Issue 8
December 2017

Pension Time

A newsletter for past and present members of the Compass Group Pension Plan

Inside this issue:

CompassPensions

Headlines

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

Your data and our future communications

DATA protection

ONLINE communications

See pages 4-5

Summary Funding Statement

2017 update

103% funded

IMPROVED financial position

See pages 6-9

Report and Accounts

£2.6bn assets

31,719

active, deferred and pensioner members

See page 10

Investment strategy

reducing RISK

by changing approach

See pages 12-13

The wider world of pensions

Watch out for scams

Transferring pension overseas

See pages 14-15

Welcome

Following the changes reported last year, 2017 has been a year of continued progress.

This included further work on implementing the long term de-risked investment strategy, alongside moving to a new provider for the AVC investments which some members hold within the Plan, as well as monitoring the administration service since successfully transferring to PS Administration Limited (PSAL).

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

The purpose of this edition of Pension Time is to update you on what the Trustees have been doing to secure the funding position of the Plan further. It also provides you with an update on the Trustees' commitment to protect your data, our plans for future communications, and a reminder about the danger of pension scams, along with the need for obtaining regulated advice if you are considering transferring your pension.

Since updating you last year, the Plan's funding position has continued to improve, and the Trustees have continued to make further changes to protect the Plan's funding level from changes in inflation and interest rates.

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

How we look after your data

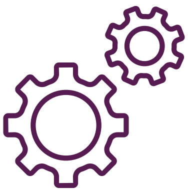
There is new legislation due to come into force on 25 May 2018, called the General Data Protection Regulation (GDPR). While this is intended to harmonise data protection laws across the EU, the UK Government has confirmed it will be enforced here.

As part of the preparations, the Trustees are providing you with a notice contained in the separate document, which may be found enclosed with this newsletter or online at **www.compass-pensions.co.uk**. This notice explains what personal information is collected, including how it is used and by whom. It also details your rights regarding your information, how it is secured, where it is stored and for how long.

Future communications

Traditionally there has been a lot of paperwork and correspondence involved in pensions.

Much of this is still driven by statutory regulations that make it a requirement for the Trustees to provide highlights from the Annual Report and Accounts (page 10 of this newsletter) and the Summary Funding Statement (pages 6–9).



Since moving primarily to electronic communications in 2013, the Trustees have considered how we can best use resources to remain compliant with what we are required to provide, whilst at the same time reducing our carbon footprint, i.e. to become greener and leaner. Continued increase in postage costs remain a significant factor. The Compass UK Pensions website (**www.compass-pensions.co.uk**) holds all the Plan communications that aren't personal to you.

If you let us know your email address we will automatically inform you when new content is added to the website. Your email address is stored securely and used only for the purpose of alerting you to new content. We will only continue to produce mailed copies of correspondence, for example this newsletter, for those of you who opted out of receiving electronic mailing.

However, if you wish to opt out of electronic mailing and would like to continue to receive newsletters through the post instead, you can do so by writing to:

Compass Group Pension Plan
Electronic Mailing Opt Out
PS Administration Limited
Priory Place
New London Road
Chelmsford
Essex
CM2 0PP

Or email
compassadminteam@psadmin.com

Please ensure that you include your name, address and National Insurance number in your communication to us.

Summary Funding Statement

The Trustees of the Compass Group Pension Plan (the 'Plan') are responsible for providing you with a Summary Funding Statement to let you know about the Plan's financial security and its funding.

The next formal Actuarial Valuation is not due until 5 April 2019 but we are required to obtain an approximate assessment in intervening years, known as an actuarial report. This statement provides details of the actuarial report prepared at 5 April 2017 but also takes into account the results of the last Actuarial Valuation at 5 April 2016.

The figures in the report result from a financial update rather than from a full formal Actuarial Valuation (as these formal valuations are undertaken every 3 years).

How is the Plan's financial security measured?

There are active, deferred and retired members in the Plan. If you:

- are an active member you will continue to earn benefits in the Plan each year, linked to your Pensionable Pay;
- have left the Plan you will have earned benefits during your Plan membership, which will be payable on retirement;
- have already retired, you will be receiving a pension from the Plan.

