

**SCOTTISH &
NEWCASTLE**

PENSION PLAN

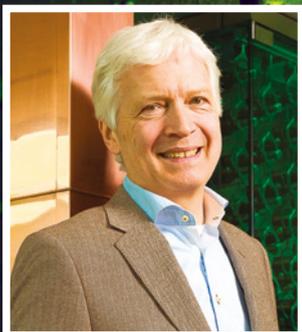


Here's to **PENSIONS**

THE NEWSLETTER FOR MEMBERS OF THE
SCOTTISH & NEWCASTLE PENSION PLAN

 **HEINEKEN**

SPRING 2019



Robin Hoytema van Konijnenburg
Chair of Trustee Board

Welcome to the spring
2019 newsletter for
members of the
Scottish & Newcastle
Pension Plan.

CHAIRMAN'S WELCOME

This issue reflects the Plan year to 31 October 2018 and includes details of the Plan's income, expenditure and membership figures. A summary of the Annual Report & Accounts can be found on pages 4 and 5.

On pages 8 and 9, you can read about the Plan's investments, including some detail about the longevity swap that we set up with Aviva three years ago. Investments these days are a lot more complex than simply buying and selling shares and bonds – so the Trustee continues to take specialist advice in this very important area of managing the Plan.

The Trustee has been aware of the potential impact of Brexit on the Plan.

They have considered what actions are necessary, including ensuring that all asset managers are able to carry on trading, and have satisfied themselves that appropriate contingency plans are in place. The Trustee has also been kept advised of the Company's Brexit planning.

Our focus this year is on improving the member experience – that is, the way we communicate with you and help you understand the value of your benefits in the Plan.

So, one of the first things we have done in 2019 is to redesign the Plan website, making it much more user friendly and informative. Take a look at www.snptions.com. We have

more initiatives planned and hope to tell you about those in the autumn issue of the newsletter.

Finally, I would like to offer my personal thanks to Ruth Bromley, who is stepping down as a Member Nominated Director after nearly eight years' service, for all her hard work on behalf of Plan members. Ruth's place on the Trustee Board has been filled by James Sharpe, who joined the Board on 29 March 2019. We will introduce James to you in more detail in the autumn issue.

Robin Hoytema van Konijnenburg
Chair of Trustee Board

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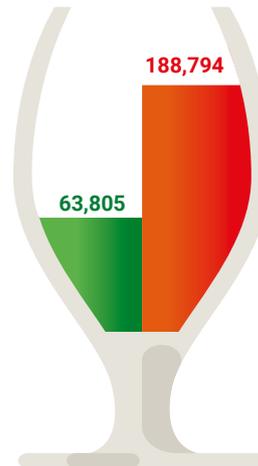
ON THE MONEY

The 2017/18 financial accounts of the Scottish & Newcastle Pension Plan are summarised here.

The Plan's independent auditors, Ernst & Young, have confirmed that the accounts give a true and fair reflection of the Plan's financial transactions during the year.

This summary is taken from the full Annual Report & Accounts, which can be viewed on our pensions website www.sn-pensions.com and you don't need to log in to do this. Or, if you don't have internet access, just call the Plan administrator, Capita, and they'll send you a copy (contact details on the back page).

PAYMENTS IN	£'000
Employer contributions	41,650
Other income	2
Investment income	22,153
TOTAL	63,805
2016/17 INCOME	51,904

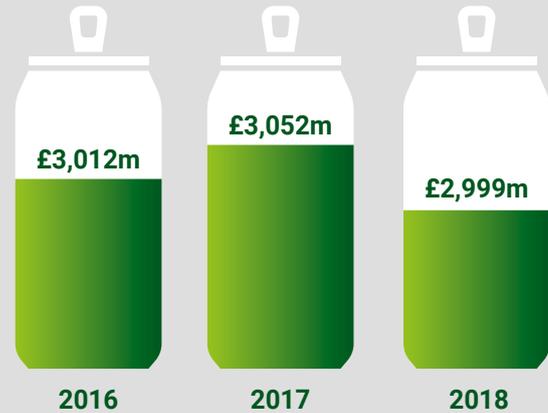


PAYMENTS OUT	£'000
Pensions	115,163
Purchase of annuities	154
Lump sums on death or retirement	15,726
Benefits for leavers	44,924
Administrative & investment management expenses	12,827
TOTAL	188,794
2016/17 OUTGOINGS	193,736

