

Pension TIME

January 2021 Issue 11



A NEWSLETTER FOR MEMBERS OF THE
COMPASS GROUP PENSION PLAN

Business as usual

Running the Plan effectively during a global pandemic. [PAGE 4](#)

Our digital ambitions

Our plans to connect with more members online. [PAGE 7](#)

Don't get scammed

How to stay alert during uncertain times. [PAGE 14](#)

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The headlines

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

Business
as usual



COVID-19

Virtual meetings
Managing risks
Keeping things moving

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Plan
news

Minimum
retirement age
to increase to

57 from
2028

See pages
5 and 6

Funding
update

2020 position
102% ££££££
funded

Resilience
during uncertainty

See pages
8 to 10

Plan
statistics

£2.7bn assets

28,676
active, deferred and
pensioner **members**

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11

Don't get
scammed



**Pension
SCAMS**

are affecting more
people than ever

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Welcome back

A year ago, a global pandemic would have been beyond most people's imagination, but over 2020 it became part of our everyday life.

We have all been affected at a personal level, by changes to our day-to-day working and living conditions, and by finding different ways to interact with friends and family.

The Trustee Board and our advisers have adapted well to working in new ways during the pandemic. We continue to meet regularly via virtual meetings to keep tasks moving and enable us to respond quickly when needed.

We expect that 2021 will present further challenges but we are determined to continue to do our best for the Plan and to carry on operating efficiently. Our funding position remains strong (see page 8 for details) and our investment strategy is robust (see page 12).

2020 was a year of embracing technology to stay in touch and we continue to look to the future to envisage what a 'paperless' communications approach might look like. In these uncertain times, it is important that you keep your address and expression of wish information updated. Pensioner members can do this by registering and logging in at www.mypension.com/compass and we are aiming for active and deferred members to have a similar opportunity in early 2021 (see page 7). A paper Expression of Wish form is also available from the website on the documents page, without logging in.

We hope you enjoy reading our update and that you keep safe and well.

Dear member

The January 2021 edition of Pension Time is our opportunity to update you on what's happened in the Plan over 2020. It's aimed at all members, so it might be that some articles aren't relevant to you.

We welcome any feedback or questions you have, just email pensions@compass-group.co.uk. You can also contact our administrators using the details below.

XPS Administration

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Chelmsford, Essex, CM2 0PP

01245 673502

compassadminteam@xpsgroup.com

Plan news



This is our opportunity to keep you up-to-date with the latest Plan news that could affect you.

Responding to a global pandemic

As dramatic developments in both the public health situation and investment markets took hold in the UK in early March 2020, we took the opportunity to consider how to respond to the crisis as it continued to develop.

We were committed to the health and safety of all individuals involved in administering the Plan, whilst attempting to maintain a 'business as usual' approach as much as possible. We took on board and acted on the Pensions Regulator's specific guidance on the whole range of issues that needed to be considered.

When we formally announced the outcome of the Member Nominated Trustee Director (MNTD) exercise in April 2020, we took the opportunity to include an update on the

situation with the pandemic. We also used our website to show the latest position from XPS to provide reassurance to members that the Plan was running as usual, including reassurance that pensions would be paid as normal and a warning to stay alert to pension scams.

The Trustees were satisfied that all our advisers' Business Continuity Plans were robust and the Compass Pensions team had regular update calls with the administrators to review the ongoing position and discuss the challenges of adapting to a new way of working. As well as the Trustees' top priority of paying pensions, the administrators also prioritised processes such as setting up retirements and managing bereavements.

Keeping things moving

Our quarterly Trustee Board and Investment Committee and Governance and Operations Committee meetings moved seamlessly to online audio and video technology from March 2020, with advisers and investment managers as needed. No Trustee business has been put on hold and decision-making capability has been maintained.

Managing the Plan's risks

The Plan's risk register was updated to reflect the relevant COVID-19 related risks and these are monitored and discussed at each Trustee Board and Committee meeting, as required. We were particularly aware of potential pension scams and cyber risks as a result of changes in the way in which the Plan is administered. XPS now provide the Pensions Regulator's warning letter to all members who ask for a transfer quote, and we update members on these risks at every opportunity.

