

Reflections



Another Valuation due - better news expected

says Chairman Keith Greenfield

A NOTHER FORMAL VALUATION of the PSS is upon us and it is hard to believe that three years have passed since the last one. These years have been eventful both for the Scheme and the global economy. The forthcoming Valuation is expected to show a significant improvement since the last Valuation as a result of good investment returns and ongoing contributions from the Company. I now hope to be able to shed some light on the events of the past year and why the anticipated Valuation results provide further reason to be cheerful during the festive season.

No deficit expected – a first since 2005

Since I took over as Chair in 2014, the Company has continued to contribute £25m per annum into the scheme and it is committed to do so throughout 2018. This is both encouraging and impressive in light of the highly challenging economic climate experienced in recent years. Negotiations will soon take place to determine the contributions payable by the Company beyond 2018.

By way of a monthly tracker, the Trustee monitors the funding position of the Scheme in the context of prevailing economic conditions. For several months, this tracker has shown the assets of the Scheme to be at least equal to its liabilities, calculated on the on-going basis. It is expected that this

position will be largely reflected by the results of the upcoming Valuation. So, for the first time in twelve years, we are anticipating no deficit on the on-going basis - a marked improvement upon the £126m deficit shown by the last Valuation in 2014. This is highly positive news and means that funding is ahead of the plan set out in the Memorandum of Understanding signed with the Company.

Safeguarding against risk

The level of risk being taken by the Scheme, and therefore underwritten by the Company, continues to decrease. 2017 began with the buy-in of a second tranche of liabilities which increased the value of the Scheme's 'buy-in' insurance to around £250m. This affords a level of protection against all risks

faced by the Scheme – volatility, investment, inflation and longevity. In addition, the risk of interest rate and inflation rate volatility are each hedged to 85% of our liabilities. As the funding level improves, this percentage is increased. These risk protections ensure that the Scheme's funding level is becoming more and more resilient to adverse economic and demographic trends.

Pension Protection Fund (PPF) levy saving

Having finalised the Scheme accounts for the year ended 31 December 2016, the Trustee carried out a valuation of the Scheme on a PPF basis. This values those benefits that would be covered by the PPF if the Company were to become insolvent and be unable to fund the Scheme. The

PPF valuation reduced the PPF levy to £1.03m (payable by the Company), which represents a saving of around £650k.

In good company

The Trustee and the Company enjoy a strong and collaborative relationship. Pursuant to this, the Company's Finance Director attends the Trustee Board meetings and the Company gives presentations to the Board when its full and half year results are published. Upon receiving these results, the Trustee receives a review of the Company's covenant (the ability of the Company to stand behind the scheme and afford contributions). Gazelle Corporate Finance has undertaken this role for the Trustee, but recently it was decided to put this work out to tender and Lincoln Pensions

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Pension Options

What does this mean – there is a great deal of coverage in the press about this and the 'pension freedoms' but what does it all mean and does it affect you?

Well if you are already retired and in receipt of a pension from PSS then it doesn't affect you directly unless you have any additional pension savings elsewhere which you haven't yet accessed.

If you are yet to retire then the new possibilities may be of interest. Whilst these are referred to as 'new' options they were in fact launched in 2014 with an effective date of April 2015. They apply to members of defined contribution ('DC') pension schemes. Members of defined benefit ('DB') schemes cannot access the new options without first transferring their benefit to a DC plan. Transferring from a DB plan into a DC plan is not generally thought to be in an individual's best interests so there is a requirement to take financial advice on the merits of such a move before any transfer can take place. The trustee of the scheme which is being asked to make the transfer must have evidence that such advice has been taken from a person properly authorised to advise about such transfers.

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Changes to PSS rules in 2017

There have been two changes to the Rules of PSS during 2017 which are explained in some detail below along with the reasons behind the changes. These changes are only for the future from the time each amendment was made by agreement between the Company and the Trustee and so cannot be applied to circumstances arising before then.

