Benenden Healthcare Pension Plan

Spring 2021 Newsletter

Welcome to our 2021 newsletter which includes some important information about the Plan and activity over the past 12 months. This is my first newsletter as Chair, since being appointed to take over from Karein Davie in May 2020.

Highlights over the past 12 months include:

- For the Defined Benefit ('DB') section of the Plan, we have completed the formal valuation as at 31 March 2019 where we look at the level of assets in the Plan versus what we believe is required to meet all benefits. As expected, there continues to be a shortfall in the Plan and we have worked with the Society and the Hospital Trust to agree a recovery plan. The new recovery plan includes a one-off contribution of £7.5 million together with an increased annual contribution over the next few years. Details of the valuation results and recovery plan are included in the Summary Funding Statement on page 4.

- Last year we announced that there was a vacancy for a Member Nominated Trustee. Thank you to those who put themselves forward. Following a selection process, we were pleased to welcome Neil McCallum to the Trustee Board to fill this role.

- Since the previous newsletter Ann McGivering has left the Society and resigned as a Trustee. In addition, Helen Freeman's current term of office has come to an end. We're pleased that Helen has agreed to serve for a further term but there remains a vacancy for a Member Nominated Trustee. If you are interested in helping to ensure your Plan is run in the best way while learning a lot about pensions, communications and Board level discussions, please ask for further information. Further details are included in this newsletter.

- Les Philpott's term of office as an Employer Appointed Trustee has come to an end and we welcome Catriona Wood to the Board as a new Employer Appointed Trustee. Catriona is Director of Finance, Corporate Planning and Performance at the Benenden Hospital.

- Over the past year the Trustees have closely monitored the Plan investments in light of the impact of COVID-19. During the early part of 2020 we saw some significant falls in the value of some investments. Whilst some volatility remains the Plan's assets have since recovered to previous levels. The Trustees continue to monitor the situation and take professional advice to ensure the Plan's investments remain appropriate.

- Finally, those of you who are current employees with Defined Contribution ('DC') benefits will be aware that a consultation has been underway on the future provision of these benefits. The consultation runs until 14 May 2021 and the outcome of the consultation will be communicated to members once the responses have been considered.

I hope that you find this newsletter helpful. Please do get in touch if you have any comments or feedback

Finally, I would like to thank Ann McGivering and Les Philpott for their dedicated service as Trustees and their valuable contribution to the running of the Plan.

Colin Richardson
Chair of Trustees

The Trustees

The Plan is looked after by the Trustees, who take responsibility for managing the Plan prudently, conscientiously, in good faith, and in the best interests of members and beneficiaries.

The current Trustees are:

Employer Appointed	Member Nominated
Colin Richardson of PTL Governance Limited	Helen Freeman
Catriona Wood	Neil McCallum
Ian Blanchard	Mohamed Hefni

Your opportunity to become a Trustee

A vacancy exists for an additional Member Nominated Trustee. The Trustees wish to encourage any members who are interested in the role to put themselves forward for consideration. If you are interested in becoming a Trustee, please contact the Secretary to the Trustees for further information about what is involved and details of the application process. If you wish to find out more about what is involved, the existing Trustees would be willing to have an informal conversation with anyone interested in applying. Contact details are shown at the end of this newsletter.

Pension Scams – Be Aware!

The Trustees wish to remind you to be aware of pension scammers who are known to target members of pension schemes. If you are considering transferring your pension out of the plan, you should make sure that you use a financial adviser who is regulated by the Financial Conduct Authority.

The Trustees take steps to look out for any potential scams taking place, however they cannot prevent members from transferring their benefits out of the Plan. If you transfer your pension to an unauthorised scheme, you could lose your entire pension savings and in addition face a substantial tax charge. We urge all members to remain vigilant when approached in respect of their pension savings and to look out for the following which are key indicators that you may have been targeted by a pensions scam:

- Being approached out of the blue by phone, text or even door-to-door;
- Being asked to transfer your investments overseas;
- Being pressured into transferring money very quickly;
- Being told you can access your pension before age 55.

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 could be a scam. You can also visit the ScamSmart website at **www.fca.org.uk/scamsmart** to check the firm you are dealing with is regulated and to see whether what you're being offered is a known scam or has the signs of a scam.

Please remember that you can't change your mind once you've transferred out of a DB pension. It is therefore really important that you get guidance or advice before making a decision. The Pensions Advisory Service (TPAS) is part of the Money and Pensions Service and offers free specialist pensions guidance and will help answer any questions you may have. If your transfer value is more than £30,000, you are required by law to take advice from a suitably qualified financial adviser regulated by the Financial Conduct Authority (FCA), before you can transfer your benefits to a DC pension scheme.