Looking to the future

The situation has proved that we have robust procedures in place to continue to manage the Plan under extreme adverse conditions. As we begin 2021, we expect these challenges will continue, but are hopeful that things may start to return to normal over the year.

The MNTD results

At the end of 2019 you had the opportunity to apply for one of three Member Nominated Trustee Director (MNTD) vacancies. We received a high number of applications and six nominees were chosen at interview stage, with a ballot following to determine the successful candidates. In April, we confirmed the re-election of Peter O'Meara and the appointment of two new MNTDs, Jane Dean and Wayne Bowen. You can download a summary of their personal statements in the document section of www.mypension.com/compass

Statement of Investment Principles available now

The Plan's Statement of Investment Principles (SIP) has been updated to reflect the Trustees' beliefs on environmental, social and governance (ESG) issues and responsible investment. You can download the updated statement from www.compass-pensions.co.uk

Looking after your data

We take the security of your personal details very seriously and want you to feel in control of your information. You can find out the purposes for which your data is collected, how it's processed and disclosed in our recently updated Privacy Notice which is available at www.compass-pensions.co.uk

Increase in early retirement age

If you're in good health, the earliest you can currently retire from a UK-based pension scheme is 55. The Government has confirmed it will increase this to 57 from 2028, alongside planned increases in the State Pension age to 67 (see next article). The minimum retirement age will then remain ten years below State Pension age.

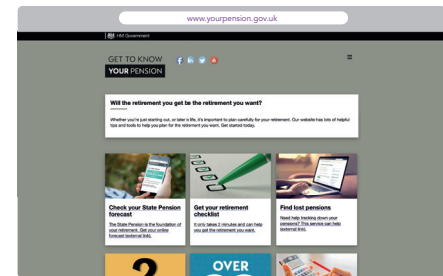
The change reflects the fact that people are living longer and is designed to encourage people to carry on working and to make sure they have enough pension savings to support them as they get older. The law has not yet been changed, but the early announcement is designed to give people plenty of time to plan.

Increase in State Pension age

The last newsletter set out a timeline of the anticipated changes to the State Pension age. Over 2020, the State Pension age gradually changed for men and women born between 6 April 1954 and 5 April 1960. It is now 66 for anyone born between 6 October 1954 and 5 April 1960.

For people born after 5 April 1960, the State Pension age is planned to further increase to 67 between 2026 and 2028, with the minimum retirement age increasing alongside it to remain ten years below (see previous article).

You can read more at www.gov.uk/state-pension-age and www.yourpension.gov.uk



Online help and guidance

The Single Financial Guidance Body (SFGGB) has confirmed that delivery plans for the Money and Pension Service (MAPS) will be published in the early part of next year. MAPS is due to replace the three existing providers of government sponsored financial advice (the Money Advice Service (MAS), the Pensions Advisory Service (TPAS) and Pension Wise). You can find more information at www.maps.org.uk but, for now, the MAS, TPAS and Pension Wise websites are still active (and are linked at the bottom of the MAPS site).



Your wishes are important to us

A lump sum may be paid when you die and the Trustees decide who to pay it to, which allows it to be paid free of inheritance tax. We use your Expression of Wish instructions as a guide (but we don't have to follow them to the letter like a Will), so it's important you review them regularly and update for any changes. Members already receiving their pension can do this by registering at www.mypension.com/compass and, as noted above, we hope to launch this service for active and deferred members in the early part of 2021. You can also download a form from the documents page of www.mypension.com/compass

www.mypension.com/compass

home | documents Log In

Compass^{pensions}

Your pension information at your fingertips

Welcome to the website for the Compass Group Pension Plan, where you'll find contact details, documents and general information.

Plan updates	Stay safe	MyPension
MNTD application You can now apply to be a Plan MNTD, the deadline is 10 January 2020 . Click for more info.	Pension scams Scammers will do whatever it takes to get their hands on your savings and enjoy your retirement.	Your account Pensioner members can login here to manage their pension. Deferred members will have access in 2020.
Click here for information	ScamSmart leaflet	Log in to your account

Download the Information Pack for MNTDs

Call: 01245 673502 Email: compassadminteam@xpsgroup.com

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Our digital ambitions

We recognise that many people want to look after their finances online, including managing their pension savings, so we plan to improve our web offering in the early part of 2021.

