit and a funding level of 84%.

Every year, between the formal valuations, the Trustee assesses how the deficit has changed, and as at 30 June 2020 it is estimated that the Scheme has a surplus of c. £63m representing a funding level of 104%.

The improvement in funding position over the period from 30 June 2018 is mainly due to additional funds totalling c. £52m being provided from closure of an escrow arrangement with UKAR, with monies being paid into the Scheme.

As the Scheme is currently in surplus, no contributions are currently being paid by the scheme sponsor, UK Asset Resolution Limited ("UKAR"), other than payments to meet the Scheme's running expenses.

The Scheme is largely mitigated against future market movements due to a high level of hedging protection against changes to interest rates and inflation expectations. Therefore, the Trustee expects the funding level to remain stable regardless of short or long term market volatility.

The Scheme also benefits from a back stop guarantee provided by HM Treasury that states that "The Treasury shall give a guarantee or make other arrangements for the purposes of securing that the assets of the Scheme are sufficient to meet the liabilities". In effect, the Trustee expects all member benefits to be paid in full.

As communicated in March 2020, it was announced in the Spring Budget that the Government intended to legislate to transfer Scheme members to a new statutory, public sector pension scheme by 2023-2025. The Trustee will work closely with HM Treasury over the next couple of years to facilitate a seamless transition and will communicate progress to members periodically.





Guaranteed Minimum Pension (GMP) equalisation

On 26 October 2018 the High Court ruled in the Lloyds Bank case that pension schemes must equalise GMP for male and female pension scheme members.

GMP was earned before April 1997 in schemes that were contracted out of the State Earnings Related Pension Scheme, as the Bradford & Bingley Pension Scheme was, in return for employees and employers paying lower levels of National Insurance Contributions. As a minimum, the Scheme had to pay benefits in line with GMP. GMP accrued at a different rate for males and females, received different levels of increases in deferment and were payable from different ages, as set out by the prevailing law at the time. As such males and females received differing benefits.

Following the High Court's ruling a number of possible approaches to equalise benefits were provided. However, the practicalities of each approach and, in particular, how each impacted on members' tax positions was unclear. Further clarity is being sought by the pensions industry before benefits can be equalised.

The Trustee, working alongside its advisors, has started to work through these complications and expects to be in a position to equalise benefits for impacted members in the next 12-24 months.

The impact of GMP equalisation is expected to be minimal for both the Scheme and its members.

For the time being, benefits will continue to be paid unaltered to Scheme members.





COVID-19

We wrote to you in April 2020 to provide you with reassurance regarding your pension benefits in the Scheme, in light of the outbreak of COVID-19.

As detailed in the Summary Funding Statement in the appendix to this newsletter, the Scheme is in a strong financial position and in surplus. In addition, the Trustee Directors have reduced risk in the Scheme significantly, opting to invest in assets that are not exposed to stock market fluctuations. The Scheme's investment strategy is selected such that the assets move broadly in line with changes in the value of the Scheme's obligations to maintain a stable funding position. Regular updates are obtained from our professional advisers regarding the funding level and because of the low risk investment strategy, the funding level remains stable and has continued to do so despite the market volatility reported in the press caused by COVID-19.



Due to changes in working practices caused by COVID-19, the Trustee Directors took the decision to move to paperless administration in Q2 2020. This resulted in monthly pensioner payslips no longer being issued as hard copies.

The Trustee has taken the action to implement a new member portal where this information is readily available (see page 6 for more detail). However, if you wish to receive a paper payslip, these can be obtained on request from the Administrator.

Please be assured that for members who are currently in receipt of their pension, your pension has been and will continue to be paid as normal.

For all other enquiries, such as administrative queries, quotations, changes of status, etc. the administrators continue to operate in line with previous practice and the trustee has monitored the performance of the administrator throughout the pandemic to ensure that members are receiving a high quality service.



New online member portal – Intellisite

All members of the Scheme should have recently received a letter notifying them of a new member portal, known as Intellisite.

This communication provided details as to how members are able to register to have online access to their personal Scheme benefits and Scheme documentation.

The portal allows members to not only review their Scheme pension, but also update key personal information. This includes bank details, changes of address, marital status and spouse/dependant information.

We recommend that all members take this opportunity to register for the portal and review the information held.

Members should update any information that appears out of date.

We encourage members to review the expression of wishes section to ensure that a spouse or other dependant(s) are nominated to receive contingent benefits when you die.

If you do encounter any difficulties in registering for the portal, please contact the scheme administrator using the details provided on page 11 and they will be able to assist.



New public website for Scheme information

We recently introduced the Bradford & Bingley Staff Pension Scheme website that is located at: www.bandbpensions.com.

This publicly available website was set up to meet the recent legislative requirement for all pension scheme trustees to make available certain information, such as their Statement of Investment Principles.