The estimated cost of providing the benefits earned to date by all of the members, in the categories as outlined above, is known as the Plan's liabilities.

The Plan's money is held and invested in a pooled fund (i.e. not in separate funds for each individual); the amount of money invested is known as the Plan's assets. Contributions are collected from active members and the Company and added to this pooled fund to provide the benefits for all members when due.

To check the Plan's financial security we compare the value of its liabilities to the value of its assets. If the Plan has fewer assets than liabilities, it is said to have a 'deficit'. If the assets are more than the liabilities there is said to be a 'surplus'.

What is the Plan's financial position?

The latest Actuarial Valuation as at 5 April 2016 and financial update of the Plan as at 5 April 2017 showed the following:

5 April 2017		5 April 2016
£2,481m	Liabilities	£2,177m
£2,564m	Assets	£2,233m
£83m	(Deficit) / Surplus	£56m
103%	Funding level	103%

How has the Plan's financial position changed since you last sent me a Summary Funding Statement?

The December 2016 newsletter of the Plan covered the results of the Actuarial Valuation carried out with an effective date of 5 April 2016.

This showed that at 5 April 2016 the Plan had a surplus of £56 million representing a funding level of 103%. The most recent financial update at 5 April 2017 shows that the Plan's funding level has remained stable (103%), with a surplus of £83 million.

The improvement in the surplus since the valuation is primarily due to better than expected investment returns on the Plan's assets over the last Plan year, along with the additional £11m in contributions paid by the Company, although the way the Plan's liabilities are measured has also increased due to current market conditions.

How much money is paid into the Plan each year?

Following each Actuarial Valuation, the Actuary advises us on how much should be paid into the Plan so we can expect to be able to continue to pay our 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.

Is my pension guaranteed?

Our aim is for there to be enough money in the Plan to pay pensions now and in the future, but this depends on the Company carrying on in business and continuing to pay for the Plan where contributions are required.

If the Company goes out of business or decides to stop paying for the Plan, it is expected that it will pay the Plan enough money to buy all the benefits built up by members from an insurance company. This is known as the Plan being 'wound-up'. The comparison of the Plan's assets to the cost of buying the benefits from an insurance company is known as the 'solvency position'.

Summary Funding Statement

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

Although the Plan is in surplus on an on-going basis (as detailed on page 7), to buy out pension scheme liabilities with an insurance company is very expensive. This is because the insurance company would then take on full responsibility of managing the assets and liabilities.

The Plan's Actuarial Valuation at 5 April 2016 showed that, in the event the Plan had been wound up, the assets could not have paid for the full benefits of all members on this basis.

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 £2,876 million. The Plan's assets were £2,233 million. This means that there was a deficit on this basis of £634 million.

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 most recent financial update at 5 April 2017 shows that the Plan's funding level on a wind-up basis has decreased by 5% to 73% due to changes in market conditions.

Is the Plan going to be wound-up?

Although we have shown the solvency position this does not mean that there are plans to wind up the Plan in the near future. 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 have to tell you this by law

We are 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 the Trustees have made no such payments to the Company.

What happens if the Plan is wound-up and there is not enough money to pay 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 FCA regulated financial adviser before taking any action. The law prevents us from providing you with financial advice.

To find a FCA 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 Plan website **www.compass-pensions.co.uk** or can be obtained by writing to Compass Group Pensions Department at the address shown on the back page.

Over £2.5bn in assets.* Investments increased by £408m

	Fund at 5 April 2016	**£2,246.860m**
+	**Increase in market value of investments**	**£408.427m**
+	**Total income**	**£18.804m**
	Investment income (including income from annuities)	£3.972m
	Member contributions	£0.188m
	Company contributions	£14.396m
	Transfers in	£0.127m
	Other income	£0.121m
–	**Total outgoings**	**£97.858m**
	Pension and other benefits	£59.661m
	Investment management fees	£0.297m
	Individual transfers out	£37.888m
	Administrative expenses	£0.012m
=	**Fund at 5 April 2017**	**£2,576.233m**

*** Excluding AVCs and Members' Money Purchase accounts**

Membership

Total Membership

31,719

Members of the Plan as at 5 April 2017.

Figures in brackets are numbers as at 5 April 2016.

