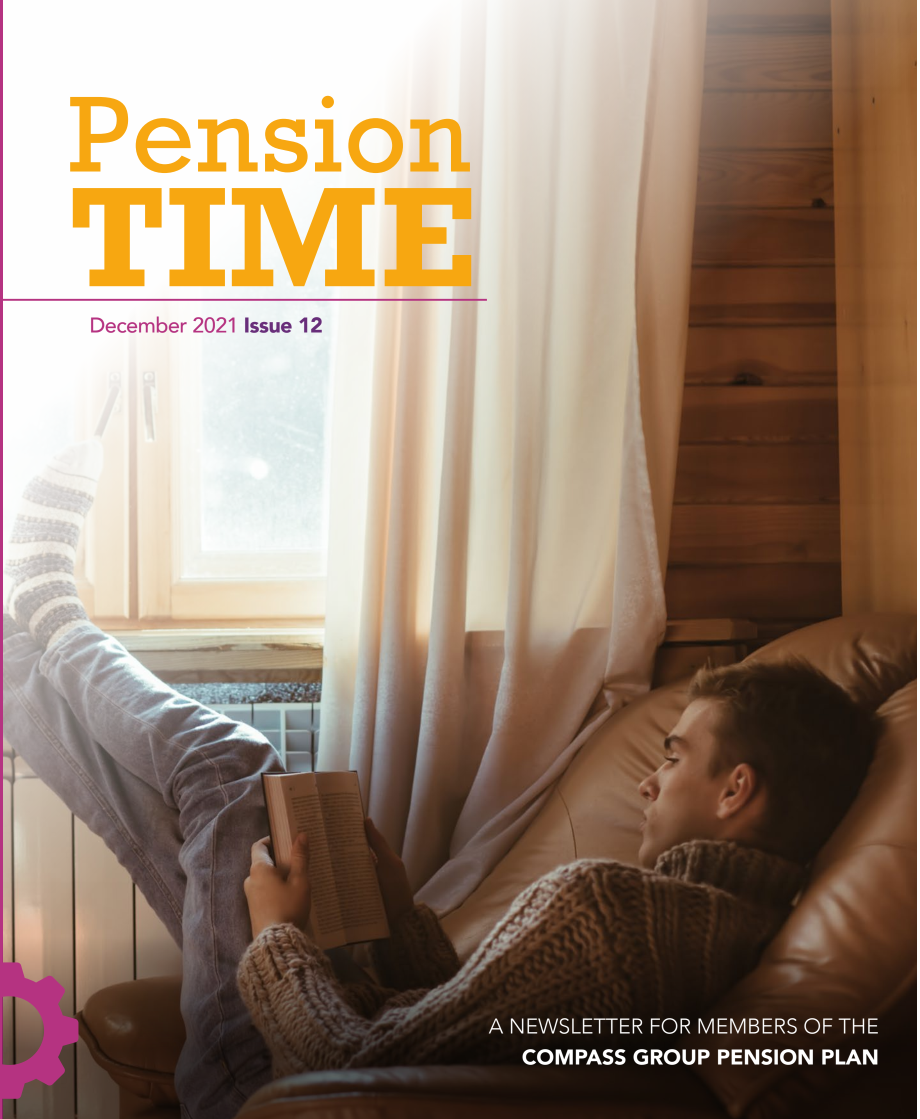
CompassPensions

# Pension TIME

December 2021 Issue 12



A NEWSLETTER FOR MEMBERS OF THE
**COMPASS GROUP PENSION PLAN**

## Stay alert to scams

Scams aren't always as obvious as you might think. PAGE 6

## Going digital

See how our plans are being put into action. PAGE 10

## Your benefit options

See the various options available for your Plan benefits. PAGE 12

# The headlines

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

### Don't get scammed

**Pension SCAMS**

Know the signs to look out for

See pages 6 and 7

### Plan news

**DOWNLOAD**

Statement of Investment Principles & Implementation Statement **available now**

See pages 8 and 9

### Going digital

**5,448** members registered on MyPension

See pages 10 and 11

### Funding update

2021 position

**108%** £ £ £ £ £ £ funded

**Improved** funding position

See pages 14 to 16

### Plan statistics

**£2.6bn** assets

**27,963** active, deferred and pensioner **members**

See page 17

# Welcome back

## We've been working hard to ensure the Plan continues to run smoothly despite the ongoing coronavirus disruptions. We hope you and your families have continued to stay safe and well.