The Trustee intends to update this website intermittently with other useful member communications, such as the April 2020 COVID-19 communication, so that members can use this to reference Scheme developments.

We encourage all members to visit the webpage periodically or when prompted to do so in future Trustee communications.



Equitable Life

During active service, members had various options available for investing any additional voluntary contributions (AVCs) paid to boost benefits.

One of these historic options was a “with-profits” investment policy with Equitable Life. Those with profits policies encountered well documented problems about twenty years ago, leading to substantial cuts in the value of the policies.

AVC savings in the Equitable Life With-Profits Fund were recently transferred to Utmost Life and Pensions Limited along with a substantial “Uplift” (enhancement) as compensation for the loss of the guaranteed returns associated with the Equitable Life With-Profits Funds. The Trustee, with assistance from Investment Advisers, agree that this move is considered to be in members’ best interests.

Impacted policyholders have been provided with details as to any investment decisions that they were required to make and funds are being invested in line with the decisions made.





Transfers out of the Scheme

Deferred Scheme members are able to request to transfer the value of their benefit outside of the Scheme.

However, please note that it is not possible to reverse a decision to transfer if you subsequently discover that it was not in your best interests. When considering making such a request, please be aware that independent financial advice must be taken from an adviser with appropriate pension transfer authorisation before any transfer can proceed. The only exception to this is in rare cases where the transfer value is less than £30,000.

Transfer value quotations are guaranteed for a period of three months from the date of calculation. If a re-quote is requested within twelve months of the original quotation, a charge of £250 plus VAT applies. It is therefore a good idea to have an adviser lined up in advance of requesting a quotation to avoid a lengthy advice process taking you over the three month limit.

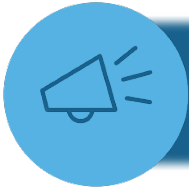


Increases to the minimum pension age

The Government has recently confirmed plans to increase the minimum age that pension savers are able to access their benefits from age 55 to age 57 in 2028, alongside planned increases to the State Pension age to age 67. From 2028, the minimum pension age is anticipated to remain ten years below State Pension age.

This change will affect anybody born after 6 April 1973.





Pension scams

Don't let a scammer enjoy your retirement



Find out how pension scams work, how to avoid them and what to do if you suspect a scam.



Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

Scam tactics include:



- contact out of the blue



- promises of high / guaranteed returns



- free pension reviews



- access to your pension before age 55

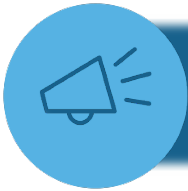


- pressure to act quickly

If you suspect a scam, report it

- Report to the Financial Conduct Authority (FCA)
by contacting their Consumer Helpline on 0800 111 6768 or using the reporting form at www.fca.org.uk
- Report to Action Fraud
on 0300 123 2040 or at www.actionfraud.police.uk
- If you're in the middle of a transfer, contact your provider immediately and then get in touch with The Pensions Advisory Service (TPAS) at www.thepensionsadvisoryservice.org.uk

www.fca.org.uk/scamsmart



Pension scams

Four simple steps to protect yourself from pension scams

1

Reject unexpected offers

If you're contacted out of the blue about your pension, chances are it's high risk or a scam. Be wary of free pension review offers. A free offer out of the blue from a company you have not dealt with before is probably a scam. Fortunately, research shows that 95% of unexpected pension offers are rejected.*

2

Check who you're dealing with

Check the [Financial Services Register \(www.register.fca.org.uk\)](http://www.register.fca.org.uk) to make sure that anyone offering you advice or other financial services is FCA-authorized.

If you don't use an FCA-authorized firm, you also won't have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme. So you're unlikely to get your money back if things go wrong. If the firm is on the FCA Register, you should call the Consumer Helpline on 0800 111 6768 to check the firm is permitted to give pension advice.

Beware of fraudsters pretending to be from a firm authorized by the FCA, as it could be what we call a 'clone firm'. Use the contact details provided on the FCA Register, not the details they give you.

3

Don't be rushed or pressured

Take your time to make all the checks you need – even if this means turning down an 'amazing deal'. Be wary of promised returns that sound too good to be true and don't be rushed or pressured into making a decision.

4

Get impartial information and advice

The [Pensions Advisory Service \(www.thepensionsadvisoryservice.org.uk\)](http://www.thepensionsadvisoryservice.org.uk) – Provides free independent and impartial information and guidance.

[Pension Wise \(www.pensionwise.gov.uk\)](http://www.pensionwise.gov.uk) – If you're over 50 and have a defined contribution (DC) pension, Pension Wise offers pre-booked appointments to talk through your retirement options.

Financial advisers – It's important you make the best decision for your own personal circumstances, so you should seriously consider using the services of a financial adviser. If you do opt for an adviser, be sure to use one that is regulated by the FCA and never take investment advice from the company that contacted you or an adviser they suggest, as this may be part of the scam.

