BENENDEN HEALTHCARE PENSION PLAN

Newsletter 2018

Contents

Introduction from the Trustees

This year's newsletter contains the latest Plan news and includes highlights from the Trustees' report and accounts for the year ending 31 March 2018.

During the beginning of 2018, the Society presented the Trustees with their proposal to close the Defined Benefit (DB) section of the Plan to future accrual. The Trustees worked with the Society to produce a final proposal which saw the Trustees gain improvements for members. Over the summer, the Society consulted with members on this proposal. Following the consultation process the decision was taken by the Society to proceed with the closure of the DB section from 31 December 2018. All remaining active members of the DB section were invited to join the Defined Contribution (DC) section from 1 January 2019.

Over the years, the cost of providing DB benefits has increased significantly as a result of low interest rates, volatile investment markets and increasing life expectancy. The Society made the decision to close the DB section to limit its future costs and risks but it remains committed to covering the cost of all accrued benefits.

Every three years the actuary carries out a valuation to assess the financial health of the DB section of the Plan. The last full valuation took place in 2016. An annual funding update is produced for the years in between valuations and details of the 31 March 2018 annual funding update are included in this newsletter. This shows that there is a shortfall in the DB section of the Plan and this has increased since 2016. The Society continues to pay additional contributions to make up the shortfall and ensure that all benefits can be paid in full when they fall due.

Members of the DC section are encouraged to think about their investment choices. As a DC member you have choice over how you invest your funds and how you take your benefits. The Trustees have provided a range of lifestyle and self-select funds for members to choose from and an investment guide is available to help you decide. If you have chosen to invest in one of the lifestyle options, you should consider whether this is the right one for you based on how you wish to take your benefits when you retire.

Once again, the Trustees would like to remind you of the importance of keeping your information up to date so that we can keep you informed of any news and changes to the Plan. This is especially important for those of you who are no longer active members of the Plan. If you need to update any of your personal details, you can notify us using the contact information at the back of the newsletter.

We hope you find this newsletter helpful and welcome any feedback you may have.

Peter Robinson
Chair of the 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 2018 Trustees have been:

Employer Appointed	Member Nominated
Peter Robinson	Helen Freeman
Leslie Philpott	Ann McGivering
	Teresa Mullarkey
	Mohamed Hefni

The Plan notice board

Plan Administration

The administration of the Plan is carried out by Capita on behalf of the Trustees. In the summer of 2018, the administration was relocated from Capita's Leeds office to Glasgow. During this time there were some delays in responding to the enquiries. The Trustees have been monitoring the situation closely and note that response times improved somewhat during the autumn of 2018. The Trustees will continue to monitor performance to ensure continued improvement. For most enquiries, the standard response time is five working days from receipt. In some cases, information may be required from third parties and in these circumstances a full response may take longer but the administration team will endeavour to keep members informed.

The contact details for the administration team have changed and are shown on the last page of this newsletter.

Pension scams – an update

Pension scams continue to be a concern for pension scheme members. With the increased flexibilities now available to pension scheme members, some people will look to exploit this for their own personal gains.

The Government is looking to introduce new legislation which will help prevent pension scams and continue to educate people on the different ways in which scammers can contact members. 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 Scheme.

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; and
- Being told you can access your pension before age 55. Remember age 55 is currently the minimum age you can retire, and only in certain circumstances, such as serious illness, can you take your pension before age 55.

The Government is introducing regulations to ban cold calling in relation to pensions. If you receive any calls from anyone about pension products, you should end the call without giving any personal information.

Please note if you transfer your pension, you could lose your entire pension savings and in addition face a substantial tax charge.

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

State Pension age

The Government has announced plans to accelerate the changes that it is making to the State Pension age (SPA) – the age at which you will be eligible to receive the State Pension. Please note your retirement date under the Benenden Plan is not affected by changes to State Pension age.

To recap:

- From April 2010, the SPA for women has been gradually rising so that by December 2018 it is 65 for both men and women.
- From December 2018, the SPA for both men and women is being increased and will reach age 66 by October 2020.
- The SPA will further increase to 67 between 2026 and 2028 and, under current Government plans, to 68 by 2039.

Lifetime Allowance

The Lifetime Allowance (LTA) is the maximum amount of pension benefits you can draw from all your pension schemes before an extra tax charge is triggered and is currently £1,030,000 for the 2018/2019 tax year. This will increase in line with Consumer Price Index from 6 April 2019 to £1,055,000 for the tax year 2019/2020.

