

Additional information from the Trustees

Independent financial advice

Your pension savings are extremely valuable and you should certainly take time to check your position from time to time and not make any decisions without taking independent financial advice. This will be particularly important if you are nearing retirement or considering transferring your pension.

What is a pension scam?

Pension scams can be given a number of labels, including:

- Pension loans
- Early pension release
- Pension selling
- Cashing in your pension
- Pension liberation

A pension scam is when you agree to transfer your pension savings to an arrangement that will allow you to access your funds before you reach the age of 55, or as cash in larger amounts than are currently allowed under the law.

In rare cases – such as terminal illness – it is possible to access your pension pot before the age of 55. However, for most people, promises of early cash are false and members will probably lose most, if not all, of their savings.

Lifetime Allowance (LTA)

You can save as much as you like towards your retirement benefits but there is a limit on the amount of tax relief you can get.

The Lifetime Allowance is the maximum value of the retirement benefits you can build up over your life that benefits from tax relief. This includes the value of benefits that you currently have or may have in the future in any other pension arrangements, as well as those in the NEC Staff Pension Scheme (UK). If you build up retirement benefits worth more than the Lifetime Allowance you'll pay a tax charge on the excess. The Lifetime Allowance is currently £1 million (2016/2017 tax year).

Annual Allowance

The Annual Allowance is a limit on the total amount of contributions that can be paid into defined contribution pension schemes and the total amount of benefits that you can build up in defined benefit pension schemes each year, for tax relief purposes. The Annual Allowance is currently set at £40,000, although a lower limit of £10,000 may apply if you have already started drawing a pension or if your earnings are in excess of £150,000 p.a. The Annual Allowance applies across all of the pension schemes you belong to – it's not a 'per scheme' limit. It includes all of the contributions that you or your employer pay or that anyone else pays on your behalf.

If you exceed the Annual Allowance in a year, you won't receive tax relief on any contributions you paid that exceed the limit and you will be faced with an Annual Allowance charge.

National Fraud Initiative

The Scheme participates in a data verification exercise operated by the Audit Commission. This exercise is intended to assist in the prevention and detection of fraud.

We will provide details of our pensioners and deferred members to the Commission, so that they can compare our data to national government data. This will ensure, for example, that no pensions are being paid to people who are deceased or who are no longer entitled to benefits from our Scheme.

The processing of data by the Commission in a data verification exercise is carried out under its powers in Part 2A of the Audit Commission Act 1998. This does not require the consent of the individuals concerned. You therefore do not need to take any action in this respect.

Website

The Scheme has a website for all deferred and pensioner members, at:

<http://necstaffpensionschemeuk.info>

This website can be used to find out information about the Scheme, general pensions news and Scheme contact details.

Please note that this website does not hold any personal information about Scheme members and their individual benefits.

Pensioner payroll – change in payment date

Due to HMRC reporting changes which affected the correct recording of PAYE tax payments from the Scheme, it became necessary for the Scheme to change the payment date for the pensioner payroll.

The Scheme was paying pensions on the 1st day of each month in advance (i.e. the payment for the month of October was paid on 1st October). If the 1st day was on a weekend or bank holiday, the payment was made on the last working day before the 1st.

The Trustees agreed that the payment date should be changed to the 10th of each month (i.e. the payment for the month of October is paid on 10th October), with the same rule applying if the 10th falls on a weekend or bank holiday.

This change was introduced towards the end of last year and I am happy to report that there does not appear to have been any problems or difficulties encountered by our pensioners.

Summary Funding Statement 2017

NEC Staff Pension Scheme (UK)

Summary Funding Statement 2017

What is a funding statement and why is it needed?

The Trustees are required to send you an annual statement that provides a summary of the Scheme's financial position.

How is the Scheme's funding position measured?

The Scheme's funding position is measured by a complex actuarial valuation, which is carried out at least every three years by the Scheme's appointed independent actuary. The last completed actuarial valuation took place as at 30 June 2015.

What were the results of the 30 June 2015 actuarial valuation?