This year's coronavirus disruptions presented challenges to daily life in many ways.

With regards to the Plan, its investment strategy takes a long-term view of economic conditions and is designed to be robust enough to withstand short-term market movements (see page 18). As a result, our funding position remains strong (see page 15 for more details).

In January, we outlined our ambitions to connect with more members online over the year. As part of our digital communications strategy, the XPS secure member website at www.mypension.com/compass was launched to all active and deferred members and re-launched to pensioners.

The Compass Pensions website www.compass-pensions.co.uk has also been updated with a new, easier to navigate look. We're also consulting with you on whether to move to digital communications as our default method of staying in touch, and we will soon be confirming the outcome of that consultation. You can read more about the proposed move to digital on page 10.

*We hope you enjoy reading our update and have an enjoyable Christmas break.*

## Dear member

The December 2021 edition of Pension Time is our opportunity to update you on what has happened in the Plan over 2021. It's shared with 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

Priory Place, New London Road
Chelmsford, Essex, CM2 0PP

**01245 673502**

compassadminteam@xpsgroup.com

# Your Trustee Board

## The Plan's Trustee is the Compass Group Pension Trustee Company Limited, which is made up of four Company Appointed and three Member Nominated Trustee Directors.

We, the Trustee Directors, are responsible for the governance of the Plan and the security of members' benefits. We are ultimately responsible for making sure the Plan complies with its legal duties, provides the correct pension that each member has been promised, and is able to pay all benefits when they are due.

### Phillip Whittome
(Chairman, Independent)

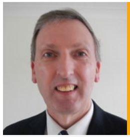
**I have been an independent professional trustee for over 10 years, for several different pension schemes, operating across different industries.**

My professional background is in finance and investment, and prior to becoming Chair of the Board in 2013, I was Chair of the Plan's Investment Committee.

### Brendan Boucher

**I have been a Trustee Director of the Plan since 2018 when I joined Compass Group PLC as Group Treasurer.**

I am a chartered accountant, fellow of the Association of Corporate Treasurers and have worked in senior finance roles for several multinational companies over the last 15 years.



### Wayne Bowen

**I am a deferred member of the Plan and was elected as a Trustee Director in 2020.**

I am passionate about financial investment and have a particularly strong interest in pensions. I also have eight years' experience of undertaking pension trustee roles with other organisations.

## Christopher Clayton
(Independent)

**I am a professional independent trustee, fully accredited by the Association of Professional Pension Trustees, and Chair of the Governance and Operations Committee for the Plan.**

For most of my career, I have been involved in investment and corporate finance, including a period seconded to The Pensions Regulator. I am also Chair of trustees for several other pension schemes.

## Jane Dean

**I am a pensioner member of the Plan and was elected as a Trustee Director in 2020.**

With a background in the hospitality industry, I now hold several Non-Executive Director and trustee positions within the heritage and charity sector and have my own consultancy. Governance, protecting our heritage, community, regeneration and ensuring our futures and pensions are financially secure are of great importance to me.

## Jodi Lea

**I have been a Trustee Director since 2018 and I'm a qualified solicitor holding the role of General Counsel for Compass Group UK&I.**

I've worked in the contract catering and hospitality industry for over 10 years and, prior to joining Compass, I held senior roles in manufacturing, financial services and retail sectors.

## Peter O'Meara

**I am a pensioner member of the Plan and was elected as a Trustee Director in 2007.**

I am currently a non-executive director of a hotels, catering, and retail company, and was a director of Forte Hotels and the Arora Group for many years before I joined Compass Group. Over this time, I have gained considerable pensions knowledge and, as a member of the Pensions Management Institute and of the Association of Member Nominated Trustees, it is very important to carry out continual training and professional development to keep up to date.

# Pension scams

**Here are some real-life examples of attempted pension scams**

*In the first three months of 2021, figures from Action Fraud's national reporting centre revealed that **£1.8 million** was lost to pension fraud.*

## These are examples from other clients of XPS Administration, identified by the XPS Pension Scam Identification service. The Plan also uses this service to add an extra level of security for members.

### An unscrupulous adviser

Our administration team received paperwork from a member requesting a transfer. The paperwork was reviewed in line with best practice and did not show any signs of scam activity. It had been signed by a registered Independent Financial Adviser (IFA) who appeared on the FCA's authorised list.