High Court ruling on Guaranteed Minimum Pensions (GMPs)

Were you a member of the Plan between May 1990 and April 1997? If so this might be relevant to you.

As a result of a European Court ruling back in 1990, benefits built up after 17 May 1990 must, in general, be provided on equal terms to men and women. The State Pension was exempt from this ruling and it was widely believed at the outset that this exemption would extend to GMPs.

A GMP is the minimum pension which an occupational pension scheme has to provide for members who were contracted out of the State Earnings Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997.

Over time, the view that GMPs do not need to be adjusted to make them of equal value for men and women has been challenged. A High Court hearing took place in July 2018 on the equalisation of GMPs in respect of the Lloyds Bank pension schemes. The ruling has now been published and this has implications for all pension schemes. The High Court has ruled that the inequality between men and women in respect of GMP benefits is not in line with UK or EU legislation.

The Trustees of the Plan are now considering the full details of the judgment and how this impacts members of the Plan. Members who were accruing benefits in the Plan during the period from 17 May 1990 to 5 April 1997 may be affected but at this early stage we are unable to say how the ruling might affect Plan benefits. There will be further communications from the Plan once further analysis has been undertaken.

For members of the Defined Benefit (DB) section of the Plan

Facts and figures for the year ending 31 March 2018

Plan membership

Below are details of the Plan's membership at the year end:

	31 March 2018	31 March 2017
Active members	195	226
Members with preserved benefits	365	359
Pensioners	452	433
Total	**1,012**	**1,018**

Plan accounts – summary

	Year end 31 March 2018 (£)	Year end 31 March 2017 (£)
Fund value at the start of the year	77,212,889	72,457,452
Income		
Employer contributions		
Normal contributions	1,219,404	1,309,025
Additional contributions	291,663	-
Deficit recovery contributions	1,000,000	500,000
Member contributions		
Normal contributions	8,369	8,805
Additional voluntary contributions	1,076	1,050
Other income	-	3,021
Total income	**2,520,512**	**1,821,901**
Expenditure		
Pension payments	(2,724,131)	(2,606,051)
Lump sums on retirement	(815,436)	(342,124)
Annuity purchases	-	-
Lump sum death benefits	-	-
Payments to leavers	(98,550)	(32,301)
Insurance policy payments	(66,613)	(65,331)
Administration fees and expenses	(181,609)	(248,908)
Total expenditure	**(3,886,339)**	**(3,294,715)**
Returns on investments		
Investment income	61,399	56,081
Change in market value of investments	1,171,172	6,224,319
Investments manager fees	(52,067)	(52,149)
Net investment performance during the year	**1,180,504**	**6,228,251**
Fund value at the end of the year	**77,027,566**	**77,212,889**

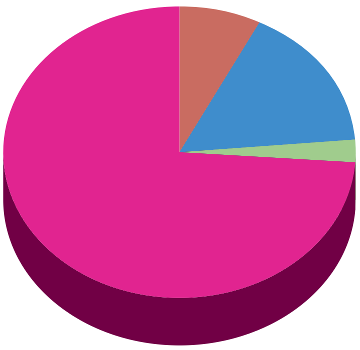
Investment report

The Trustees, assisted by their appointed investment adviser, determine the overall investment strategy for the Plan and set out the broad policy to be adopted by each of the appointed fund managers. The performance of the investment managers is reviewed regularly and the overall strategy is reviewed from time to time. The Trustees reviewed the investment strategy during 2017 but no changes were made at that time. The Trustees will be making some changes to the asset allocation during 2019. The tables below show the Plan investments as at 31 March 2018.

Asset allocation

Below are details of the Plan's investment asset allocation at the year-end:

	31 March 2018 %	Benchmark %	Difference %
Diversified Growth	73.7	75.0	-1.3
Property	2.5	0.0	2.2
Total return seeking assets	**76.2**	**75.0**	**0.5**
UK Corporate Bonds	16.3	18.0	-1.7
UK Index Linked Bonds	7.5	7.0	0.5
Total Matching assets	**23.8**	**25.0**	**-1.2**
Cash/other	0.0	0.0	0.0
Total	**100**	**100**	



Performance

Return (gross)	1 yr %	3 yrs %	5 yrs %
Newton Real Return Fund	-1.3	1.1	2.4
Benchmark	4.4	4.4	4.4
Difference	**3.14**	**-3.3**	**-2**
Schroder Life Diversified Growth Fund	4.7	2.6	4.8
Benchmark	7.6	6.8	6.4
Difference	**-2.9**	**-4.2**	**-1.6**
Schroder UK Property Fund	10.9	9.5	11.9
Benchmark	10.0	8.1	10.5
Difference	**0.9**	**1.4**	**1.4**
UK Corporate Bonds	2.0	4.9	7.0
Benchmark	1.7	4.7	6.8
Difference	**0.3**	**0.2**	**0.2**
UK Index Linked Bonds	1.1	8.1	7.9
Benchmark	0.7	7.8	7.7
Difference	**0.4**	**0.3**	**0.2**

The Plan's total assets for the DB section, decreased from £77,212,889 to £77,027,566 as at 31 March 2018.