Active members	Deferred members	Pensioners	Residual Protected Rights
236 (287)	17,877 (18,698)	13,606 (13,406)	6,055 (6,139)

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 continued to review the investment strategy and has further de-risked the Plan's investment portfolio.

The Trustees, having further consulted with the Company, continued to reduce the risk profile of the investment portfolio of the Plan relative to its liabilities.

The Plan is now mostly protected against changes in interest rates and inflation that could worsen the funding level through a Liability Driven Investment ("LDI") portfolio with Legal & General Investment Management.

The current asset allocation strategy is to hold:

- 13.5% in return seeking assets comprising overseas equities and property; and
- 86.5% in matching assets comprising bonds and gilts and other liability matching instruments within the LDI portfolio managed by Legal & General Investment Management.

The Investment Committee continues 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 (or shares) 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.

LDI*
£1,708.441m
(66.83%)

Bonds*
£525.795m
(20.56%)

Equities*
£151.453m
(5.92%)

Property*
£171.145m
(6.69%)

How we are invested

Information is as at 5 April 2017

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

Additional Voluntary Contributions (AVCs)

Last year the Trustees, together with their investment consultant, Aon Hewitt, undertook a review of the Plan's AVC arrangements. This resulted in a consolidation exercise in 2016 and 2017, which saw the majority of the Plan's AVC holdings being moved to one of the existing AVC providers, Legal & General. When deciding on provider, the Trustees took into account past performance, charging structure, flexibility and the quality of administration. The process completed in the second quarter of 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 LDI and global equities helps withstand any UK specific impact.

The wider world of pensions

Pension transfers and scams – who's after your money?

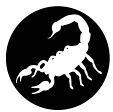
The introduction of the pension freedoms resulted in a rise in people being interested in transferring benefits out of their pension arrangements, including members of the Plan. This is at the same time as an increase in the number of pension scams that claim to give people access to the cash element of their pension. The Pensions Regulator continues to provide updates and issue warnings that for most people the offers will be bogus and victims will lose most, if not all, of their savings.

If you are for any reason considering a transfer from the Plan, you should seek regulated financial advice. Please remember that the Trustees and Administrators are unable to provide advice. If your pension transfer amount is worth over £30,000, it is a legal requirement for you to have taken professional advice from a regulated financial adviser who is specifically authorised to give advice on pension transfers.

Five tips to protect yourself from scammers:

- If you think you've been scammed – act immediately, contact Action Fraud on 0300 123 2040.
- Cold called about your pension? Hang up! – and ignore any unwanted spam texts or emails too.
- 'Deals' to look out for offering 'guaranteed returns' using exotic sounding investments. Don't be rushed into a decision, as legitimate investments won't pressure you to sign up.
- Using an adviser? Make sure they're registered with the FCA.
- Don't let a friend talk you into an investment – check everything yourself.

Visit **www.pension-scams.com** and **www.fca.org.uk/scamsmart** to find out more.



Transferring your pension overseas

Certain transfers made on or after 9 March 2017 to Qualifying Recognised Overseas Pension Schemes (QROPS) will be taxed at 25%, in a Government initiative to limit unfair tax advantages that can be offered through pension schemes abroad. Anyone seeking to reduce the tax they owe by moving their pension wealth out of the UK is the intended target. Transfers may continue to be made tax free only in the following exceptions:

- a genuine need to transfer their pension (for example when emigrating, where the individual and overseas pension scheme are in the same country), or

- both the individual and the pension are located within the European Economic Area (EEA).

For more information, go to the Government website at **www.gov.uk/transferring-your-pension**

Don’t get caught out by the tax man

Further details are available on the HMRC website
www.gov.uk/tax-on-your-private-pension/annual-allowance

The Lifetime Allowance

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

In the recent Autumn Budget, the Government announced that the Lifetime Allowance will rise in line with inflation to £1.03m from 6 April 2018.

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 pension freedoms, the Annual Allowance reduced to £4,000 from 6 April 2017.

If your Annual Allowance drops to £4,000 because you’ve accessed your retirement savings flexibily from one of your pension arrangements, you must tell all other pension schemes you’re in within 13 weeks.

High earners

If you earn over £150,000, your Annual Allowance from April 2016 is tapered 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 includes 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.

Administrator's contact details

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