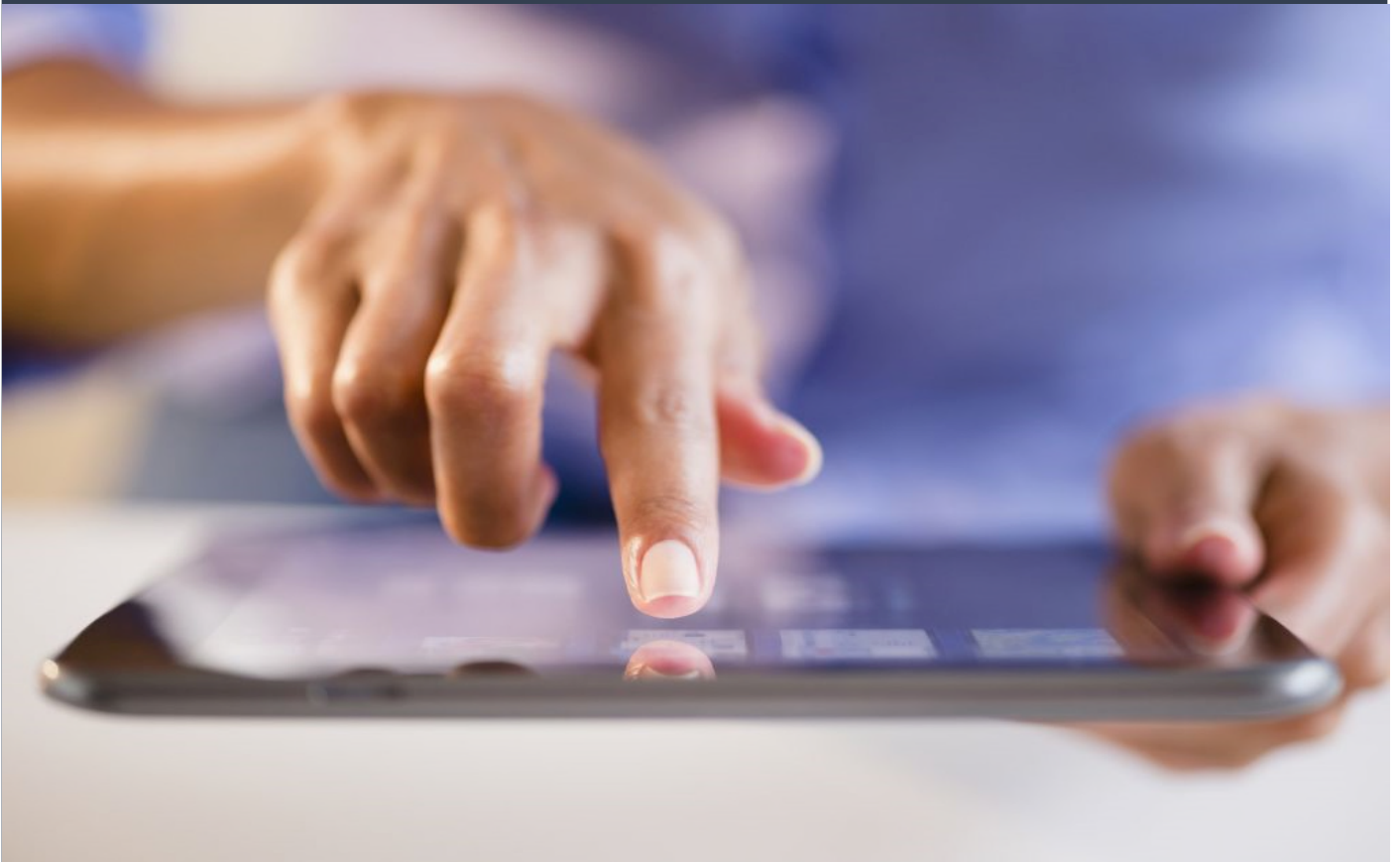


Bradford & Bingley Staff Pension Scheme

Pension News – February 2020



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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%.

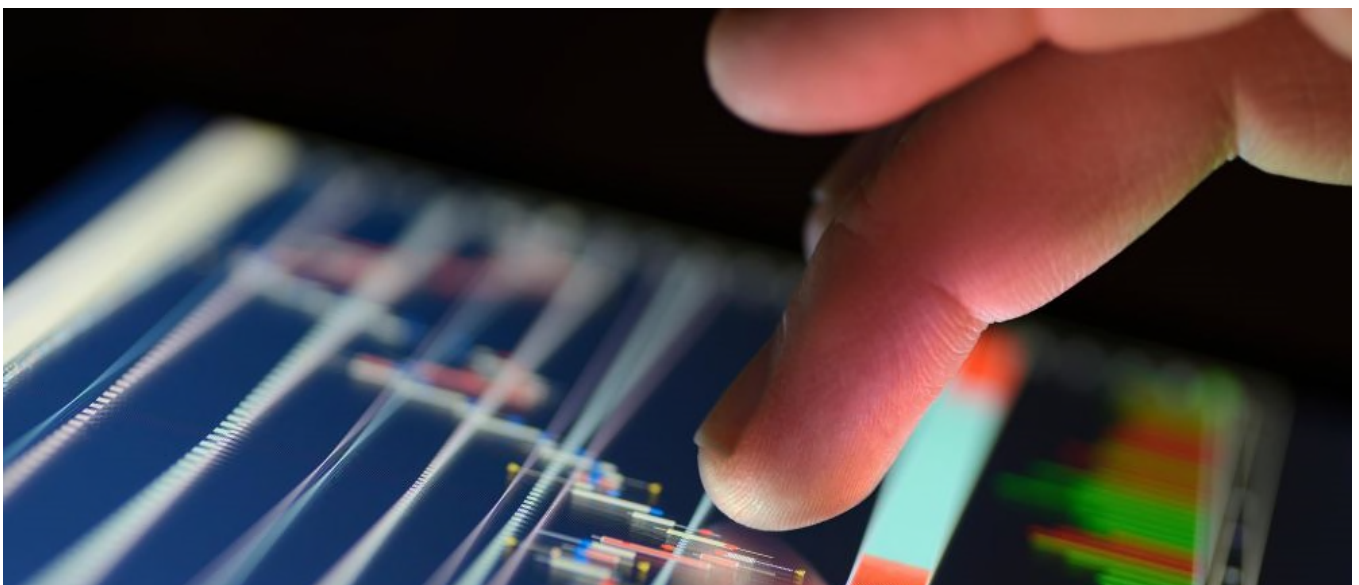
Every year, between the formal valuations, the Trustee assesses how the deficit has changed, and as at 30 June 2019 it is estimated that the Scheme has a surplus of c.£59m representing a funding level of 104%.