**Our Scam Protection Team called the member, and two pieces of information raised warning flags:**

- When asked about the IFA, the member gave a different name to the one on the completed paperwork. This IFA worked for a completely different firm and the member had never heard of the IFA on the paperwork.
- The member confirmed that he had been approached by an introducer and forms had been completed for him by the introducer and the IFA.

On investigation, we found that the IFA who had given the advice was not authorised by the FCA to provide such advice. In addition, this IFA's firm was not authorised to provide advice on transfers out of pension schemes.

**Our Scams team discovered that:**

- The unauthorised IFA had been arrested, along with all the members of the IFA firm that he was working for and the introducer.
- The original FCA-authorised IFA who signed the paperwork had also been arrested. As the police investigation was still ongoing, his approval status had remained as authorised on the FCA website.
- The receiving scheme was confirmed as being a scam vehicle, despite having HMRC approved status.

Using this information, the Trustees wrote to the member to set out the concerns and he subsequently decided not to transfer. Had the Scams team not spoken to the member the transfer could have proceeded and the member could have lost their entire pensions savings and potentially faced a tax charge of up to 55% of the value of the transfer, as it would have been an unauthorised payment.

A pension scam is where fraudsters convince people to transfer their pension into bogus investments. They may 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).

## A vulnerable member

**A member requested a transfer and completed the necessary paperwork. The call with the Scam team raised the following warning flags:**

- The member believed she was transferring into a personal pension scheme in her own name. However, the recipient scheme was registered as an occupational DC scheme.
- The employer linked to the scheme was based in Essex, but the member lived and worked in Derbyshire. The IFA involved was based nowhere near Derbyshire or Essex.

Further due diligence revealed that the person claiming to be an IFA was an ex-building society employee with no authority to provide financial advice. The Trustees wrote to the member providing information on where she could find a suitable IFA.

**The member came back a few months later requesting a transfer to another pension scheme. We were able to identify that:**

- The scheme had been set up very recently with the member as trustee, and her advisers were so new that they were not on the FCA register.
- The registered address was a long way from Derbyshire and there were no links between the employer and the member.

The Trustees refused this transfer which, if paid, would likely have been an unauthorised payment. As the transfer amount was under £30,000 (the point at which advice is required before a transfer can take place), the warning flags would not have been picked up if it had not been for the team's call with the member.

## If you're thinking about transferring

New transfer regulations have recently been published and apply to all requests for a transfer value on or after 30 November 2021. This gives trustees of pension schemes greater power to prevent transfers that display certain scam warning signs. As a result, if you request a transfer out of the Plan, from 30 November we may ask you for further additional information than we would have done previously.

Be extremely cautious if you're thinking about transferring your pension and visit www.fca.org.uk/scamsmart, where you can check the firm you're dealing with and see whether what you're being offered is a known scam or has the signs of a scam.

It's very important to take independent financial advice before transferring and you can find an FCA-approved adviser at www.moneyhelper.org.uk (search **Find a financial adviser** in the top right search box).

# Plan news

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

### Plan Timeline

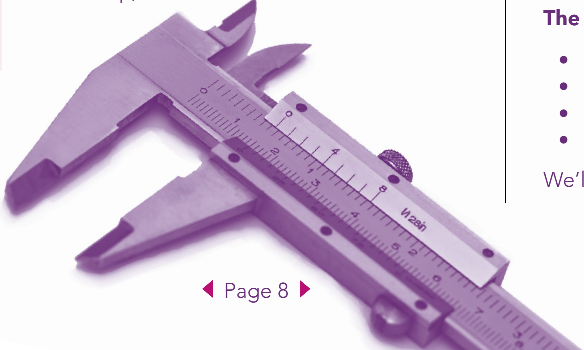
**Actuarial Valuation takes place**
*5 April 2022*

**Annual newsletter**
*December 2022*

**Actuarial Valuation results published**
*When available, planned for end of 2022*

### Statement of Investment Principles and Implementation Statement

The Plan's Statement of Investment Principles and Implementation Statement summarise the Trustees' policies for looking after the Plan's assets and how these policies have been implemented. Both documents are available to download from www.compass-pensions.co.uk (navigate to the Plan pages and click Documents at the top).