Take your time to make all the checks you need – you can find suggested questions to ask your adviser on the FCA's website by visiting: **https://fca.org.uk/consumers/what-ask-adviser**

Further information on pension transfers can be found by visiting:
https://www.fca.org.uk/consumers/pension-transfer

You can find more information on pension scams from the Pensions Regulator by visiting:
www.thepensionsregulator.gov.uk/pension-scams

New Investment Regulations

In recent years, there has been an increased focus on pension schemes and the need for them to invest responsibly. All UK occupational trust-based pension schemes with 100 or more members need to have in place a document known as a 'Statement of Investment Principles' or 'SIP'. This document sets out the Trustees' investment strategy including their objectives and investment policies. The latest regulations require the Trustees to set out their policies on Environmental, Social and Governance considerations ('ESG').

Pension Schemes are now required to publish their Statement of Investment Principles online. You can find the latest version of the SIP for both the DB and DC sections of the Plan on the Society website by visiting:
https://www.benenden.co.uk/pensions

Important Information for members of the DB Section – A reminder

The DB section of the Plan provides a pension to a dependant in the event of your death. If you are legally married or in a Civil Partnership, your widow, widower or Civil Partner will automatically qualify as a dependant. If you do not leave a spouse or civil partner, but you have one or more children under the age of 18 (or between 18 and 21 in full time education), your child would qualify as a dependant. If you have no spouse or children, the Trustees may pay the pension to a nominated dependent if you have registered details with the Trustees.

If you are not legally Married or in a Civil Partnership with your partner, and have not registered their details with the Trustees, they may not receive any benefit in the event of your death.

Please contact the Secretary to the Trustees if you require a nomination form. Contact details are shown at the end of this newsletter.

Defined Benefit Summary Funding Statement

A formal actuarial valuation is carried out every three years. The latest actuarial valuation of the Plan was effective as at 31 March 2019. This was the first valuation of the Plan following the closure to future accrual in the DB Section. In the years between the actuarial valuations, annual actuarial updates are produced to monitor the assets, liabilities and the funding level of the Plan. The Trustees also monitor progress on a quarterly basis.

Defined benefit pension schemes are required by law to send members regular information about how their scheme is funded. Please see below a summary of the change in assets and technical provisions (or liabilities of the Plan) since the last actuarial valuation.

	Actuarial Valuation as at 31 March 2016 £'m	**Actuarial Valuation as at 31 March 2019 £'m**	**Annual Update as at 31 March 2020 £'m**	**Annual Update as at 31 March 2021 £'m**
Assets	72.3	78.8	73.5	92.8
Technical provisions (liabilities)	92.8	123.9	125.2	123.0
Excess / (shortfall)	(20.5)	(45.0)	(51.7)	(30.3)
Funding level	78%	64%	59%	75%

Over the three years from 31 March 2016 to 31 March 2019 the Plan's assets increased from £72.3 million to £78.8 million and the technical provisions increased from £92.8 million to £123.9 million. This meant that the shortfall in funding increased from £20.5 million to £45.0 million.

The main reason for the increase in the shortfall was the significant reduction in gilt and bond yields which has occurred since 31 March 2016. In addition, the Trustees have taken a more cautious view of future investment returns. This means we use a lower discount rate for valuing the Plan liabilities which has increased the value of the technical provisions.

Over the year from 31 March 2019 to 31 March 2020 the Plan's assets reduced from £78.8 million to £73.5 million and the technical provisions increased from £123.9 million to £125.2 million. This meant that the shortfall in funding increased from £45.0m to £51.7m. This further increase in the shortfall was caused by a further reduction in gilt and bond yields combined with a fall in the value of the Plan's assets resulting from the impact of the Covid-19 pandemic.

Over the year from 31 March 2020 to 31 March 2021 the Plan's assets increased from £73.5 million to £92.8 million and the technical provisions reduced from £125.2 million to £123.0 million. This meant that the shortfall in funding reduced from £51.7m to £30.3m. This reduction in the shortfall was caused by a rise in gilt and bond yields combined with an increase in the value of the Plan's assets together with an additional contribution of £7.5 million as detailed below.

The importance of the Employers' support

The Benenden Healthcare Society together with the Benenden Hospital Trust ("the Employers") continue to support the Plan and are committed to eliminating the shortfall in the funding level. The Employers' support is important to the Plan to restore the Plan to full funding and to cover the expenses of running the Plan. Therefore, even though the funding level is below 100%, benefits can continue to be paid in full. There have been no payments from the Plan to the Employers in the last 12 months. The Trustees monitor the financial strength of the Employers to ensure the Employers remain able to support the Plan.