Summary funding statement as at 31 March 2018

A formal actuarial valuation is required to be completed every three years. The latest actuarial valuation of the Plan was effective as at 31 March 2016. In the interim years between the actuarial valuations, annual actuarial updates are produced to monitor the assets, liabilities and the funding level of the Plan.

Defined Benefit (DB) 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, technical provisions (or liabilities of the Plan) since the last actuarial valuation.

	Actuarial valuation as at 31 March 2016 £'m	Annual update as at 31 March 2018 £'m
Assets	72.3	76.9
Liabilities (technical provisions)	92.8	109.8
Excess / (shortfall)	(20.5)	(32.9)
Funding level	78%	70%

Over the two years from 31 March 2016 to 31 March 2018, the Plan's assets increased from £72.3 million to £76.9 million and the technical provisions increased from £92.8 million to £109.8 million. This meant that the shortfall in funding increased from £20.5 million to £32.9 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. This means we use a lower discount rate for valuing the Plan liabilities which has increased the value of the technical provisions.

The Benenden Healthcare Society (the Society) continues to support the Plan and is committed to eliminating the shortfall in the funding level. The Society's support is important 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 Society in the last 12 months. The Trustees monitor the financial strength of the Society to ensure the Society remains able to support the Plan.

The Trustees have agreed a recovery plan with the Society to address the shortfall as part of the actuarial valuation as at 31 March 2016. The Society has agreed to pay additional contributions from 1 January 2017 to 31 March 2026 in line with the table shown below. In addition, the Society pays the Pensions Regulator and Pension Protection Fund levies.

Year ending 31 March	Contribution	Year ending 31 March	Contribution
2017	£0.5m	2022	£2.0m
2018	£1.0m	2023	£2.0m
2019	£2.0m	2024	£2.0m
2020	£2.0m	2025	£2.0m
2021	£2.0m	2026	£2.0m

The next actuarial valuation will be on 31 March 2019. At this valuation the Trustees and the Society will review the funding position and consider whether any increase in contributions is necessary to eliminate the deficit, and whether the recovery plan needs to continue beyond 2026. We will let you know the results of this valuation when they are available.

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**. Some 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 request copies of the following Plan documents: Actuarial Valuation Report, Schedule of Contributions or Statements of Funding Principles.

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.ppf.co.uk**

News

DB closure to future accrual

Following a period of consultation with the members, the Society took the decision to close the DB section to future accrual from 31 December 2018. This means that all remaining active members of the DB section have become deferred members and have been invited to join the Defined Contribution (DC) section from 1 January 2019. Those members who were in the DB section up to 31 December 2018 will receive a deferred benefit statement during first quarter of 2019.

On retirement, members with both DB and DC benefits in the Plan have the option to take 25% of the combined value of the DB and DC benefits as a tax-free cash sum. Providing both benefits are taken at the same time, members can choose to use the DC pot towards the tax-free cash sum allowance and reduce the amount of DB pension exchanged for cash. Further details of this option will be provided on request prior to retirement.

Options available to DB members

If you are a deferred member of the Plan, and have not yet reached retirement age, you have the opportunity to transfer your defined benefits within the Plan to a different pension provider. Other pension providers may offer different options for accessing benefits once you are aged 55. This may include the opportunity to access your benefits more flexibly if you transfer to a money purchase/DC arrangement.

You can request a transfer value by contacting the administration team. Please note that if you do wish to proceed with a transfer of your benefits, in most cases you will be required to arrange, and pay for, independent advice from a regulated financial adviser.

If you are over the age of 55 you may apply for early retirement from the Plan. Early retirement requires the Trustees' consent and benefits would be reduced to reflect the fact that they are being paid sooner and therefore over a longer period. If you are interested in applying for early retirement you should contact the administration team – you can find the contact details at the end of this newsletter.

