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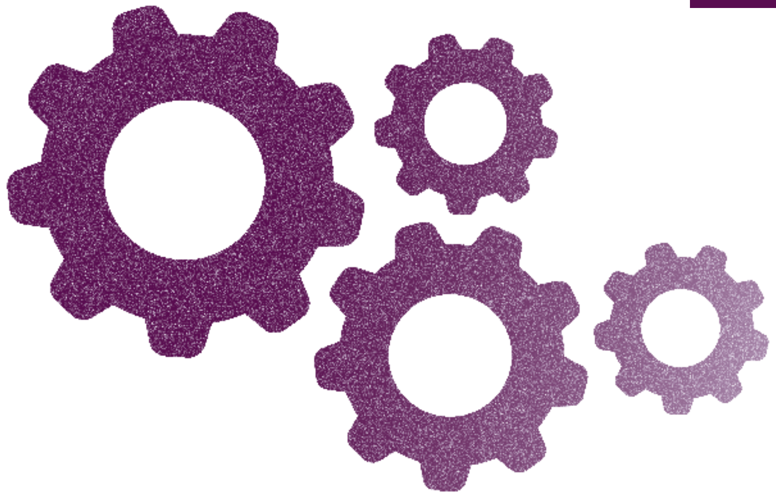
Pension Time

A NEWSLETTER FOR PAST AND PRESENT
MEMBERS OF THE COMPASS GROUP PENSION PLAN



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- Taking care of our members
- Funding update
- Report and Accounts
- Investment strategy
- and more...

Issue 7
December 2016

CompassPensions

The headlines

If you're short on time and just want the headlines then here's what you need to know:

Taking care of our members

NEW administrator

your **trustees**

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Funding update

2016 valuation

103% ££££££ funded

strong **financial position**

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Report and Accounts

£2.2bn assets

32,391

active, deferred and pensioner **members**

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Investment strategy

Reducing risk by moving from equities to gilts

maintaining **diversification**

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The wider world of pensions

Don't get scammed!

£ updates on **tax relief** **state pension**

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Welcome back

The Plan is currently in surplus – we are well-funded to pay members' benefits

2016 has been a very important year for the Compass Group Pension Plan (the Plan) as a number of major developments have come together to provide a stronger and more robust foundation for the future.

It's also been a busy year in the pensions industry and on the political landscape, with perhaps the most attention-grabbing being the victory for the Brexit campaign.

But what does all this mean for you and your benefits in the Plan?

The purpose of this edition of Pension Time is to update you on everything the Trustees have been doing to improve the funding position of the Plan, as well as ensuring you are receiving a good quality service when it comes to administration. It also provides you with an update on the wider world of pensions with an important message from The Pensions Regulator about an increase in scam artists who are targeting members of schemes like ours, so please heed these warnings!

I'm delighted to be able to report that, despite the challenging times the UK and global economy have experienced over recent years, the Plan is now in surplus on an ongoing actuarial basis as at 5 April 2016.

This is an enviable position to be in compared to the majority of defined benefit pension schemes, and is a testament to the Trustees' investment and funding strategy as well as continued generous support from Compass Group Holdings PLC (the Company). The 5 April 2016 valuation itself was completed in September, well ahead of the statutory deadline, which further reflects the good working relationship between the Trustees and the Company. Whilst there can be no guarantee that a deficit will not re-emerge for the Plan in future years it is good to be able to report a much more secure position.

Administering the payment of pensions worth close to £60m per annum to over 13,000 pensioner members, as well as taking care of our deferred and remaining active members, is a significant undertaking.

The decision to move the administration to an outsourced provider was not one made lightly and only after a long and rigorous selection process. Whilst it's still early days, early indications are that the process has been a smooth one.

If you have any feedback or comments for the Trustees about the matters raised in this edition of Pension Time please let us know using the contact details on the back page.

Philip Whittome
Chairman of the Trustees

New administrator, same expertise

Earlier this year, the Trustees undertook a thorough review of the administration and payroll services of the Plan to ensure a high-quality service was maintained.

As part of this review, the Trustees decided to transfer the administration of the Plan to Punter Southall Administration Limited (PSAL).

PSAL have set up a new office in Chelmsford, and the good news is that the majority of the existing administrative team have been retained and transferred to PSAL's new office to form a dedicated Compass team. The Trustees were keen to retain the historical knowledge and understanding of the Plan.