### Task Force on Climate-related Financial Disclosures (TCFD)

We're reviewing our climate-related beliefs as part of our intention to align the Plan with the TCFD's disclosure requirements required from 1 October 2022.

It's hoped that the increased transparency encouraged by following the TCFD recommendations will provide useful information, and lead to better informed decision-making on climate-related financial risks.

The disclosures cover several recommendations, structured around four core elements of how organisations should operate; they provide a framework for the management of climate-related risk and opportunities.

**The four key areas are:**

- Governance
- Strategy
- Risk management
- Metrics and targets

We'll share more news on this next year.

## Guaranteed Minimum Pension (GMP) equalisation update

The October 2018 High Court judgement confirmed that pension schemes must adjust the benefits for some people who were Plan members between 17 May 1990 and 5 April 1997. The benefit adjustment, relating to GMPs, will ensure certain benefits are paid on equal terms for both male and female members of the Plan.

This is a large and complex project which is currently being progressed by the Trustee Board together with its advisers. The legislation and guidance on GMP equalisation has been evolving since late 2018 and there are a series of steps that need to be completed in order to be able to determine the effect on your benefits, if any. The process started with a full reconciliation (cross-checking) of the GMP-related data held by the Plan with HMRC's records.

Several factors will determine whether a member is due any additional back payment and, if so, the amount.

**These include:**

- The Plan itself, including the benefits provided by the Plan, Normal Retirement Age and the level of pension increases before and after retirement.
- Individual factors, such as service periods, date of leaving the Plan (if before retirement), and age at retirement.

There are further stages to the project, including calculations, which the Trustee Board is working through with help from the Plan's administrator and advisers.

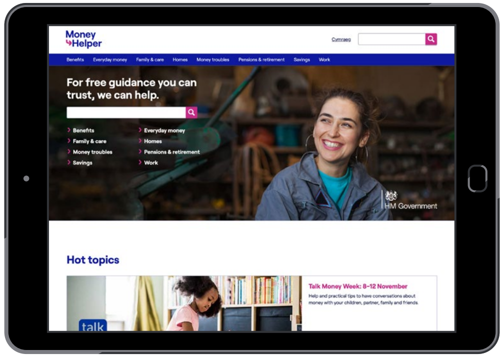
The Trustees anticipate that they will start to contact members whose benefits have been affected by GMP equalisation by the end of 2022.

## MoneyHelper

In June 2021, the Money Advice Service (MAS), the Pensions Advisory Service (TPAS), and Pension Wise websites were replaced with MoneyHelper.

The aim of MoneyHelper is to bring together expertise and information into one place to easily answer all your money and pension related queries.

We recommend that you visit www.moneyhelper.org.uk for free, impartial guidance about your pension. You can also find an independent financial adviser local to you by searching **Find a financial adviser**.



# Going digital

## This year we launched MyPension to all members of the Plan, giving active and deferred members, as well as pensioners, access to their pension details online.

**With MyPension you can:**

- View your pension information in real time
- Update your personal data
- Download important documents
- View payslips once you're receiving your pension

**You can also:**

- Update your Expression of Wish details
- Ask to change your bank account
- Contact XPS Administration to request a quotation

You'll have received two communications to let you know about our proposed move to electronic communications as the default method for staying in touch with all Plan members who don't want to continue receiving paper. If you haven't already, go to www.mypension.com/compass and register using the details provided in our letter from September, or give us your feedback and opt out of digital communications at https://compass.mypension.com

We'll send you another communication at the beginning of next year to let you know how the exercise has gone and whether or not we are going to move to digital communications.

### Updated Compass Pensions website

The Compass Pensions website www.compass-pensions.co.uk has been completely revamped this year and holds lots of useful current information about the Plan. You can access this information without needing to log in to the secure area of the XPS website.

The XPS website www.mypension.com/compass should now only be used to access your secure online account.