Plan members who receive a pension can already register at www.mypension.com/compass to keep their details up to date (including their Expression of Wish instructions) and view and download payslips and P60s. We encourage those members to use the service regularly as it is a great way of staying in touch and accessing your information securely and conveniently.

Connecting with all our members

We are keen to capitalise on a recent successful deferred member tracing exercise so plan to launch MyPension for active and deferred members too. Alongside this, we are planning to make a concerted move to communicating with you digitally, as we believe it is faster, cheaper and more environmentally friendly. This would involve issuing three paper communications to let you know how this will work. We know that this won't be the right approach for all members so this will give you plenty of time to let us know if you would like to continue receiving paper-based communications.

We are also in the process of developing the main Plan website at www.compass-pensions.co.uk so that it will be the main port of call for general Plan information supported by www.mypension.com/compass to securely access your own personal pension information.

The importance of staying in touch

By moving more of our communications to a digital format and giving you better access to manage your pension online, we hope that it will be easier for you to stay in touch. Whilst we do our best to keep track of all Plan members, it is also your responsibility to keep us up to date with any changes in your circumstances so that your benefits can be paid to you on time.

Funding position 2020

We must provide you with a Summary Funding Statement to let you know about the Plan's financial security.

Assets < Liabilities = Deficit
Assets > Liabilities = Surplus

This statement provides details of the formal three yearly Actuarial Valuation, which took place as at 5 April 2019 and the latest approximate annual update, as at 5 April 2020.

The purpose of the Actuarial Valuation is for us to work out:

- The expected cost of providing all benefits built up by members at the valuation date (the Plan's **liabilities**) and compare this against the money held by the Plan to pay for these benefits (the Plan's **assets**).
- A plan for making up any shortfall if the Plan has less assets than liabilities.
- The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs of running the Plan.

What are the Plan's liabilities?

There are active, deferred and retired members that the Plan has a liability to pay benefits to, now and in the future.

- **Active** members will continue to earn benefits in the Plan each year, linked to Pensionable Pay.
- **Deferred** members have stopped building up benefits in the Plan. The benefits they earned will be payable when they retire.
- **Retired** members will be receiving a pension from the Plan.

Plan security

To check the Plan's financial security we compare the value of its liabilities to its assets.

Liabilities – The estimated cost of paying members the benefits that they have built up.

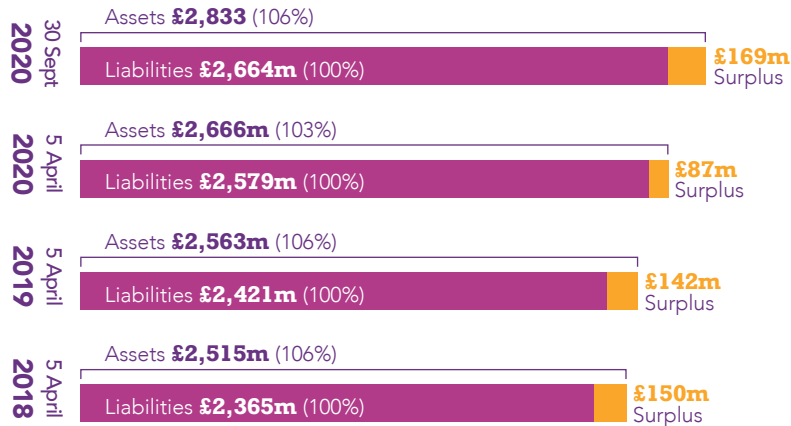
Assets – The amount of money the Plan holds (including contributions collected from active members and the Company) to pay for the benefits for all members when they're due. The assets are held and invested in pooled investments, not in separate funds for each member.

We now have the results of the 2020 yearly review, which we can compare with the formal valuation in 2019.

The 5 April 2020 funding position is an approximate update, but you can see below that it is estimated that the funding position has gone down slightly from 106% to 102% over the year since the 2019 valuation, with the surplus decreasing from £142 million to £55 million. The following key factors have led to the fall in the funding position of the Plan since the last formal three yearly valuation:

- Significant falls in gilt yields increasing the value placed on the Plan's liabilities
- Marginally better than expected performance of the Plan's investments

We have received a further approximate update as at 30 September 2020, and you will see below that the funding position has increased back to 106%, with a surplus of £169 million.



How much money does the Plan need?