The Plan's Chairman, Philip Whittome, said: "The Trustees spent a great deal of time and care in selecting PSAL as their outsource partner and strongly believe that retaining the majority of the existing administrators is important in ensuring a smooth transition, the historical knowledge and understanding of the Plan and the continuation of quality services for members."

The PSAL Compass team from left to right:

Steve Ordever, Richard Parry, Sam Smith, Chris Lemmerman, Jackie Taylor, Chris Collins, Jane Phillips, Ruth Kadesh, Fraser Allen, Kristen Stubbings, Jamie Stevenson, Brian Woolnough

If you need to get in touch with the new team, you can contact them on 01245 673502

Your Trustee Board

The Trustee Directors ensure the smooth running of the Plan and are ultimately responsible for ensuring it complies with legislation, provides a pension to members, and is able to pay benefits when they are due.

The good news is that the Plan is in a very strong position at the moment, whilst the continuing good relationship with the Company means that the Plan is well-supported.

The Trustee Directors are responsible for the governance of the Plan and the security of members' benefits.

The Plan's Trustees are:

Philip Whittome	Christopher Clayton	Mark White	Jon Drown	David Mortimer	Peter O'Meara	George Mystkowski
Chairman Company appointed Independent Trustee	Company appointed Independent Trustee	Company appointed	Company appointed *appointed 1 Sept 2016*	Member nominated	Member nominated	Member nominated

The valuation

In September 2016, the Scheme Actuary completed a formal actuarial valuation of the Plan as at 5 April 2016.

The results show that on that date, the Plan had a surplus of £56 million on the technical provisions basis, and the total value of the Plan's assets was sufficient to cover 103% of the estimated cost of providing benefits to its members.

The Plan had a surplus of £56 million

What is an actuarial valuation?

An actuarial valuation is designed to measure the financial security of a pension scheme. Its main purpose is to determine:

- The expected cost of providing its liabilities, the benefits already built up by active, pensioner and deferred members, and how these compare against the assets, the amount of money invested by the Plan;
- An appropriate plan for making up the shortfall if the Plan has fewer assets than liabilities; and
- The contributions required to cover the cost of the benefits that active members will build up in the future and other costs incurred in running the Plan.

Understanding the 'funding level'

A funding target for the Plan is required in order to conduct an actuarial valuation. The funding target, or technical provisions, is an estimate of the amount of money required to cover the benefits previously earned by members.

Once the funding target has been calculated, the Scheme Actuary compares this against the value of the Plan's assets, providing the funding level.

What is the Plan's financial position?

Below shows the funding level as at the latest valuation and at the previous valuation as at 5 April 2013.

5 April 2016		5 April 2013
£2,233m	**assets**	£1,808m
£2,177m	**liabilities**	£1,963m
£56m	**past service surplus / (shortfall)**	(£155m)
103%	**funding level**	92%

How has the Plan's financial position changed since the previous formal valuation?

This previous valuation showed that at 5 April 2013, the Plan had a shortfall of £155 million, equivalent to a funding level of 92%. The most recent valuation shows that the Plan's funding level has significantly improved, with a surplus of £56 million.

The improvement in the financial position since 5 April 2013 is primarily due to higher than expected investment returns on the Plan's assets, as well as the additional contributions paid by the Company since this date.

How much money is paid into the Plan each year?

Following each actuarial valuation, the Actuary advises us what contributions should be paid into the Plan so we can expect to be able to continue to pay members' pensions. We then agree a level of contribution for the Plan with the Company and record this in a document called the Schedule of Contributions. We review and update the Schedule of Contributions at least each time the Plan has an actuarial valuation.

Since the Plan was in surplus at the valuation date, the Trustees and the Company have agreed that, following the payment made by the Company in September, the shortfall contributions of £26.2m per annum being paid following the 2013 actuarial valuation will cease.

Is there enough money to provide my full benefits if the Plan is wound-up?

The table below shows an estimate of the funding level at 5 April 2016 and the previous valuation, assuming all benefits were bought out with an insurer.