# Here are some statistics to show you how registered members are using the XPS site:

Registered **active**

**12**

Registered **deferred**

**2,881**

Registered **pensioner**

**2,555**

**5,448**
**Total registrations**

www.mypension.com/compass

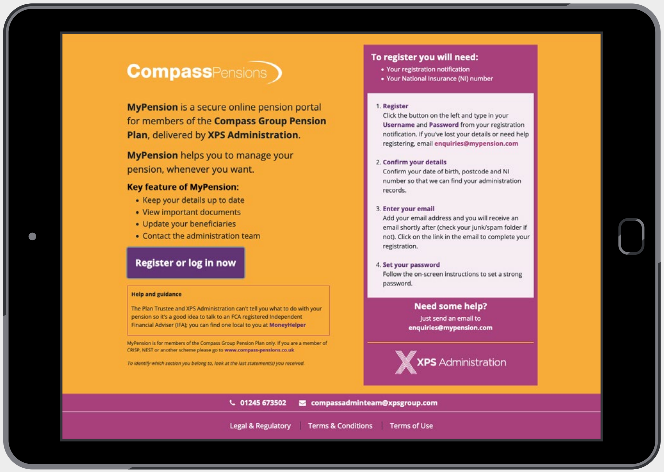
## Actions since September 2021:

Address changes

**203**

Expression of Wish updates

**1,155**



# Your benefit options

## There are different options to choose from for your benefits in the Plan, so it's important to consider what could be best for you.

### What benefits can you get at retirement?

You can usually retire at any time from age 55 (this is increasing to 57 from 6 April 2028 when the minimum pension age increases), although your pension will be lower to allow for it being paid for longer. The option to retire early from age 55 depends on your membership and may not be available to all members.

Six months before your normal retirement age (usually 65) you'll receive a quotation from XPS showing how much you could expect to receive and the options available.

*Make sure to keep your address up to date as you approach retirement so we can contact you.*

### Option 1

*Receive a **pension**, which is paid for the rest of your life*

### Option 2

*Exchange some of your pension for an upfront **tax-free cash sum**, and receive a **reduced pension**, paid for the rest of your life*

*Your pension will be paid monthly and taxed as income, and it usually increases in April each year.*

> Log in at www.mypension.com/compass to find out what benefits you could receive.

### Transferring your benefits out of the Plan

You can also choose to transfer your benefits out of the Plan to another approved pension arrangement. You may want to do this to access different options that aren't available from the Plan, like taking a more flexible income.

It is very important to take independent financial advice before transferring (and you must do so if your transfer value is at least £30,000). You can find an FCA-approved adviser at www.moneyhelper.org.uk (search **Find a financial adviser** in the top right search box).

Read our article on page 6 to make sure you know the signs of a pension scam.

## What benefits are paid if you die?

You can find more information about death benefits at www.compass-pensions.co.uk by visiting the Plan section of the site and clicking **About the Plan** within your appropriate member section. Below is a brief summary of what could be paid to your loved ones if you die.

Lump sum payments are made at the Trustees' discretion, so it's important to make sure your Expression of Wish nominations are up to date.

Log in at www.mypension.com/compass to check your latest nominations.

# If you die before you retire

| | Spouse's pension | Lump sum |
|---|---|---|
| **Active members** | Usually 50% of the pension you would have received if you'd stayed in service until your normal retirement age, but based on your salary when you die | 3 times your basic pay |
| **Deferred members** | Usually 50% of your pension | Refund of your Plan contributions, depending on membership |

# If you die after you retire

| | Spouse's pension | Lump sum |
|---|---|---|
| **Pensioner members** | Usually 50% of your pension including increases and pension you exchanged for a cash lump sum | The balance of your first five years' outstanding pension payments |

# Funding position 2021

## 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 subsequent annual updates as at 5 April 2020 and 5 April 2021.

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.

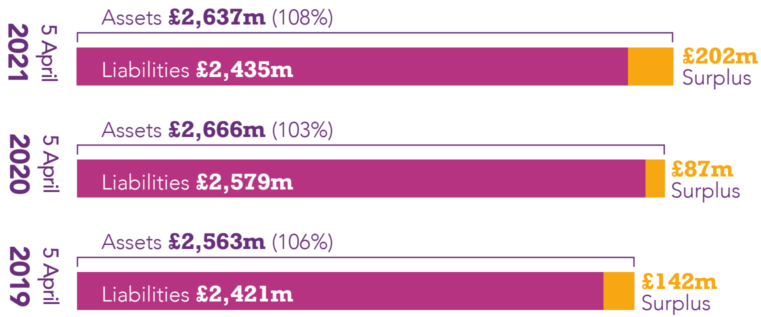
# We now have the results of the 2021 yearly review, which we can compare with the formal valuation in 2019 and last year's update.

The 5 April 2021 funding position is an approximate update, but you can see below that it is estimated that the funding position has gone up from 106% to 108% since the 2019 valuation, with the surplus increasing from £142 million to £202 million.