The actuarial valuation as at 30 June 2015 showed that:

- The value of the Scheme's liabilities was: £185.0 million
- The Scheme's assets were: £166.2 million
- The Scheme had a shortfall of: £18.8 million

To calculate the amount of the liabilities, assumptions have to be made about what will happen in the future – for example, the rate at which the Scheme's assets will grow. If the assumptions do not all turn out to be exactly in line with what happens in future, it may be necessary to change the level of contributions to the Scheme, or the period over which the shortfall is paid off.

The Pensions Regulator has legal powers to make any directions following a valuation as to:

- The method or assumptions used to calculate the liabilities, or the length and structure of the recovery plan
- The contributions that should be paid under the schedule of contributions

The last valuation was as at 30 June 2015, and as part of the valuation the Trustees and Company agreed the method and assumptions to be adopted, and the contributions to be paid. Therefore, the Regulator did not have to use these powers.

How is the shortfall going to be paid off?

The actuarial valuation as at 30 June 2015 revealed a shortfall in the assets, when measured against the Scheme's technical provisions of £18.8 million. The Trustees have decided to take into account post-valuation experience and base the Recovery Plan on the updated position as at 16 June 2016, when there was a shortfall of £38.4 million. The Trustees have agreed with the Company a plan to clear the 16 June 2016 shortfall by 31 March 2020. As at 5 December 2016, the Company had paid £1.3 million of contributions since 16 June 2016 and is expected to pay another £29.8 million between now and 31 March 2020, with the balance made up by excess investment returns.

How has the Scheme's funding position changed since 30 June 2015?

Since 30 June 2015, the funding position has deteriorated, with the shortfall at the valuation anniversary of 30 June 2016 estimated to be £45.7 million, equivalent to a funding level of 80%. The deterioration since 30 June 2015 has been caused by unfavourable events, primarily a significant fall in gilt yields (i.e. long-term interest rates) over the period (and in particular the impact of the Brexit referendum on financial markets in the period between 16 June 2016 and 30 June 2016), which has increased the value placed on the Scheme's liabilities. This has been offset to some extent by the Company paying extra money into the Scheme as part of the plan to clear the shortfall and positive asset return.

Is this change in funding position unusual?

It is important to remember that pension schemes are long-term investments. Investment market conditions, which affect the value of both the Scheme's assets and liabilities, change on a daily basis. Fluctuations in the Scheme's funding position from year to year are therefore common, in particular in the recent uncertain economic climate. At present, most pension schemes have a funding shortfall.

What would happen if the Scheme suddenly had to be stopped?

The actuarial valuation also looked at the situation if the Scheme was to be discontinued and members' benefits secured with an insurance company. At 30 June 2015, the Scheme's assets would have been sufficient to secure, on average, 59% of members' benefits with an insurance company. This situation is typical of the majority of UK pension schemes. The Trustees are required by regulation to disclose this information to you. We currently consider it unlikely that the Scheme will be discontinued.

How important is the Company's support of the Scheme?

The Company has confirmed to the Trustee Directors that it currently has no intention of discontinuing the Scheme and that it is committed to paying extra contributions when necessary to fund the shortfall. However, it is important to remember that the Scheme currently relies on the Company's continuing support.

We are required to inform you whether a payment has been made to the employer, as permitted under the Pensions Act 1995, since we last sent you a summary funding statement. We can confirm that no such payment has been made.

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

Your pension benefits may be left in the Scheme to be paid at retirement, or transferred to another pension arrangement prior to retirement.

If you are thinking of transferring your benefits out of the Scheme for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action. If your transfer value is above £30,000 and you wish to proceed with transferring your benefits outside of the Scheme, you are now required by law to demonstrate that you have taken financial advice.

The law prevents us (and the Scheme Administrators) from providing you with financial advice.

Where do I get further information?

You can obtain further information by contacting either Mercer (the Scheme Administrators), Westgate House, 52 Westgate, Chichester, West Sussex PO19 3HF, or the Trustees Office, Athene, Odyssey Business Park, West End Road, South Ruislip HA4 6QE.