THE BOTTOM LINE

Value of Plan's assets on 1 November 2017		£3,052m
PLUS	net change in the market value of the investments	£72m
PLUS	payments in	£64m
LESS	payments out	£189m
Value of Plan's assets on 31 October 2018		£2,999m

CHANGE IN PLAN VALUE



WHO'S IN THE PLAN?

At 31 October 2018, there were 35,878 members in the Plan – a decrease of 881 over the year.



Pensioners	18,797
Deferred members	18,614
Total	37,411



Pensioners	18,942
Deferred members	17,817
Total	36,759



Pensioners	19,018
Deferred members	16,860
Total	35,878

DID YOU KNOW?

Almost 300 pensioners have suspended pensions. This means that payment of their pension has been stopped until we can trace them. If you move house in future, or perhaps move into a care home, please remember to update your details so we can continue to pay your pension.



INVESTMENTS

The Trustee appoints investment managers to look after the day-to-day investment of the Plan's assets. Each manager has instructions on the type of investments they are to make, and how their performance will be measured.

The Trustee has an investment strategy for the Plan, based on the risks it's willing to take and the returns it wants to get. The investment strategy includes details of the types of investments that should be used by the managers (for example, how much to invest in shares or Government bonds). The strategy is set out in a document called the Statement of Investment Principles (SIP) – you can download a copy from the Plan website www.sn pensions.com (and you don't need to log in to do so). If you don't have internet access, just call the Plan administrator, Capita, and they'll send you a copy (contact details on the back page).

INVESTMENT SPLIT

The chart below shows how the Plan's assets were split across different investment types, as at 31 October 2018.



Liability Driven Investment/Bonds (which seek returns similar to our liabilities) **45%**

Return-seeking assets (such as equities and absolute return, which are higher risk and seek to achieve higher returns) **30%**

Property **7%**

Alternative assets (these aim to diversify our investments and include multi-asset credit and different types of debt) **12%**

Cash **6%**

LONGEVITY SWAP

The length of time people are expected to live in retirement has increased significantly over several decades. These gains in life expectancy are good news but they do increase the cost of providing pensions.

It's not easy to predict future life expectancy accurately – current estimates of life expectancy may change in the future, and if our members live longer than expected the Plan will need more funds than estimated to continue paying the pensions.

In August 2015, the Trustee entered into a longevity swap with Aviva plc (formerly Friends Life), a major global insurance company, to reduce the Plan's exposure to longevity risk (the risk of members living longer than expected).

Longevity swaps are a type of insurance product whereby the Plan receives payments under the swap which offset the increase in pension liabilities, should the actual life expectancy of our members be higher than assumed. These payments cover the cost of any pensions paid past an agreed age.

INVESTMENT PERFORMANCE

The Trustee sets a long-term performance target for the Plan, which is currently to outperform the growth in the Plan's liabilities by 2.5%. The Plan's performance against this target (called the 'benchmark') is set out in the table below.

	One year to 30/09/2018 (%)	Three years to 30/09/2018 (% p.a.)
Total Plan return	3.3%	8.8%
Benchmark	2.7%	5.1%



PLAN NOTICEBOARD

TELL US YOUR WISHES

It's very important you update your Expression of Wish form when your circumstances change, particularly if you're not yet in receipt of a pension or you retired and started drawing a pension less than five years ago.