The improvement in the Plan's funding position is predominantly due to:

- Inflation being lower than expected
- The performance of the Plan's investments over the year, although partially offset by a fall in gilt yields, which increases the value placed on the Plan's liabilities

The Plan's assets as at 5 April 2021 are valued at £2,637 million, which is an increase of £74 million since the valuation date.




## 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 2021

A full copy is available by writing to Compass Group Pensions Department at the address on the back page.

## Membership

Members of the Plan as at 5 April 2021 (figures in brackets show 5 April 2020 membership).

**111** (131) Active members

**14,344** (15,138) Deferred members

**13,508** (13,407) Pensioners

**27,963 (28,676) Total membership**

*Plus **3,503** (3,517) Residual Protected Rights*

| | |
|---|---|
| Fund at 5 April **2020** (£m) | 2,678.358 |
| Increase in market value of investments | + 34.919 |
| Investment income (including income from annuities) | 20.296 |
| Member contributions | 0.107 |
| Company contributions | 3.319 |
| Transfers in | 0.010 |
| Other income | 0.387 |
| Total income | + 24.119 |
| Pensions and other benefits | 67.317 |
| Investment management fees | 0.237 |
| Individual transfers out | 18.647 |
| Administrative expenses and other payments | 2.709 |
| Total outgoings | – 88.910 |
| Fund at 5 April **2021** (£m) | 2,648.486 |

# Investment update

## We have an Investment Committee to review the investment strategy and no changes have been made to the long-term plan that we agreed in 2015.

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.

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 opportunity to further rebalance the asset allocation, reducing the Plan's investment in equities and corporate bonds, and increasing investment in the Liability Driven Investment (LDI) portfolio.

We did this in two stages:

- **June 2020** – moved £18.5m of equities and £95m of corporate bonds to LDI portfolio
- **March 2021** - moved £41m of equities and £34.5m of corporate bonds to LDI portfolio

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 2021 was:

- **11.7%** in ***return seeking*** assets
- **88.3%** in ***matching*** assets

The next page shows a full breakdown of the actual 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

**Bonds and gilts**
Loans to a company or government.

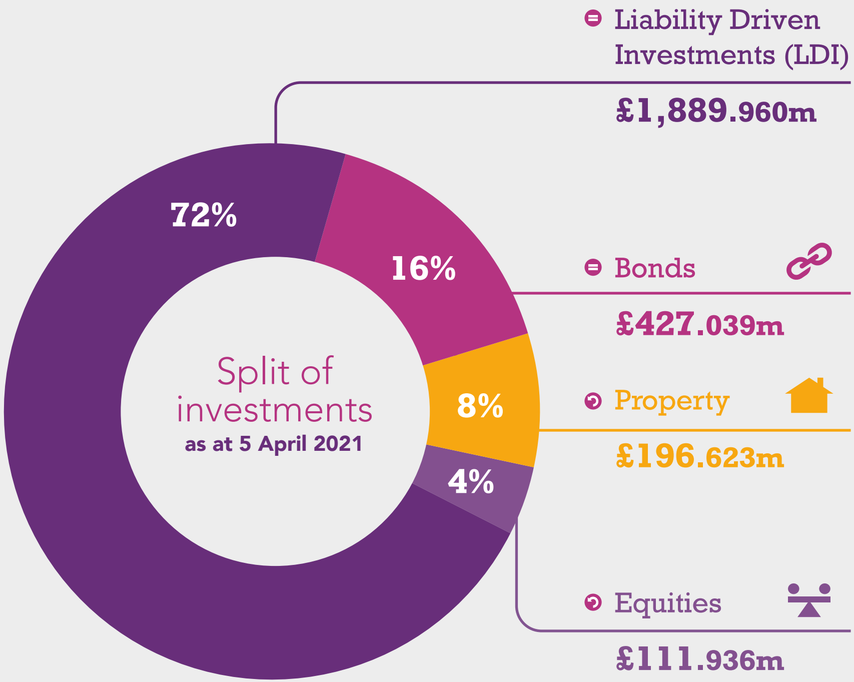
**Equities or shares**
Investment in companies.

**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.

*Equities and property are return seeking assets.*

*LDI and Bonds are matching assets.*



# More support

## Administrator's contact details

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compassadminteam@xpsgroup.com

## Trustees' contact details

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