The improvement in funding position is mainly due to additional funds totalling c.£52m being provided from closure of the escrow arrangement with Citibank, 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").

The Scheme is well protected from future market movements due to a high level of hedging protection against changes to interest rates and inflation. The Scheme's investments are generally low risk in nature, consisting of a high proportion of bonds and liability driven investments.

As previously communicated, 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.





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.

A number of methods to equalise benefits was set out in the High Court's ruling, and currently clarification is being sought as to how, in practice, benefit equalisation will be performed by pension scheme trustees. The Trustee expects to undertake a GMP equalisation project during 2020/2021. Following this, for some members who accrued benefits in the Scheme prior to April 1997, there may be a small increase in your pension.

However, 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.





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.

The Board of Equitable Life has recently agreed a package, which has received High Court approval, whereby the with-profits policies will be closed with policyholders receiving a substantial boost to their policy value (anticipated to be between 60-100%).

The uplifted fund value will be transitioned to Utmost Life and Pensions Limited and impacted policyholders will shortly be provided with further details as to any investment decisions that they are required to make.





Escrow account

In addition to the amount it had already committed to paying into the Scheme, for the last few years B&B plc had also been paying significant contributions into the Citibank escrow account.

As part of the agreement to change the sponsoring employer, from B&B plc to UKAR, the Trustee negotiated the release of the escrow account funds.

The full account value of c.£51.8m was paid into the Scheme on 25 June 2019.



Scheme sponsor and security

As signposted in our recent newsletter, with effect from 20 June 2019 the sponsor of the Scheme changed from Bradford & Bingley plc ("B&B plc") to UK Asset Resolution Limited ("UKAR"), which is now the sole participating employer in the Scheme. This change has no effect on members' benefits.

A major consideration for the Trustee when negotiating with UKAR related to the security of members' benefits.

The Scheme already benefited from a written guarantee from HM Treasury that benefits would be paid in full, and this guarantee has been retained as part of the agreement.

In addition, in the unlikely event of UKAR not receiving any required funding for the Scheme from HM Treasury via the usual budgeting routes, a Credit Support Deed established between UKAR and HM Treasury, would require HM Treasury to make payments to the Scheme on behalf of UKAR in accordance with the terms of the Credit Support Deed.





Trustee Directors



There are six Trustee Directors who together make up the Trustee Board that is responsible for the management of the Scheme. Four of these are selected and appointed by the Principal Employer.

The role of Chairman of the Trustee Board is carried out by the Independent Trustee firm, The Law Debenture Pension Trust Corporation plc. Their representative is Sean Burnard.

Two of the Directors are sourced from the ranks of the Scheme membership, with all members having the chance to put themselves forward for selection. These Directors are appointed for a period of five years, at the end of which period all members will be asked if they would like to be considered for the role.



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.



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

FCA FINANCIAL
CONDUCT
AUTHORITY

 The
Pensions
Regulator



Change of administrator

On 1 October 2019 Deloitte Total Reward and Benefits (DTRB) took over as administrator for the Scheme.

If you have any queries, please direct them in the first instance to the Scheme Administrators, 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

In addition, the Trustee, in collaboration with Deloitte, is currently arranging for a member portal to be established. This will provide members with access to scheme information, including details of their benefits, and scheme documents.

Further details will be provided in due course.



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 contacting the DTRB Pensions Administration team in Belfast.

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.

email: bandbpensions@deloitte.co.uk

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 at:
Money and Pensions Service, 120 Holborn, London, EC1N 2TD
(helpline telephone 0800 011 3797).

The Pensions Ombudsman may be contacted at:
10 South Colonnade, Canary Wharf, E14 4PU
(telephone 0800 917 4487).

The Department of Work and Pensions, Pension Service may be contacted at: <https://www.gov.uk/contact-pension-service>.

The Pensions Regulator website provides 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>.



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 a further actuarial report produced as at 30 June 2019. The results of which are detailed below:

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

Since 30 June 2018 the Scheme's funding level has improved and the Scheme had a surplus of £59 million as at 30 June 2019 as described above and the funding level increased to 104% from 98%. The improvement in the Scheme's financial position is mainly due to the escrow arrangement with Citibank being closed and the funds from the escrow monies (of £51.8m) being paid to the Scheme on 25 June 2019.



Appendix 1: Summary funding statement

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

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.

30 June 2018	£m
The liabilities if the Scheme were to be wound-up were:	1,401
The Scheme's assets were:	1,280
This means that there was a shortfall of	(121)

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.