For members of the Defined Contribution (DC) section of the Plan

Facts and figures for the year ending 31 March 2018

Plan membership

Below are details of the Plan's membership at the year end:

	31 March 2018	31 March 2017
Active members	362	348
Members with preserved benefits	153	82
Total	**515**	**430**

Plan accounts - summary

	Year end 31 March 2018 (£)	Year end 31 March 2017 (£)
Fund value at the start of the year	2,855,203	1,530,149
Income		
Employer contributions		
Normal contributions	1,006,504	835,139
Additional contributions	-	-
Member contributions		
Normal contributions	13,751	19,758
Additional voluntary contributions	28,980	28,889
Transfers in	28,460	109,685
Other income	-	859
Total income	**1,077,695**	**994,330**
Expenditure		
Administration fees and expenses	(3)	-
Death benefits	-	(1,134)
Lump sum retirement benefits	(17,476)	(12,914)
Transfer out payments	(59,267)	(14,577)
Refund of contributions	-	(154)
Total expenditure	(76,746)	(28,779)
Returns on investments		
Investment income	-	59
Change in market value of investments/(fall in value)	48,318	359,444
Investments manager fees	-	-
Net investment performance during the year	48,318	359,503
Fund value at the end of the year	**3,904,470**	**2,855,203**

Investment report

As a member of the DC section of the Plan, you can choose where you would like to invest your fund.

A lifestyle option has been designed by the Trustees and is the default investment choice for members who do not opt for a specific fund. Under this option the assets built up in your fund are automatically switched from more risky funds to more stable funds over the ten years before your selected retirement age. Two alternative lifestyle options were introduced during 2017 – see the 'News section' for more details.

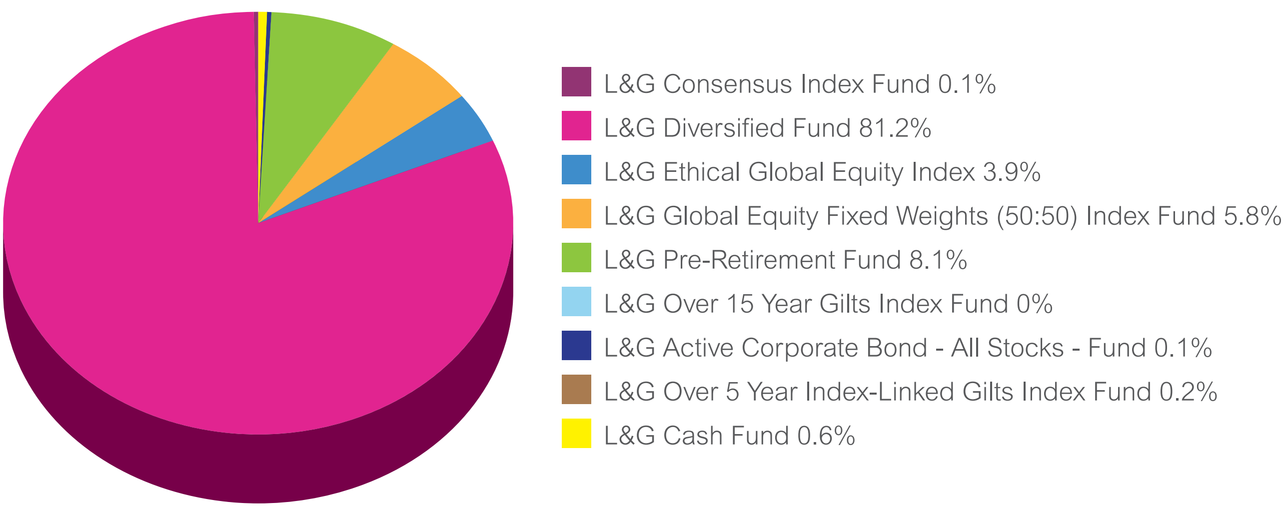
Alternatively, you may prefer to make your own investment choice from the range of specially selected funds. Your strategy remains a personal choice. The fund most appropriate to your circumstances will depend on a number of factors, including the length of time until you retire and your attitude to investment risk. The Trustees have made available a range of funds for you to choose from, which are detailed in the DC Investment Guide.

