CompassPensions

Pension TIME

December 2022 Issue 13

A NEWSLETTER FOR MEMBERS OF THE
COMPASS GROUP PENSION PLAN

Stay alert to scams

Take a look at the types of scams to be aware of and how to spot them. Page 4

Actuarial Valuation 2022

The funding position has improved to **113%**. PAGE 8

MyPension

See how you can use the site to manage your pension. PAGE 14

The headlines

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

Stay alert to scams

Pension SCAMS

The Plan has signed TPR's Scams Pledge

See pages **4 and 5**

Actuarial Valuation

2022 position

113% £ £ £ £ £ £ **funded**

Funding position continues to improve

See pages **8 to 10**

Plan statistics

£2.6bn assets

27,347

active, deferred and pensioner **members**

See page **11**

Investments

UPDATE

The Plan's investment strategy has performed as expected during the recent market volatility and remains stable.

See pages **12 and 13**

Going digital

7,893

members registered on MyPension

See pages **14 and 15**

Welcome back

Over the year we've been able to leave lockdowns behind us. The focus has shifted away from the pandemic and instead to the unprecedented uncertainties of the war in Ukraine, the rising cost of living and the volatile financial markets.

Despite this uncertainty, we're pleased to say that the Plan remains in a strong position and your benefits are secure. The formal Actuarial Valuation at 5 April 2022 is now complete and the Plan's ongoing funding position has continued to improve, now standing in a good stable position. You can find the full update on page 8.

Throughout 2021, we consulted with you on whether to use digital communications as our default way of staying in touch. In April 2022, following the success of the consultation, we let you know we'd decided to implement digital communications. To make sure you don't miss out on any communications, register on the XPS secure member website at www.mypension.com/compass. If you don't want to receive communications digitally, just let the XPS Administration team know, and you'll continue to receive all communications in the post. We're pleased to report that, at the end of October, 27% of members had registered on MyPension and you can find more information on how members are using the site on page 14.

We hope you enjoy reading Pension Time. We wish you a very enjoyable Christmas and Happy New Year.

Dear member

The December 2022 edition of Pension Time is our opportunity to update you on what has happened in the Plan over 2022. 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

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Chelmsford, Essex, CM2 0PP

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compassadminteam@xpsgroup.com

Stay alert to pension scams

The Trustee has signed The Pensions Regulator's Scams Pledge, demonstrating its commitment to protecting you against the growing risks of pension scams.

In previous editions of Pension Time we've covered a variety of topics regarding pension scams, including:

- Changes in legislation giving the Trustee greater powers to help protect you from pension scams
- How the XPS Scam Protection Service helps protect your benefits
- Examples of how real-life scams have been prevented

The Plan uses the **XPS Scam Protection Service** to help protect you from the risk of scams. Before the Trustee can approve a request to transfer your benefits out of the Plan, they will look out for **red and amber flags** that could indicate that you are at risk of being scammed. The Scam Protection Team will contact you and ask you some questions to help identify whether you are at risk of becoming the victim of a pension scam.

Red flags

If any red flags are identified, the transfer will not go ahead for that member. Here are a few examples of red flags:

- The member has not provided evidence of receiving MoneyHelper guidance
- The member has been offered an incentive to make the transfer
- The member has been pressured to make the transfer

Amber flags

If any amber flags are identified, XPS Administration will arrange for you to have a guidance session with MoneyHelper before the transfer can proceed. Amber flags can include:

- The receiving scheme charges are unclear or high
- The receiving scheme's investment structure is unclear, complex or unorthodox
- A sharp, unusual rise in transfers involving the same scheme or adviser

Pension scams continue to be a serious risk, particularly in times of financial uncertainty where you may be more likely to make a knee-jerk decision. As well as being alert to pension scams, it's worth being aware of different kinds of financial scams. Here are some examples of the latest scams reported by Action Fraud, the Police, and Trading Standards.

Offer to write off debts – the FCA have warned of unauthorised claims management services which promise to write off debts such as mortgages and obtain compensation from lenders. The offer usually requires a fee to start, with more fees added even if the scheme fails. The scams target vulnerable people facing financial difficulties.

Key lesson – *be wary of anyone contacting you out of the blue with a financial scheme.*

Energy price cap – with the large increases in energy costs, fraudsters are looking to exploit energy customers who are considering changing their tariff or energy provider. This is likely to take the form of an offer which may be too good to be true, or fake rebates.