The first change came about because of a case brought in Northern Ireland which involved the rules of a public sector pension fund. The case decided that to insist that a person who is claiming a dependent's pension after a member of that scheme had died had been named in writing by the member was a breach of the potential dependent's human rights. The person should be considered for a pension regardless of whether (s)he had been named. The case is not directly relevant to PSS which, being a private sector scheme, was

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OPTION TO CLAIM YOUR PSS PENSION AND REMAIN IN EMPLOYMENT

PSS Information has recently been sent out explaining that members age 55 years or over no longer need to leave the company in order to claim payment of their pension. Please contact Pensions Department for details of the pension payable to you if this option is of interest to you.

THE TRUSTEE BOARD

The Pilkington Superannuation Scheme is operated and managed on behalf of the membership by a Corporate Trustee – PILKINGTON BROTHERS SUPERANNUATION TRUSTEE LIMITED. This company is represented by its Board of Directors which comprises up to 14 Directors. There are currently 12 Directors.

As at 1 November 2017 the **Directors of the Trustee** were:-

Mr. K. Greenfield (Chairman)
 Mr. S.J. Beesley* (E/ee P)
 Mr. D. Corf* (E/ee P)
 Mr. S.M. Gange*
 Mr. D.P. Gilchrist, Automotive, Lathom (E/ee)
 Mr. R.P. Hemingway*
 Mrs. J. Mafi, PRSL (E/ee)
 Mr. J. McKenna*
 Mr. K. McKenna Greengate (E/ee)
 Mr. G.M. Sayers* (E/ee P)
 Mrs. R. Tranter – BESTrustees
 Mr. P.D. Wilkinson

Secretary: Miss J.P. Halligan
 Pilkington Brothers Superannuation Trustee Limited,
 Group Pensions Department,
 NSG European Technical Centre, Hall Lane, Lathom,
 Nr. Ormskirk, Lancashire L40 5UF
 Tel. (01744) 28882 Fax. (01744) 737336

Note: 'E/ee' denotes the director is directly elected for a fixed term by the PSS members (where the abbreviation is 'E/ee P' by the pensioners)
 * denotes the director is in receipt of a PSS pension.

ADVISERS

The Board of the Trustee has appointed the following advisers to support its work in administering and managing the PSS:-

Scheme Actuary: Jane Curtis (FIA) of Aon Hewitt Limited
Investment Consultant: Willis Towers Watson Limited
Auditors: PricewaterhouseCoopers LLP
Lawyers: Hogan Lovells International LLP
Bankers: National Westminster Bank plc
Investment Managers: State Street Global Advisors Limited
 CBRE Global Collective Investors
 UK Limited
 Henderson Global Investors Limited
 Legal & General Assurance (Pensions Management) Limited
 Legal & General Assurance Society Limited
 Insight Investment Management (Global) Limited
 Nephila Capital Limited
 Alpha Real Capital LLP
 Aviva Investors Jersey Unit Trusts Management Limited
 Pension Insurance Corporation plc
Custodian: JP Morgan Chase Bank

PERSONAL INFORMATION

Pensioners and recent retirees will be aware that the Trustee and Company have asked Group Pensions Department to collect and maintain information about dependents. These details were requested during 2015 and the response was excellent for which many thanks. This is simply a reminder, with several others in Reflections, to 'keep this information up-to-date'. Circumstances change and it would be greatly appreciated if you would advise us of any changes to the information which you have previously provided. Thank you.

The Options

'Pension Options' continued from front page

Since April 2015 there have been 5 main options available to someone with savings in a DC scheme –

Leave the pension savings untouched – leave it invested

Use the savings to buy a secure income for life – i.e. a pension though often referred to as an annuity

Use the savings to get a flexible income – known as drawdown

Cash in the whole savings – this will be subject to tax as income which could be considerable

Mix the above options either now or at some point in the future.

Benefits can generally be taken from age 55 although the minimum pension age is due to increase to age 57 from 2028 and will increase at the same rate as the increase to state pension age from then on.