This form tells the Trustee how you would like any benefits to be paid in the event of your death. The Trustee doesn't have to follow your wishes, but it will usually give them serious consideration. The benefit of this is that your Plan benefits aren't considered part of your Estate, so there is no Inheritance Tax payable on them.

If you've already registered for online access at **www.snpenensions.com**, you can log in and complete the form online. Otherwise, you can download the form from the website.

If you're not married or in a civil partnership, but living with someone, you can also nominate them to receive your benefits by completing an unmarried partner declaration form from **www.snpenensions.com**.



A NEW-LOOK PLAN WEBSITE

We've been busy updating and refreshing the Plan website – **www.snpenensions.com** so why not take a look around?

The Trustee had some clear aims when it came to developing a new Plan website. It needed to be easy to understand and user friendly, with information arranged in a way that makes it easy for you to find the details that are relevant to you.

The site also provides easy access to our secure online portal.

The new site is written in plain English and designed with a fresh new look, and we're planning to add more features in the future. We also want to include a survey with the autumn newsletter, giving you the opportunity to share your views on our new website, so look out for more details then.

FOCUS ON... THE FUNDING COMMITTEE

Over the last two years we've provided an overview of the work undertaken by the various Trustee subcommittees, starting with the Member Relations Committee (Autumn 2017), Governance & Audit Committee (Spring 2018), and Investment Committee (Autumn 2018).

The last of our four committees is the Funding Committee. Unlike the other subcommittees, this committee does not meet regularly on a quarterly basis. Instead it meets as and when required, for example when a valuation is taking place or when there is a special funding project.

The Funding Committee is currently working closely with HEINEKEN UK and the Plan actuary on the 2018 Plan valuation.

The Funding Committee is made up of the Plan's three Independent Trustee Directors: Allan Whalley (the Chair), Anne Kershaw and Dee Mair.

Their experience of working across many different pension schemes is invaluable as they:

- Assess the covenant strength, taking account of HEINEKEN UK's financial ability and willingness to support the plan and the strength of the parent company HEINEKEN NV who provide an 'underpin' guarantee to the Plan.

- Propose the approach for setting actuarial assumptions at triennial valuations.
- Review provisional valuation results.
- Consider options for addressing any deficit arising out of a valuation.

A valuation is a very complex task, which can take up to 15 months to complete. However, we hope to be in a position to share the results with you in the next newsletter.

The Funding Committee will play a critical role in finalising the valuation and will make recommendations to the Trustee Board regarding the valuation after taking advice from the Plan actuary.



Allan Whalley



Anne Kershaw



Dee Mair

MEMBERS' CORNER...

TAKING YOUR PENSION AS A LUMP SUM

Under certain circumstances, your Plan pension may be paid out to you as a one-off lump sum, directly into your bank or building society account. This is known as taking a 'trivial commutation' or 'small lump sum', depending on the value of your benefits.

The trivial commutation lump sum will only be paid if it is permitted under HMRC rules. These rules state that you can exchange your pension for a lump sum if the value of all your pensions (excluding State pension and any dependant/spouse's pensions you might be receiving) does not exceed £30,000, and as long as you've not already received a commutation payment more than 12 months ago. If this is the case, we'll ask you to declare the value of your other pensions. Please note, if a pension has a cash value of £30,000, it means it is equal to roughly £1,500 a year.

If the value of your pension from the Plan is less than £10,000, it can be paid as a small lump sum without consideration of any other pensions you have.

In both situations, 25% of the lump sum payment can be taken as tax-free cash. The balance is taxed as income at your marginal rate of income tax through pay as you earn (PAYE). See next page for more details.

If you're eligible for either type of payment, they'll be included in your retirement forms as an option. Some members who have built up Guaranteed Minimum Pensions are not currently able to take their small pensions as lump sums – see page 14 for the reasons for this.



PAYING TAX ON YOUR LUMP SUM

The balance of the lump sum payment is treated as income for tax purposes and will be taxed at your marginal rate of income tax through pay as you earn (PAYE).