Our goal is for the Plan to be 100% funded on the **ongoing** basis (shown to the left), which assumes that the Plan continues to run as it is. This would mean that the Plan is able to meet the expected costs of paying every member their benefits, when they're due. However, it doesn't have to meet all those costs in one go, so being less than 100% funded shouldn't be an issue.

Following each Actuarial Valuation, the Actuary tells us how much should be paid into the Plan. We then agree a contribution level with the Company and record it in the **Schedule of Contributions**.

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 when needed.

If the Company goes out of business or decides to stop paying contributions, the Plan may be **wound-up**. Whilst this isn't likely, if it happened the Plan would need to pay an insurance company to take responsibility for paying all the Plan benefits.

Is the Plan going to be wound-up?

The previous page shows the Valuation results on an **ongoing** basis. The **solvency** position provides more information on the financial security of your benefits if the Plan were to be wound up.

It does not mean that there are plans to wind-up the Plan anytime soon.



Is there enough money in the Plan if it's 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** basis. Whilst the Plan is in surplus on an **ongoing** basis it doesn't necessarily mean this will be the case on a **solvency** basis, as it is very expensive to provide benefits in this way. This is because an insurance company would:

- Charge a fee to run the Plan
- Take a cautious approach to estimating the cost of paying for the benefits
- Add a profit margin

If the Plan had been wound up on 5 April 2019, the assets could not have paid for the full benefits of all members.

The estimated cost of buying the benefits with an insurance company was £2,765m compared to assets of £2,563m. So on this particular basis there would be a deficit of £202m and a funding level of 93%.

This compares to a deficit of £634m and a funding level of 78% as at the 2016 Valuation, an improvement of 15% in the funding level.

Protecting your benefits if the Plan is wound-up

If the Company goes out of business and the Plan doesn't have enough money to buy out the benefits, the Pension Protection Fund (PPF) may help.

The PPF is a **safety net** fund set up by the Government to protect members of defined benefit pension schemes with insolvent employers.

The pensions that the PPF pays are generally lower than the full benefits that members would have received from their pension scheme.

If you want to find out more about the PPF go to www.ppf.co.uk

Report and accounts

Here are the highlights from the latest report and accounts as at 5 April 2020

A full copy is available by writing to Compass Group Pensions Department at the address on [page 15](#).

Membership

Members of the Plan as at 5 April 2020 (figures in brackets show 5 April 2019 membership).

131 (146) Active members

15,138 (16,354) Deferred members

13,407 (13,907) Pensioners

28,676 (30,407) Total membership

Plus **3,517** (4,626) Residual Protected Rights

Fund at 5 April 2019 (£m)	2,574.635
Increase in market value of investments	+ 181.330
Investment income (including income from annuities)	23.679
Member contributions	0.119
Company contributions	3.265
Transfers in	0.003
Other income	0.016
Total income	+ 27.082
Pensions and other benefits	77.580
Investment management fees	6.481
Individual transfers out	17.700
Administrative expenses	2.928
Total outgoings	- 104.689
Fund at 5 April 2020 (£m)	2,678.358

Investment update

We have an Investment Committee to review the investment strategy but no changes have been made this year.



The Investment Committee's goal is to make sure the Plan has enough money to pay benefits to members and their dependants, when they're due. There's a detailed investment plan in place to achieve this.

The Committee wants the Plan's assets to keep growing, but in a way that protects against the risk of the Plan's funding position deteriorating.

We took the decision to change the Plan's strategic asset allocation to rebalance risk, by reducing the Plan's holding of equities and increasing property. The aim is to balance the amount of risk we take from the Plan's growth assets (equity, property and

bonds) whilst maintaining the same targeted return. With the actual asset allocation changing significantly in the second half of March 2020, the implementation of certain steps was put on hold until some stability returned to the markets.

The latest investment strategy is to hold:

- **14.75%** in **return seeking** assets made up of overseas equities and property investments
- **85.25%** in **matching** assets comprising bonds and gilts and other liability matching instruments within the Liability Driven Investment (LDI) portfolio. The LDI portfolio is managed by Legal & General Investment Management.

The actual investment allocation as at 31 March 2020 was:

- **12.2%** in **return seeking** assets
- **87.8%** in **matching** assets

The next page shows a full breakdown of the asset allocation.