What is the tax position?

Currently you can usually take 25% of your pension pot as a tax-free cash sum. The rest will be subject to tax at your marginal rate – ie the highest rate of tax which you pay in the tax year. If you were to take the whole pension as cash which is now an option, this could well push you into a higher tax band.

And when I die?

If you die before age 75 and have any unused DC pension then your beneficiary can inherit this tax-free. This is one of the major changes from having to use the entire pension 'pot' to purchase an income for life. If you are over 75 when you die, then your beneficiaries will pay tax, payable at their marginal rate, on any pension which is inherited.

There is a great deal of information available on the 'new' options but it is vitally important to understand fully the results of any decision about your pension. If you are in PSS and are contemplating a transfer, you must take financial advice from an individual who is properly authorised to advise on transfers from a DB scheme. All your circumstances, financial and otherwise are relevant to whether such a move would be in your best interests and it is a decision which cannot be reversed – so take time, ask as many questions as you can and ensure you are aware of all the differences advantageous and disadvantageous before you commit to anything. If you are interested in learning more about these 'freedoms' then you can look on the Pensions Advisory Service or the Pensionwise websites.

'Changes to PSS rules in 2017' continued from front page

not subject to the Human Rights Act in the same way. However, the PSS did have the same pre-condition and required anyone seeking a dependent's pension to have been named in writing by the deceased member. The Company and Trustee took legal advice and agreed that the better practice would be to allow claims for a dependent's pension to be considered even if the claimant had not been named by the deceased. If a person has been named then only that person will be considered and the Company and Trustee urge members to make their wishes clear by naming the person whom they consider eligible as a dependent and to keep this form updated as circumstances may change. However, a failure to be named will no longer be fatal to a claim for a dependent's pension. The Trustee will now consider the level of dependency and whether this meets the requirements under the Scheme rules even if the claimant has not been named.

The second change is relevant only to active and paid-up members who still work for the Company. The requirement to 'retire' before a person can access his/her PSS pension has been removed. Consequently, people who have opted-out of PSS but continued to work for the Company and may have joined the DC scheme may now seek Company consent (between ages 55 and 60) to put their PSS pensions into payment even if they wish to continue to work. The same is true above age 60 but no consent is required. Clearly the additional income may affect income tax bands and an individual will have to consider if taking the pension early is the right thing for him/her to do but the option is now available. Why has this change been made? The Company and Trustee are always looking for ways to reduce risk in the scheme and to make the benefits more secure. They have already completed a buy-in (or insurance) of around £250m worth of the pension in payment. They wanted to advise paid-up members of their option to take their pension from age 55 and realised that there are now people in this position who are still employed by the company – which would not have generally been the case prior to the cap on pensionable salary – so rather than have people not able to take pension whilst working, it was agreed to make the scheme more flexible in this respect.

To the extent the paid-up members do put pension into payment, the Trustee and Company will look to insure the value of these benefits and so reduce overall risk in PSS further.

DATA PROTECTION

Data protection law is changing. The General Data Protection Regulation (GDPR) will come into force in 2018 and will have immediate effect in the EU including the UK. The Trustee of PSS is taking steps to ensure it is ready for the new regime.

Privacy notices

As a 'data controller' a trustee must give to members certain information, commonly called a 'privacy notice' about the sort of data they hold, the purposes for which it used and individual's rights in relation to their data. The Scheme's Privacy Notice reads as follows -

THE PILKINGTON SUPERANNUATION SCHEME
(THE "SCHEME")

PILKINGTON BROTHERS SUPERANNUATION TRUSTEE LIMITED
(THE "TRUSTEE")

PRIVACY NOTICE – PERSONAL INFORMATION ABOUT OUR
MEMBERS AND THEIR POTENTIAL BENEFICIARIES

As Trustee of the Scheme we need to collect and use personal information about our members and potential beneficiaries. This privacy notice sets out how we collect, use and protect your personal information and your rights in relation to your information.

Personal information is information, or a combination of pieces of information, that could reasonably allow you to be identified.