Key lesson – *check who you are receiving communications from and only engage via your usual secure method. If in doubt, get in touch with your provider directly to verify the contact.*

Cost of living crisis – many people are due to receive a first instalment of a cost-of-living payment. Fraudsters are exploiting vulnerable people by encouraging them to apply for the payment via text, followed by an email to gain further information from the victim. The aim is to collect personal details that can be used in other fraudulent activities, or to gain direct access to online bank accounts.

Key lesson – *treat all offers of a financial reward with suspicion, even if it is something you're expecting.*

Steps you can take to protect yourself from scams

- The government has banned cold calling for pensions, so if anyone calls you out of the blue about yours, just hang up.
- If you are thinking about transferring your pension, please be extremely cautious and visit www.fca.org.uk/scamsmart which has useful guidance and see whether what you are being offered is a known scam or has the signs of a scam.
- Check the firm you are dealing with on the FCA Register at https://register.fca.org.uk
- Don't feel pressured. Take the time to consider whether what you're being offered is right for you.
- It is very important to take impartial financial advice before transferring, and you can find an FCA-regulated adviser on the MoneyHelper website at www.moneyhelper.org.uk (search **Choosing a financial adviser**).

We're also seeing members being targeted by genuine financial advisers to discuss taking their benefits before their normal retirement age.

Please consider your options carefully and don't make any rushed decisions. During times of high inflation, when taking early retirement or transferring your benefits it's important to take your time and be sure it is the right decision for you.

Plan news

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

Increase in the cost of living

The cost of living has continued to rise as we approach winter, and this may mean members are thinking more about their own finances, including pensions.

If you're already receiving your pension from the Plan, you'll know that your pension increases differently depending on when you built it up and whether it is Guaranteed Minimum Pension (GMP). Generally, the pension increase is linked to the Retail Prices Index (RPI) with different maximum increases for each element. This maximum is set in the Plan's Rules and is typically either 5% p.a. or 3% p.a., depending on the section of the Plan you are a member of.

If you aren't receiving your pension yet, but are thinking about taking it soon, you should bear in mind that the way your benefits increase before and after retirement can be very different when inflation is high.

You should think very carefully about when to take your benefits and consider whether it's the right time for you and your circumstances. Please note, nothing in this newsletter constitutes financial advice. Neither the Company, the Trustee, nor XPS are able to give you personal financial advice.

Whether you've already started receiving your pension, or are still working, you can find helpful free pensions and general money guidance from www.moneyhelper.org.uk. You can also use the site to find financial advisers (search **Choosing a financial adviser**).

Guaranteed Minimum Pension (GMP) equalisation

Members with service in the Plan between April 1978 and April 1997 built up a GMP, as an alternative to benefits from the State Earnings Related Pension Scheme (SERPS).

A High Court judgement in October 2018 confirmed that pension schemes must review the GMP their members have built up between 17 May 1990 and 5 April 1997 to ensure it is paid on equal terms for both male and female members. If this is not the case, schemes are required to adjust these benefits to make them equal.

In November 2020, the High Court also ruled that pension schemes will need to review the unequal treatment of GMP between men and women on transfers-out paid from the Scheme since 17 May 1990.

The Trustee is continuing to work with its advisers to determine how members will be affected.

Lifetime Allowance

For the 2022-23 tax year, the maximum amount of pension savings someone can build up in their lifetime without paying an additional tax charge (the standard **Lifetime Allowance**) is **£1,073,100**. This limit is frozen until 2026.

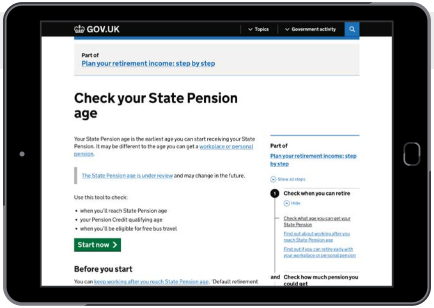
If you think you might be affected by this limit, it is a good idea to take financial advice. You can read more at www.gov.uk/tax-on-your-private-pension

Keep nominations up to date

Completing an **Expression of Wish** form helps the Trustees decide who should receive any lump sums that may be paid from the Plan if you die.

Your wishes are very important to us, and we encourage all members to review their nominations regularly.

You can update your Expression of Wish nominations at any time by logging into www.mypension.com/compass or by getting in touch with XPS Administration.