If Capita doesn't have your tax code, the tax deducted through PAYE will be calculated using the current basic rate tax code. They will send your P45 to you shortly after the lump sum has been paid, which will tell you how much tax has been deducted. **Please note that the tax deducted may not be the right amount once all your income for the year is taken into account, and you may end up needing to pay additional tax.**

Once the lump sum payment has been made and after the end of the tax year, HMRC will check whether you have paid the correct amount of tax and if not, they will contact you.

If you think you've paid either too much or too little tax, you can ask HMRC for your tax to be reviewed. To request a review, you can call HMRC on 0300 200 3300 or go to www.hmrc.gov.uk. You'll need to have your National Insurance number to hand when you call.



PENSIONS NEWS

GMP EQUALISATION

You may have seen recent news reports about a High Court decision which may have a small positive impact on some members' Plan benefits.

The decision requires occupational pension schemes to adjust certain members' benefits to remove inequality caused by Guaranteed Minimum Pensions (GMPs) earned from 17 May 1990 up to and including 5 April 1997.

The panel on the right explains GMPs and why you might have one.

If you're affected, your benefits may need to be adjusted, but any top-up is expected to be relatively small. The ruling could also have an impact on members wanting to take a trivial commutation or small pension payment (see page 12), if they built up GMP during the period in question, as currently the Plan administrator is unable to process these payments while they await further clarification on the rules.

There's still a lot of uncertainty in the pensions industry about the High Court's decision, how benefits will be equalised and the possible effect it will have on some members' benefits.

The Trustee is working with its advisers to consider what the decision means for the Plan. It's very likely to be a complex process, which may take many months or years to complete. We'll update you as and when we can via the Plan website www.sn pensions.com and future issues of the newsletter.

WHAT IS GMP?

Between 1978 and 1997, many Plan members contracted out of the additional State Earning Related Pension Scheme (SERPS), and paid lower National Insurance contributions as a result (as did their employers). However, their pension plan had to promise to pay a certain minimum level of pension to those members (called 'Guaranteed Minimum Pension'), to broadly replace the earnings-related part of the State pension that the individual will not receive, as a result of your pension plan contracting out. If you were contracted out, then any eventual State pension would be reduced to take account of the 'contracted out' period.

LIFETIME ALLOWANCE INCREASES

The Lifetime Allowance (LTA) is the maximum amount of pension savings you can have at retirement from all pension schemes without incurring an additional tax charge.

From April 2018, the LTA started to increase with inflation, as measured by the Consumer Prices Index. It increased on 6 April 2019 to £1,055,000 (from £1,030,000).

You can find out more about the LTA and how it's worked out, at www.gov.uk/tax-on-your-private-pension

DON'T LET A SCAMMER ENJOY YOUR RETIREMENT

We'd like to remind members to continue to be vigilant about pension scams. Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing.

In January this year, the Government introduced a ban on cold calling about pensions. If someone contacts you out of the blue about your pension, it's best simply to hang up. The Pensions Regulator advises members to:

- Reject unexpected offers.
- Check who you're dealing with.
- Not be rushed or pressured.
- Get impartial information and advice.

You can find out more at www.fca.org.uk/scamsmart

CONTACT US

Please remember to quote your National Insurance number in any correspondence.

Telephone:

0345 600 2086

0345 600 3260 (pensioner payroll helpline)

Email:

snpensions@capita.co.uk

Address:

Scottish & Newcastle Pension Plan

Capita

PO Box 555

Stead House

Darlington DL1 9YT

Online:

www.snpensions.com



Don't forget you can access personal details and your current pension value, and update your Expression of Wish form by visiting the Plan website:
www.snpensions.com

This newsletter has been prepared by the Trustee of the Scottish & Newcastle Pension Plan. None of the information in it constitutes financial advice or guidance. You should consider seeking your own independent financial advice if you are in any doubt about the benefits and options available to you or your dependants.