1. PERSONAL INFORMATION WE USE

We hold or will collect personal information about you from a variety of sources, including information from you directly, information provided by the Scheme's employers and information we get from other sources, including public databases.

1.1 What information may we collect directly from you?
The categories of personal information that we collect directly from you include:

- (a) personal details (eg, your name, date of birth, marital status, dependent's data);
- (b) your bank details and national insurance number;
- (c) your contact details (for example, your address, phone number and email address);
- (d) details about your health;
- (e) details about who you would like us to consider paying benefits to if you die; and
- (f) AVC investment choices

1.2 What information may we collect from other sources (such as your employer)?

These are examples of categories of information we may collect from other sources:

- (a) personal details (for example, your name, date of birth);
- (b) your contact details (for example, your address,

- phone number and email address);
 - (c) information necessary to calculate and pay your contributions or benefits (for example, your employment history and salary, previous employer, NI contributions);
 - (d) information from HMRC (for example your tax code); and
 - (e) (for ill health cases) sickness records, medical evidence.
- 1.3 How will we use your personal information and why?
The ways we use your information include:
- (a) identifying you and your survivors and making sure your details are up to date;
 - (b) communicating with you;
 - (c) calculating and paying your benefits and deducting appropriate tax;
 - (d) making trustee decisions – such as whether to agree to incapacity retirement or how to distribute benefits after your death;
 - (e) paying AVC contributions to the provider and
 - (f) calculating the liabilities of the scheme.

We must have a legal reason to use your personal information. This will usually be one of the following:

- (a) to fulfil our legal obligations (including any contractual obligations), which includes making sure that your benefits are paid correctly;
- (b) to meet our legitimate interests to administer the Scheme efficiently; and
- (c) because using the information is necessary in relation to a legal claim.

In a few cases, especially where you have given us information about your health, we need your consent to process your data. Where this applies, you may take back your consent at any time by contacting the Scheme Secretary using the details below.

2. INFORMATION SHARING

2.1 We may share personal information with:

- (a) the Scheme's administrators and our advisers (such as the scheme actuary) and their sub-contractors to facilitate the administration of the Scheme and your benefits;
- (b) Her Majesty's Revenue and Customs (HMRC) and other Government organisations, including potentially the Pensions Regulator and the Pension Protection Fund;
- (c) insurance companies or other occupational pension schemes and their advisers with a view to securing benefits through long term insurance policies or a merger of schemes.

2.2 We may also provide some of your personal information to Pilkington group companies to help them to make decisions relevant to their role as sponsoring employers and to allow them to account for pension liabilities properly. We will only do so to the extent we consider necessary for these purposes.

3. SECURITY AND STORAGE

We have in place measures to protect the security of your personal information and keep it confidential. We review these measures regularly to make sure they remain appropriate.

When sharing your personal information with our administrators or another third party we will make sure that they also have measures in place to protect it and keep it

confidential and agree to use the personal information only for the purposes we set out.

We will keep your personal information for as long as we have a relationship with you or your survivors. When deciding how long to keep your personal information after our relationship with you has ended, we will take into account our legal obligations and regulators' expectations. We may also retain records to investigate or defend potential legal claims.

4. YOUR RIGHTS

You have rights regarding your personal information, including the right in certain circumstances to access, correct, delete or transfer your personal information or to restrict or object to our use of it. We may need extra information from you to deal with any request. If you would like to discuss or exercise these rights, please contact us.

5. INTERNATIONAL DATA TRANSFER

Your personal information may be transferred to, stored, and processed in a country that is not regarded as ensuring an adequate level of protection for personal information under European Union law. Where your personal information is to be transferred outside the UK (for example by the administrator) we will make sure that there are appropriate safeguards in accordance with applicable legal requirements to protect the information. For more information on any safeguards in place, please contact us.

6. CHANGES TO THIS POLICY

We may update this privacy notice from time to time. You will be able to see when we last updated the notice because we will include a revision date. Updates are effective from the date on which they are posted on the Scheme's website.