Increase to the State Pension age

The State Pension age is currently 66 but two increases are planned:

- A gradual rise to **67** for those born on or after **5 April 1960**
- A gradual rise to **68** between 2044 and 2046 for those born on or after **5 April 1977**

A review of the State Pension age was launched in December 2021 to consider bringing the increase to age 68 forward to between 2037 and 2039. This review must be published by 7 May 2023.

You can find out your current State Pension age at www.gov.uk/state-pension-age

Increase in early retirement age

The earliest you can currently retire in normal health (the Normal Minimum Pension Age or NMPA) is 55.

The government committed to setting the NMPA at 10 years below State Pension age and it has now confirmed it will increase it to 57 from 2028. We encourage all members to consider how this change could affect their retirement plans.

Independent Dispute Resolution Procedure (IDRP)

The Trustee has a formal procedure and process (IDRP) to resolve any difficulties or complaints a Plan member may have, and which are not already being investigated elsewhere.

You can find the full Procedure in the Documents section of www.compass-pensions.co.uk

Actuarial Valuation 2022

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

This statement provides details of the formal three yearly Actuarial Valuation, which took place as at 5 April 2022, and the previous annual updates as at 5 April 2021 and 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, both 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.

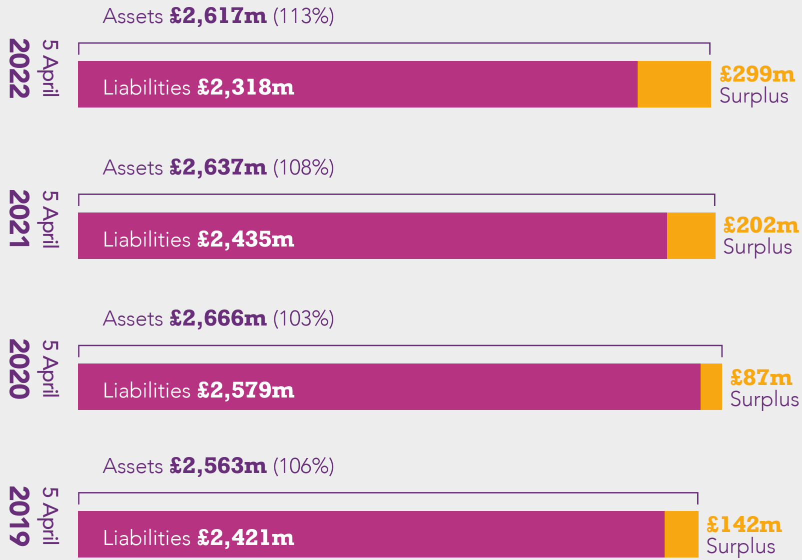
To check the Plan's financial security, we compare the value of its liabilities to its assets.

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 formal Actuarial Valuation, which we can compare with the formal valuation in 2019, and the yearly updates in 2020 and 2021.

The funding position has continued to improve and now stands in a good stable position.



You can see that the funding position has improved from **106%** to **113%** over the last three years, with the surplus increasing from **£142 million** to **£299 million**.

Why has the position changed?

The improvement in the surplus since the last Actuarial Valuation in 2019 is primarily due to better-than-expected investment returns on the Plan's assets over the period, as well as contributions paid by the Company. This was partially offset by changes in market conditions and financial assumptions used to value Plan benefits. The 2022 Valuation also included allowances for the cost of GMP equalisation, and the cost of running the Plan.

How much money does the Plan need?

Our goal is for the Plan to be 100% funded on the ***ongoing*** basis (shown on the previous page), 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 2022, the assets could have paid for the full benefits of all members.

The estimated cost of buying the benefits with an insurance company was **£2,556m** compared to assets of **£2,617m**. So on this particular basis there would be a surplus of **£61m** and a funding level of **102%**.

This compares to a deficit of **£202m** and a funding level of **93%** as at the 2019 Valuation, an improvement of **9%** 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 2022

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 2022 (figures in brackets show 5 April 2021 membership).

91 (111) Active members

13,634 (14,344) Deferred members

13,622 (13,508) Pensioners

27,347 (27,963) Total membership

*Plus **3,474** (3,503) Residual Protected Rights*

Fund at 5 April 2021 (£m)	**2,648.486**
Increase in market value of investments	**+ 38.804**
Investment income (including income from annuities)	19.593
Member contributions	0.094
Company contributions	3.002
Transfers in	0.034
Other income	0.004
Total income	**+ 22.727**
Pensions and other benefits	68.133
Investment management fees	0.136
Individual transfers out and payments to leavers	10.357
Administrative expenses and other payments	3.246
Total outgoings	**– 81.872**
Fund at 5 April 2022 (£m)	**2,628.145**

Investment update

The Plan's investment strategy has performed as expected during the recent market volatility that followed the UK Government's fiscal statement on 23 September.