Be ScamSmart with your pension. Check who you are dealing with.

www.fca.org.uk/scamsmart

*FCA Financial Lives





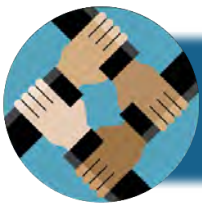
Scheme administration team

If you have any queries, please direct them in the first instance to the Scheme Administrators, Deloitte Total Reward and Benefits (DTRB), who can be contacted at:

Bradford & Bingley Staff Pension Scheme,

Deloitte Total Reward and Benefits,
Lincoln Building,
27-45 Great Victoria Street,
Belfast,
BT2 7SL

email: bandbpensions@deloitte.co.uk



Keep in touch

It is important that all Scheme members keep their contact details with us up to date. Please let us know if you move house or of any other changes, such as your marital status, which may affect your pension, by updating your details on Intellisite or by contacting the DTRB Pensions Administration team in Belfast via post or email (at the addresses set out above)

If you opt to contact the administration team directly, certain information will be required as set out below:

- To ensure that we are receiving a genuine address change from you, the member, we need to see some form of official correspondence (a utility bill for example) in your name to the new address. This can be scanned and emailed to the inbox below.
- For a change of marital status we will need to see the marriage certificate, and cannot accept photocopies of this certificate. We will return this in the post via Recorded Delivery.



Further information

For any other pensions related queries that you may have the following organisations have been established to assist members with queries regarding past or present pension benefits:

The Pensions Advisory Service (provided by the Money and Pensions Service) may be contacted via their webchat or online query facilities at:

<https://www.pensionsadvisoryservice.org.uk/contacting-us>

(Telephone 0800 011 3797)

The Pensions Ombudsman may be contacted at:

<https://www.pensions-ombudsman.org.uk/contact-us>

(Telephone: 0800 917 4487)

(Email enquiries@pensions-ombudsman.org.uk)

The Department of Work and Pensions contact details can be found at:

<https://www.gov.uk/contact-pension-service>

(Telephone: 0800 731 0469)

The Pensions Regulator website provided more useful links for who to contact with pensions related issues. These can be found at:

<https://www.thepensionsregulator.gov.uk/en/contact-us/scheme-members-who-to-contact>

(Telephone: 0345 600 7060)



Appendix 1: Summary funding statement

What is the Scheme's financial position?

A full actuarial valuation of the Scheme was carried out as at 30 June 2018 with further actuarial reports carried out on 30 June 2019 and 30 June 2020. The results of which are detailed below:

	30 June 2018	30 June 2019	30 June 2020
The value of the Scheme's liabilities was:	£1,302 million	£1,350 million	£1,497 million
The Scheme's assets were valued at:	£1,280 million	£1,409 million	£1,560 million
This means that there was a surplus / (shortfall) of:	(£22 million)	£59 million	£63 million
Funding level	98%	104%	104%

We are required to inform you whether a payment has been made to the employer, as permitted under the Pensions Act 1995, since we last sent you a summary funding statement. We can confirm that no such payment has been made to the Employer.

How has the Scheme's financial position changed since you last sent me a summary funding statement?

When we last sent you a summary funding statement we reported that the Scheme was estimated to have a surplus of £59 million at 30 June 2019. The funding level of the Scheme was 104%.

Since 30 June 2019, the Scheme's funding level has remained broadly the same at 104% and the Scheme had a surplus of £63 million as at 30 June 2020 as shown above. The assets and liabilities have both increased since 30 June 2019 but as a result of the low risk investment strategy adopted by the Trustee, the Scheme's financial position is stable.

As the Scheme is in surplus, no further contributions are currently expected from the Employer.



Appendix 1: Summary funding statement

To calculate the amount of the surplus, assumptions have to be made about what will happen in the future, for example, the rate at which the Scheme's assets will grow. If the assumptions do not all turn out to be exactly right, it may be necessary to have further contributions to the Scheme. The Trustee will monitor the funding position annually to determine if further contributions are required.

Is there enough money in the Scheme to provide my full benefits if the Scheme was wound-up?

The actuarial valuation at 30 June 2018 showed that the Scheme's assets would not have been enough to enable the full benefits of all members to be secured with an insurance company if the Scheme had wound-up at that date.

The liabilities if the Scheme were to be wound-up were:	£1,401 million
The Scheme's assets were:	£1,280 million
This means that there was a shortfall of:	£121 million

The fact that we have shown the winding-up position does not mean that the Employer is thinking of winding up the Scheme. It is just another piece of information we hope will help you to understand the financial security of your benefits.

The Government has provided a guarantee for the benefits to be paid in certain circumstances if there were insufficient assets in the Scheme.

If it was decided that the benefits on winding-up should be secured with an insurance company, then the Employer would be required to pay any additional amount required in order to enable full benefits to be secured.