7. HOW TO CONTACT US

7.1 The Trustee is the "data controller" responsible for the collection and use of your personal information. If you have questions or concerns please contact the Scheme Secretary at:

*Pilkington Group Pensions Dept
NSG European Technical Centre,
Hall Lane
Lathom Nr Ormskirk,
Lancashire L40 5UF.*

7.2 If you believe that we have not resolved your concerns, you can complain to the Information Commissioner's Office at www.ico.org.uk

7.3 We encourage you to let us know if your personal information changes or if you think the information we hold about you is out of date.

8. THE SCHEME'S ACTUARY

The Scheme's Actuary Aon Hewitt will also be a "data controller" responsible for the processing of your personal information. You can find a privacy notice from Aon Hewitt at: www.aonhewitt.co.uk/privacy-statement

Value at 31/12/15 1,617,734



Contributions from employer	normal	5,166
	additional	300
	deficit	25,000
	salary sacrifice contributions*	2,403
Contributions from employee	normal	128
	avc	4
Investment income		39,407
CIMV** investments		267,878



Pensions paid -69,541

Lump sum at retirement -4,793
Death benefits -643

Leavers -3,585

Investment Management expense -2,551

Value at 31/12/16 1,876,907



* contributions paid by salary exchange are shown as employer contributions due to accounting requirements

** CIMV = Change In Market Value

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Limited has been selected to fulfil this role going forward. The shared goal of the Trustee and the Company is to achieve full funding on the basis of a gilts-only discount rate within a reasonable timeframe. When this goal is achieved, the Scheme will effectively be self-sufficient and will not be dependent upon further cash contributions from the Company, freeing up the Company to further invest into its own future.

Non-Statutory Increases (NSIs)

As I explained in my June letter, although the funding position of the Scheme is improving, it is still not close to being at a level where increasing the Scheme's guaranteed liabilities would be justifiable. While the Company remains willing to meet its guaranteed obligations, it is not prepared to fund the Scheme over and above its legal obligations. The Trustee understands this stance and recognises that the Company has many different calls on its resources. Logically, the Scheme must be sufficiently funded to meet all guaranteed benefits before any NSIs can be awarded and in reality the Scheme's ability to award any NSIs is a long way away and may indeed never be reached.

Changes to the Board

There have been several changes to the Trustee Board during the year. Nikki Ellison and Ben Kay each left the Company and resigned as Directors. Ben was not immediately replaced and Graham Ingle, who was elected to replace Nikki, has since resigned, having ceased to be an active member. Therefore, the Board is currently composed of 12 Trustee Directors, split equally between Member-Nominated Directors and Employer Directors. Despite the recent departures, a Board of 12 Directors is still large compared with other Schemes, so the Board will continue with this reduced membership on a trial basis for the coming year.

FINANCIAL ADVICE

Don't forget that no-one in Group Pensions Department is authorised or allowed to give financial advice. Please do NOT ask the administrators for advice; for their opinion; or for what they would do if in your circumstances. The law prevents them from replying to you on such matters. Please address your request for advice to an independent financial adviser who is trained and authorised by the Financial Conduct Authority ("FCA") to advise you.

You should be aware that before any transfer of benefits worth more than £30,000 from PSS may be made, the Trustee must have written confirmation from an independent financial adviser that the adviser is properly authorised by the FCA to provide advice in relation to transfers from a defined benefit occupational pension scheme and that he/she has provided advice to the member about the transfer which is being contemplated. For any transfer of benefits under £30,000 the Trustee recommends that you still seek independent financial advice before deciding to transfer. Additional information on transfers may be found at:

- <http://www.thepensionsregulator.gov.uk/>
- <http://www.pensionsadvisoryservice.org.uk/>
- <https://www.fca.org.uk/consumers/pension-transfer>

Thank you.