The Trustee makes use of Liability Driven Investment (LDI) and given the Plan's de-risked portfolio the funding level has remained stable over the period because the fall in assets has been matched by a similar fall in the liabilities, including during more recent market volatility.

The Plan's Investment Committee regularly review the investment strategy and no changes have been made to the long-term plan agreed in 2015.

The latest investment strategy targets the following asset allocation:

- **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 2022 was:

- **15.9%** in ***return seeking*** assets
- **84.1%** 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.

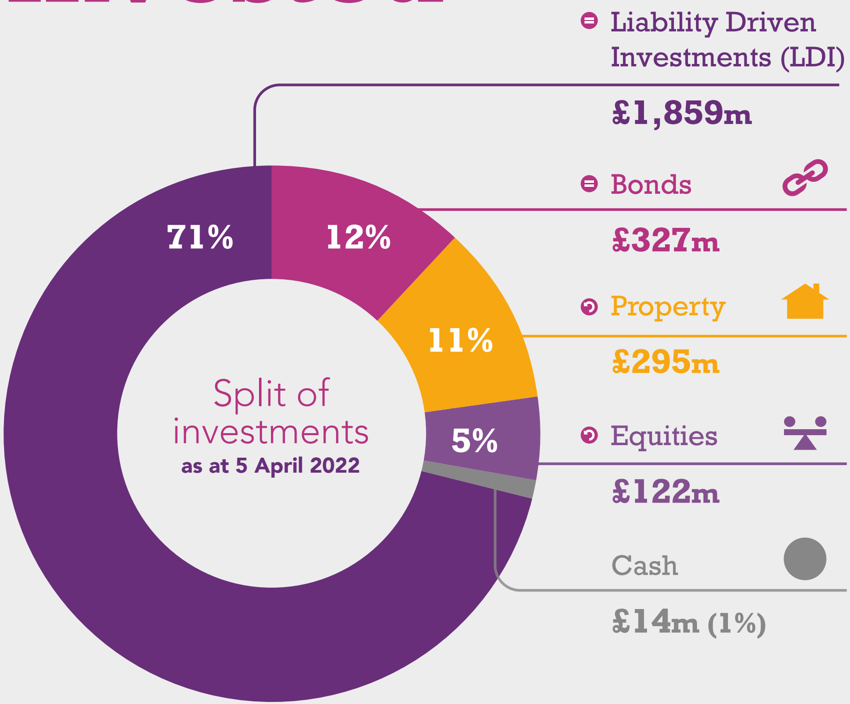
Equities or shares
Investment in companies.

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 Trustee.

Equities and property are return seeking assets.

LDI and Bonds are matching assets.



View your pension online

Last year MyPension was made available to all members of the Plan. You can use it to keep us updated with any changes to your personal details, such as contact information and Expression of Wish nomination details.

If you haven't already, please register and start viewing your pension at your fingertips.

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

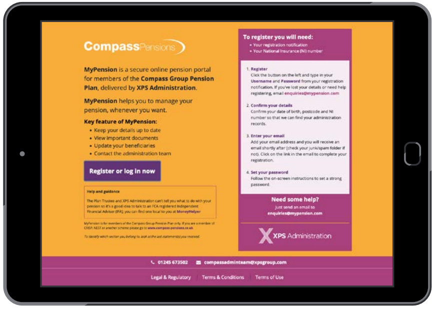
You can also:

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

If you haven't registered already, go to www.mypension.com/compass and register using the details provided in our letter from April. If you no longer have this letter, please get in touch with XPS Administration.

Compass Pensions website

The Compass Pensions website www.compass-pensions.co.uk has lots of helpful information and resources, without needing to log in to your personal account.



How registered members are using the MyPension site:

7,893 total registrations
(**27%** of the membership)

Registered **active**
22

Registered **deferred**
4,212

Registered **pensioner**
3,659

Actions since January 2022:

Address changes
213

Expression of Wish updates
814

Members have logged in: 6,244 times

Have you reviewed your Expression of Wish nominations recently?

The Trustees use your nominations to help decide who to pay any lump sum death benefits that may be payable. Even if your nominations haven't changed, it's a good idea to update them so that the Trustees know your wishes are still current.

www.mypension.com/compass

Administrator's contact details

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