Remember that you have the option to change the funds that you are invested in. Investment changes can be made online using your Orbit login details at **https://orbit.orbitbenefits.com**

Asset allocation

The DC asset allocation at 31 March 2018, including funds invested through the lifestyle option, was as follows:

	31 March 2018 %
L&G Consensus Index Fund	0.1%
L&G Diversified Fund	81.2%
L&G Ethical Global Equity Index	3.9%
L&G Global Equity Fixed Weights (50:50) Index Fund	5.8%
L&G Pre-Retirement Fund	8.1%
L&G Over 15 Year Gilts Index Fund	0.0%
L&G Active Corporate Bond - All Stocks - Fund	0.1%
L&G Over 5 Year Index-Linked Gilts Index Fund	0.2%
L&G Cash Fund	0.6%
Total	**100.00%**



Performance

Return (gross)	1 yr (%)	3 Yrs (%)	5 yrs (%)
L&G Consensus Index Fund	2.1	6.3	7.1
Benchmark	0.9	6.3	7.1
Difference	**1.2**	**0**	**0**
L&G Diversified Fund	2.6	7.3	7.5
Benchmark	6.0	9.1	11.5
Difference	**-3.4**	**-1.8**	**-4**
L&G Ethical Global Equity Index	1.8	10.2	12.0
Benchmark	1.8	10.3	12.0
Difference	**0**	**-0.1**	**0**
L&G Global Equity Fixed Weights (50:50) Index Fund	2.6	8.4	9.3
Benchmark	2.5	8.3	9.1
Difference	**0.1**	**0.1**	**0.2**
L&G Pre-Retirement Fund	1.3	4.8	6.4
Benchmark	1.4	4.8	6.4
Difference	**-0.1**	**0**	**0**
L&G Over 15 Year Gilts Index Fund	2.2	6.1	8.0
Benchmark	2.2	6.1	8.0
Difference	**0**	**0**	**0**
L&G Active Corporate Bond - All Stocks - Fund	1.6	3.8	5.2
Benchmark	1.3	3.6	5.0
Difference	**0.3**	**0.2**	**0.2**
L&G Over 5 Year Index-Linked Gilts Index Fund	0.7	7.8	7.7
Benchmark	0.7	7.8	7.7
Difference	**0**	**0**	**0**
L&G Cash Fund	0.3	0.4	0.4
Benchmark	0.2	0.3	0.3
Difference	**0.1**	**0.1**	**0.1**

The fund value of the DC section of the Plan increased from £2,855,203 as at 31 March 2017 to £3,904,470 as at 31 March 2018.

News

DC investment choices

In 2017, two new lifestyle options were introduced, aimed at members looking to use the new pension freedoms introduced by the Government in 2015.

The existing lifestyle option is aimed at members looking to secure an income in retirement by purchasing an annuity with an insurance company. This remains the default investment choice for anyone who does not select an alternative fund.

In addition there is now a 'Lifestyle for Encashment' option which is aimed at members looking to take their entire fund as a lump sum, and a 'Lifestyle for Continued Investment' option aimed at members looking to take income drawdown. Further details of these options can be found in the DC Investment Guide available online at **https://orbit.orbitbenefits.com** or on request from the Plan Administrators.

Contacting us

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

The Trustees of the Benenden Healthcare Pension Plan
c/o Capita
PO Box 555
Stead House
Darlington
DL1 9YT

Telephone: 0345 604 5334
Email: **ops6enquiries@capita.co.uk**

Alternatively, you can write to:

The Secretary to the Trustees of the Benenden Healthcare Pension Plan
Andrew Smith
Capita
65 Gresham Street
London
EC2V 7NQ

Want to find out more about your pension?

If you haven't visited our online pension site recently, go to **https://orbit.orbitbenefits.com**, where you can:

- See your contributions and fund value if you are in the DC section or you pay additional voluntary contributions (AVCs);
- Select where you want to invest your DC or AVC funds;
- Learn more about you benefits and access the interactive retirement tool.

Disputes

If you have a dispute, please contact the Secretary to the Trustees of the Benenden Healthcare Society Pension Plan at the address detailed above. The Plan operates a formal procedure known as the Internal Disputes Resolution Procedure (IDRP) which is set out in the guide to membership.

The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is available at any time to assist members and beneficiaries of the Plan with any pension scheme query they may have. The TPAS services are free and you can visit their website at **www.pensionsadvisoryservice.org.uk** or you can write to them at:

The Pensions Advisory Service
11 Belgrave Road
London
SW1V 1RB

Telephone: 0345 601 2923
Email: **enquiries@pensionsadvisoryservice.org.uk**

The Pensions Ombudsman

The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes. They can be contacted at:

The Pensions Ombudsman
10 South Colonnade
Canary Wharf
E14 4PU

Telephone: **0800 917 4487**
Website: **www.pensions-ombudsman.org.uk**
Email: **enquiries@pensions-ombudsman.org.uk**

The Pensions Regulator

For information and guidance on work-based DB and DC schemes plus new pension rules and automatic enrolment.

Website: **www.thepensionsregulator.gov.uk**

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