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.

How we invested

Investing during a pandemic

During these uncertain times for investment, we have taken considerable comfort from the fact that the investment portfolio has been redesigned over recent years. It is well diversified across a number of asset classes, has low exposure to equities and is hedged against interest rate and inflation changes.

Bonds and gilts

Loans to a company or government.

Equities or shares

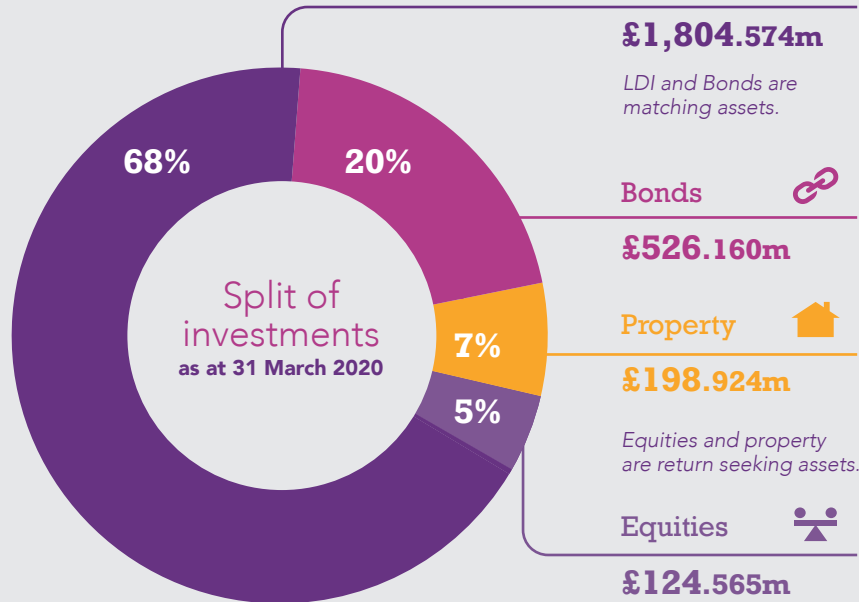
Investment in companies.

Matching assets

Assets that change in value in a similar way to the value of the Plan's liabilities.

Return seeking

Assets that grow at a certain level of risk agreed by the Trustees.



Liability Driven Investments (LDI)

£1,804.574m

LDI and Bonds are matching assets.

Bonds



£526.160m

Property



£198.924m

Equities and property are return seeking assets.

Equities



£124.565m

Don't get scammed



A study by Canada Life found that 5.2m people in the UK had fallen victim to, or knew someone who had been duped by, a financial scam since the beginning of the Covid-19 pandemic. The research found that a significant number of attempted scams related to pensions.

A pension scam is where fraudsters convince pension plan members to transfer their pension into bogus investments that will never meet their promises. They may even just steal your savings altogether. Scams may also claim to be able to release cash from your pension before you reach age 55 or in larger quantities than are currently allowed under the law (sometimes referred to as pension liberation, early pension release or pension loans).

Research from the All-Party Parliamentary Group on Pension Scams found that, with more people staying at home in line with social distancing and lockdown restrictions, it was increasingly likely pension savers would be contacted by scammers by phone or online, with the offer of free pensions reviews and the lure of transferring your benefits to 'safe havens'.

If anyone approaches you directly to offer transfer advice, be on your guard. The Government has banned cold calling for pensions, so if anyone calls you out of the blue about yours, just hang up.

It is very important to take independent financial advice before transferring and you can find an FCA approved adviser at www.moneyadviceservice.org.uk/directory.

Pension Scam Identification

You may recall from the last edition of Pension Time that, to help protect our members, we have signed up to XPS Administration's Pension Scam Identification service. If you ask to transfer your benefits out of the Plan, you will have the opportunity to talk to a member of the XPS Scam Identification Team who will ask you some questions to help identify whether you are at risk of becoming the victim of a pension scam.

It doesn't cost you anything, it shouldn't delay your transfer, and we see this as an additional important step to help you protect your benefits.

If you are thinking about transferring your pension, please be extremely cautious and visit www.fca.org.uk/scamsmart which has specific help and guidance relating to Coronavirus, and you can check the firm you are dealing with and see whether what you're being offered is a known scam or has the signs of a scam.



More support

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