Staying ahead

The Board goes to great lengths to ensure its own fitness for purpose. Each year, the Board assesses its own performance as well as that of the Scheme Secretary and of myself as Chair, requesting feedback from its professional advisers, who draw upon their experiences in advising the boards of other schemes. Further, the Board's policies, committee terms of reference, investment decisions, risk register and governance documents are reviewed at least annually. The Board also includes two Directors who are completely independent of the Company and therefore offer a different perspective.

The pensions landscape is constantly evolving and it is of paramount importance that those involved in running the Scheme stay abreast of relevant developments. Before every Board meeting, the Trustee's professional advisers provide training on topics relevant to the Scheme. Compliance with the new General Data Protection Regulation and how to protect the Scheme against cybersecurity threats are among the topics to which the Board is paying particular attention at present.

The Scheme's Investments

Compared with recent years, there has not been as much investment activity because the Scheme's investment portfolio is largely designed to match the Scheme's liabilities. The Trustee believes the return-seeking part of the portfolio is now adequately diversified and will achieve the target returns without the need to take any further investment risk. While the Investment Committee did examine investment alternatives throughout the year, it decided, on advice from its Investment Consultant, that the current design of the portfolio is appropriate. The Investment in Alpha Real Capital, the ground rent fund, is now fully drawn down, whereas the investment in the secure income fund with Aviva has yet to begin being drawn. Elsewhere, there is a timetable for the disinvestment from CBRE (property) and the Scheme's currency hedging has been moved from State Street Global Advisers to Insight, as this removes the need to hold cash collateral with two managers.

Closing remarks

I would like to take this opportunity to thank the Directors, who work tirelessly for the Scheme and the Group Pensions Department, who administer the scheme with great efficiency. On top of their usual workload and the on-going reconciliation of GMP, the Department has this year carried out the reconciliation of the 'buy-in' data and the exercise to advise paid-up members of their options, as covered in more detail elsewhere in Reflections. I am grateful also to the Trustee's advisers, the Company and the Company's advisers, whose combined efforts have been of great benefit to the Scheme.

I imagine my next communication will be to deliver the results of the Valuation. In the meantime, I wish you all a happy Christmas and prosperous New Year.

OUR LOCATION

Group Pensions Department is located on 2nd floor at Lathom. The full postal address and contact telephone numbers are below. If you have any queries about your pension please contact us at:-

**Pilkington Group Pensions Department,
NSG European Technical Centre
Hall Lane
Lathom
Nr. Ormskirk
Lancashire
L40 5UF**

Tel: 01744 692962 / 692959 / 692596
Fax: 01744 737336
Email: pensions.administration@nsg.com

For queries about healthcare please contact BUPA Helpline on 0845 606 6715

For queries about Income Tax please contact HM Revenue & Customs on 0300 200 3300

Group Pensions Department cannot help with queries about BUPA or income tax.

YOUR LOCATION

Please remember to inform Group Pensions Department if you move house. We do our best to keep in touch with the membership and we do carry out tracing exercises for those with whom we have lost contact but it does make sense for the members to tell us of any changes so we can update records and contact you when necessary without delay



31 December 2015	31 December 2016
MEMBERSHIP NUMBERS	
ACTIVE MEMBERS	
986	932
DEFERRED	
3070	2972
PENSIONERS /SPOUSES	
10553	10283
TOTAL	
14609	14187

DECLARATION FORM

A gentle reminder that in spite of the article in this issue of Reflections your declaration form should be kept up to date in relation to each of the lump sum and the dependent's pension. The form is available on www.superpilk.com. It provides guidance to the Trustee in the event of your death about where you wish any benefits to be paid. It does not bind the Trustee and sometimes there are new circumstances which have led the Trustee to decide not to follow the declaration. This tends to be where the declaration is out of date. There have been occasions where a declaration was made on joining the pension scheme as a teenager and never altered so that on death some 30 years later with a surviving spouse and children, the old declaration names the parents jointly as beneficiaries.

This is an extreme (though true) example but does reinforce the point that the declaration should be altered and updated to reflect your current circumstances.