The Trustees have agreed a new Recovery Plan with the Employers to address the shortfall as part of the Actuarial Valuation as at 31 March 2019. The Employers have agreed to pay additional contributions from 31 March 2019 to 31 July 2030 in line with the table shown overleaf. In addition, the Employers pay the Plan's running costs as well as the Pensions Regulator and PPF levies.

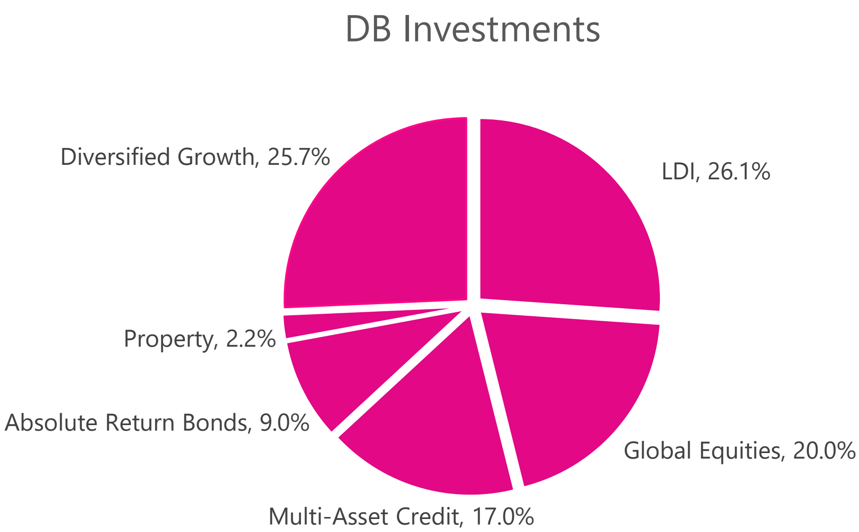
Year ending 31 March	Contribution	Year ending 31 March	Contribution
2021	£2.0m plus a single payment of £7.5m	2026	£3.0m
		2027	£3.0m
2022	£3.0m	2028	£3.0m
2023	£3.0m	2029	£3.0m
2024	£3.0m	2030	£3.0m
2025	£3.0m	2031	£1.0m

The next actuarial valuation will be as at 31 March 2022. At this valuation the Trustees and the Employers will review the funding position and consider whether any change in contributions is necessary to eliminate the deficit, or whether the Recovery Plan needs to continue beyond 2031. We will communicate the results of this valuation when they are available.

How are the Plan's assets invested?

The DB assets are invested a range of funds as shown in the chart below. The investment portfolio includes Liability Driven Investment or LDI funds. These are funds that pension schemes use to protect themselves against changes in inflation and interest rates and should help to reduce volatility in the funding position.

As at 31 December 2020 the DB investments were made up as follows:



Solvency Buy-Out Basis

As part of the latest scheme funding assessment, we obtained an estimate of the amount of assets that would have been needed in the Plan to achieve "full solvency". This was effectively a valuation that estimated how much an insurance company would require to take over responsibility for all the members' benefit entitlements. The most recent estimate by the actuary is that, at 31 March 2019 the Plan had a funding level on this basis of 42%, with a shortfall of £107.6m.

This level of "full solvency" funding is typical of many UK pension schemes at the present time. The amount needed for full solvency is much larger than the current assets of the Plan because the premiums charged by insurance companies to guarantee the payment of benefits are calculated on extremely conservative principles and include margins for expenses and profits.

Inclusion of this information within this statement is purely for regulatory and information purposes as the Trustees are not aware of any intention to wind up the Plan.

What would happen if the Plan started to wind up?

We're required to inform you what would happen if the Plan started to wind up. If the Plan winds up, you might not get the full amount of pension you have built up even if the Plan is fully funded on an ongoing basis. However, whilst the Plan remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full.

Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, our funding plan assumes that the Company will continue in business and support the Scheme.

Payments to the Employers

We're required to notify you if there have been any payments to the Employers out of the Plan since the previous summary funding statement. We confirm that there have not been any such payments.

Pensions Regulator intervention

We're required to notify you if the Pensions Regulator has used its statutory powers to intervene in the Plan. Such an intervention may be to give directions that either set the manner in which actuarial calculations of the Scheme's funding situation are done or set the period in which any funding shortfall must be remedied, or to impose a schedule of contributions stipulating what contributions must be paid by the Company and active members and by when they must be paid. We confirm that there have not been any such Pensions Regulator interventions.

Pension Protection Fund

In 2005, the Government set up the Pension Protection Fund ("PPF") to pay benefits to members if any occupational pension scheme were to wind up, and the scheme in question, together with the insolvent employers, did not have enough money to cover the cost of paying at least the PPF level of pension benefits with an insurance company. The pension that you receive from the PPF may be less than the benefit you have built up in the Plan.