	5 April 2016	5 April 2013
assets	£2,233m	£1,808m
liabilities	£2,867m	£2,589m
past service surplus / (shortfall)	(£634m)	(£781m)
funding level	78%	70%

As the table shows, the Plan would have had a shortfall of £634 million if it had been wound up at 5 April 2016. This means that, on average, members could have expected to receive 78% of the benefits earned to date (although this percentage would differ between members, depending on their age and when their benefit was earned).

The estimated solvency liabilities (i.e. if the Plan was to be wound-up and the Trustees were to buy out the liabilities with an insurance company) were £2,867 million. The Plan's assets were £2,233 million. This means that there was a shortfall of £634 million.

Although we have shown the solvency position this does not mean that the Company is thinking of winding up the Plan. It is included here because we are required to show it in order to provide further information as to the financial security of your benefits.

We are also required to inform you whether a payment has been made by the Plan to the Company (as permitted under the Pensions Act 1995). We can confirm that no such payment has been made.

What happens if the Plan is wound-up and there is not enough money for all my benefits?

The Government has set up the Pension Protection Fund (PPF), which is designed to provide compensation to members of pension schemes which experience insolvency. However, members are only eligible for compensation in the event that the Plan's assets are less than that needed to buy the compensation from an insurance company.

The pension you would receive from the PPF may be less than the full benefit you have earned in the Plan, depending on your age and when your benefits were earned.

Can I leave the Plan before I am due to retire?

If you are an active member, you can leave the Plan before you reach retirement age and your pension will be based on your service and Pensionable Pay at your date of leaving. Your pension benefits may be left in the Plan to be paid at retirement or transferred to another pension arrangement.

Similarly, if you have already left the Plan and have paid up benefits you can, if you wish, transfer your benefits to another pension arrangement prior to retirement.

If you are thinking of leaving the Plan for any reason, you should consult a regulated financial adviser before taking any action. The law prevents us from providing you with financial advice.

To find a regulated financial adviser or for further information and guidance you can visit

www.unbiased.co.uk

Report and Accounts summary

These are the highlights from the latest Report and Accounts for the Plan.

A full copy is available to download from the pensions website **www.compass-pensions.co.uk** or can be obtained by writing to Compass Group Pensions Department at the address shown on page 16.

Over £2.2bn in assets.* Investments increased by £68m

	Fund at 5 April 2015	**£2,223.952m**
+	**Increase in market value of investments**	**£67.658m**
+	**Total income**	**£35.348m**
	Investment income (including income from annuities)	£5.301m
	Member contributions	£0.216m
	Company contributions	£29.644m
	Other income	£0.187m
–	**Total outgoings**	**£80.098m**
	Pension and other benefits	£57.419m
	Investment management fees	£2.405m
	Individual transfers out	£20.273m
	Administrative expenses	£0.001m
=	**Fund at 5 April 2016**	**£2,246.860m**

* Excluding AVC and Members' Money Purchase accounts

Membership

Total membership
32,391

Members of the Plan as at 5 April 2016.

Figures in brackets are numbers as at 5 April 2015.

Active members	Deferred members	Pensioners	Residual Protected Rights
287	**18,698**	**13,406**	**6,139**
(337)	(19,478)	(13,264)	(6,224)

A Protected Rights Pension exists for certain members who had benefits in one of the Plan's money purchase sections. It relates to a minimum contribution which had to be paid as a result of the section being contracted out of the State Pension. These individuals have not been counted in the total membership figure.

Investment strategy

The Plan's Investment Committee has reviewed the investment strategy and has progressively de-risked the Plan's investment portfolio.

The Trustees, having consulted with the Company, have been seeking to progressively de-risk the investment portfolio of the Plan relative to its liabilities, by moving steadily away from riskier, return seeking investments such as shares to matching assets such as corporate bonds and gilts.

In reviewing the strategy the Committee took a two-stage process:

1. **Reducing the holding in return seeking assets (or growth assets) from 35% to 22.5% (a transfer of £283m).**
2. **Further reducing growth assets to 20% (£55m).**

To achieve this, equity funds run by Russell Investments were replaced with gilt funds run by Legal & General Investment Management and a corporate bond fund run by M&G Investment Management.

The Investment Committee then undertook a strategic review of the Plan's equity holdings, and the remainder of the Russell equity funds were transitioned to a passively managed portfolio with Legal & General Investment Management Limited. A number of de-risking triggers have subsequently been hit, which has resulted in a further reduction to the equity allocation to 5% of the Plan's assets. The balance has been sued to purchase additional matching assets.