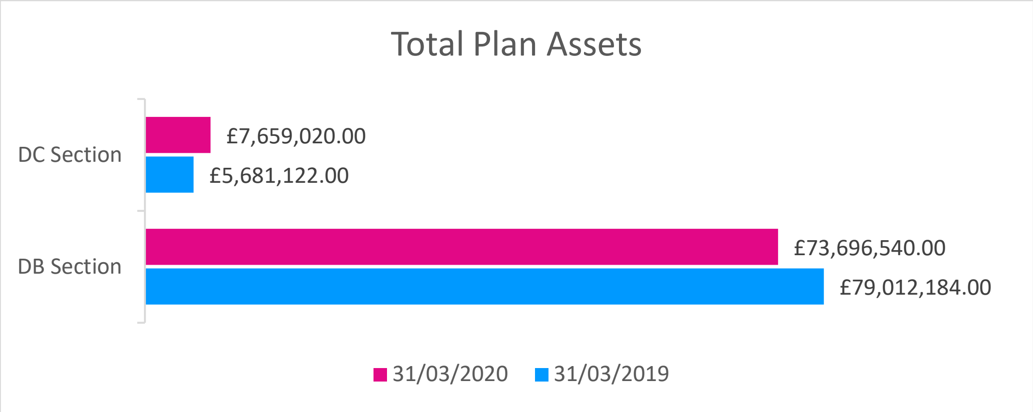
Further information and guidance is available on the PPF website at: **www.pensionprotectionfund.co.uk**.

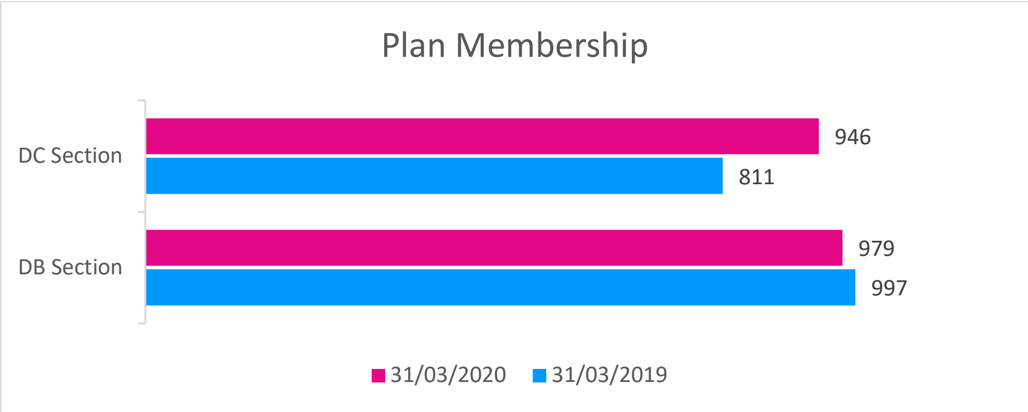
Notes

- The Plan operates with a single common fund for investments into which all contributions are paid and from which benefits are payable.
- If you are considering leaving the Plan, you should seek professional advice from an Independent Financial Adviser ("IFA"). To find an IFA in your area, visit **www.unbiased.co.uk** or **www.moneyadviceservice.org.uk/en/articles/choosing-a-financial-adviser**
- Advisers may charge for their advice so be sure to check with them first.
- It is important to inform the Trustees of any change to your address or marital status, please notify the Trustees of any changes using the contact details shown at the end of the newsletter.
- You may also request copies of the following Plan documents: Actuarial Valuation report, Schedule of Contributions or Statements of Funding Principles by using these contact details. Large print or Braille versions can be provided if required.

Facts and figures in relation to the DB and DC sections

The Trustees' Report and Accounts for the year ending 31 March 2020 has been audited and signed by the Trustees. The tables below give a summary of the Plan's assets and membership at that date. The full report is available on request from the Secretary to the Trustees.





Contacting us

If you have any queries about the Plan, or your benefits, please write to the administrators:

Benenden Healthcare Pension Plan
Capita
PO Box 555
Stead House
Darlington
DL1 9YT

Telephone: 0345 604 5420
Email: ops6enquiries@capita.co.uk

Please remember to advise the Plan Administrator if you change address

Alternatively, you can contact the Trustees by writing to the Secretary to the Trustees:

Secretary to the Trustees of the Benenden Healthcare Pension Plan

Andrew Smith
Capita
65 Gresham Street
London
EC2V &NQ

Email: Andrew.smith6@capita.com