The Investment Committee will continue to keep the Plan's investment strategy under review, along with the cashflow requirements of the Plan as benefit payments continue to exceed contribution income.

Two types of assets

Return seeking or growth assets

Equities and property, where the objective is to achieve growth within the constraints of the risk profile set by the Trustees.

Matching assets

Government bonds (gilts) and corporate bonds, where the objective is to secure fixed or inflation-adjusted cash flows in future to match the Plan's liabilities as closely as possible.

How we are invested

Information is as at 5 April 2016

Bonds*
£1,807.100m
(81.15%)

Equities*
£257.370m
(11.56%)

Property*
£162.506m
(7.30%)

* Bonds are matching assets and equities and property are return seeking

Additional Voluntary Contributions (AVCs)

In line with guidance from The Pensions Regulator, the Trustees keep members' AVC investments under regular review. This year, the Trustees took advice from Aon Hewitt, their investment advisers, and considered the Plan's AVC arrangements, which are with Aegon, Aviva, Equitable Life, Friends Life, Legal & General, Prudential, Standard Life and Zurich.

This review found no serious concerns but did recommend that the Trustees consider transferring some assets to alternative funds to benefit members from better value-for-money and from better performing funds, and that a number of the AVC providers should be consolidated. A communication to those members with relevant AVCs will be issued by January 2017.

Brexit means...

Following short-term market volatility, the impact of Brexit is unclear. The Plan is invested for the long term with one of its objectives to reduce risk. The current investment portfolio already protects against market movements. Its use of global equities helps withstand any UK specific impact.

The wider world of pensions

Pension scams – who's after your money?

The introduction of the pension freedoms has resulted in a rise in the number of pension scams that claim to give you access to the cash element of your pension. The Pensions Regulator continues to issue a warning that for most people the offers will be bogus and victims will lose most, if not all, of their savings.

These scammers may:

- Claim that you can access your pension pot before age 55;
- Approach you out of the blue over the phone, via text message or in person door-to-door;
- Entice you with upfront cash; and/or
- Offer a free 'pension review' or try to lure you in with so-called 'one-off' investment opportunities.

Visit www.pension-scams.com to find out more.

Or if you think you're being targeted you should contact one of the following:

- **Financial Conduct Authority via their Consumer Helpline on 0800 111 6768**
- **Action Fraud on 0300 123 2040**

Your State Pension

In addition to your Plan savings, you may receive a pension from the State when you reach State Pension age. From April 2016, the basic and additional State Pensions were replaced by a flat-rate, single-tier State Pension. The full new State Pension is £155.65 per week, as at April 2016.

Workers who have paid full National Insurance (NI) contributions for a period of 35 years are eligible for the new State Pension from State Pension age. The exact amount of State Pension you will receive is based on your NI record and contracting-out history and will vary from person to person.

You can find out more about your State Pension benefits by visiting **www.gov.uk/check-state-pension**.

Don't get caught out by the tax man

The Lifetime Allowance

The Lifetime Allowance reduced to £1 million with effect from 6 April 2016, although it is possible to apply to HMRC to protect your pension savings to date.

Further details are available on the HMRC website

www.gov.uk/tax-on-your-private-pension/annual-allowance

The Annual Allowance

The Annual Allowance for tax effective pension saving is currently £40,000. Any pension savings in excess of the Annual Allowance are taxed at your marginal rate of income tax. If you're over age 55, the pension freedoms give you more flexibility in accessing your pension savings. However, if you and your employer are paying into a defined contribution plan and you have accessed cash or drawdown through the pensions freedoms, the Annual Allowance reduces to £10,000. From 6 April 2017 this is expected to reduce to £4,000.

If your Annual Allowance drops to £10,000 because you've accessed your retirement savings from one of your pension arrangements, you must tell any other pension schemes you're in within 13 weeks.

High earners

If you earn over £150,000, your Annual Allowance will be tapered from April 2016 by £1 for every £2 of your income over £150,000, to a minimum of £10,000 if your income is £210,000 or more.

HMRC include personal income such as rental income together with salary, bonus, car allowance and pension contributions (from both you and your employer) to determine your income.