

# Reflections

## Welcome result of formal valuation

says Chairman Keith Greenfield



### Funding

My letter to you last October was accompanied by the Summary Funding Statement detailing the very welcome result of the formal valuation. It is equally pleasing to note that since the valuation date – 31 December 2017 – there has been some further improvement in the funding position, although this has been largely attributable to the £25m contribution received from the Company rather than any assistance from the general economic conditions. In any event the Scheme funding position continues to move, albeit slowly, in the right direction.

**T**HIS AS EVER raises the question of whether or when non-statutory increases may be paid. Our Scheme Actuary has to confirm in the first instance that such increases are affordable and the Scheme is still some way from being in this position, despite recent improvements in funding. At the present time I can only reiterate what I said in the October letter and what I have said on a regular basis since assuming the Chair of Trustee role – namely that it is imperative that the Trustee fulfils its primary duty to secure, to the greatest degree possible, the guaranteed obligations of the Scheme before it can contemplate adding to these which would make the task of achieving such enhanced benefits

more difficult. Being realistic, the time when NSIs may come into consideration is still some way into the future.

On a more positive note, the Scheme is now fully funded on each of the Technical Provisions (ongoing) and Pension Protection Fund bases which, in light of the recent historical deficits, shows significant progress. The assets, however, remain some way short of the amount required to secure the full Scheme benefits with an insurance provider.

### Investments

The Trustee and Company continue to explore all possible methods of reducing risk in PSS. At some point there will be sufficient new pensions in

payment to add to the buy-in or to take out another buy-in policy. The portfolio of investments is relatively de-risked and is hedged 90% against interest and inflation rate volatility. Foreign currency exposure is also hedged. Whilst these de-risking actions limit the potential returns, they also protect the Scheme against a good proportion of the volatility in the markets and hence reduce the reliance on the employer covenant.

In 2018, the main change, within the investment management structure has been the decision to terminate the Henderson Corporate Bond mandate and transfer those bonds to a 'Buy and Maintain' portfolio to be managed by AXA. This transition will occur early next year. The property portfolio

managed by CBRE is close to being fully realised. This has been completed over a prolonged period so that value has been maintained rather than forcing a quick sale at a discounted price. There will be only c.£5m left with CBRE by the end of 2018.

The investment portfolio now is stable and returns have been very positive over recent years which have also contributed to the improvement in the funding position. I don't envisage any major changes within the portfolio in the foreseeable future, as the return target remains adequate to enable the Scheme to reach its secondary funding target within the timescale agreed with the Company and at a level of risk which is acceptable to each of the

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31 December 2016

31 December 2017

### MEMBERSHIP NUMBERS

#### ACTIVE MEMBERS

932

813

#### DEFERRED

2972

2825

#### PENSIONERS /DEPENDANTS

10283

10009

#### TOTAL

14187

13647

### 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](mailto: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.



## 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 12 Directors. There are currently 12 Directors with no vacancies.

As at 1 October 2018 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\*  
 Mr. G. Luck, AGR Redditch (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  
**Investment Adviser:** Mr. H. Smart  
**Auditors:** PricewaterhouseCoopers LLP  
**Lawyers:** Hogan Lovells International LLP  
**Bankers:** National Westminster Bank plc  
**Financial Advisers:** Lincoln Pensions Limited  
**Investment Managers:** State Street Global Advisors Limited  
 CBRE Global Collective Investors UK Limited  
 Legal & General Assurance  
 (Pensions Management) Limited  
 Insight Investment Management (Global) Limited  
 Nephila Capital Limited  
 Alpha Real Capital LLP  
 AXA Investment Managers UK Limited  
 Aviva Investors Jersey Unit Trusts  
 Management Limited  
 Pension Insurance Corporation plc  
**Custodian:** JP Morgan Chase Bank  
**Medical Adviser:** Dr. D.B. Shackleton  
**Administration:** Group Pensions Department  
 Pilkington Group Limited



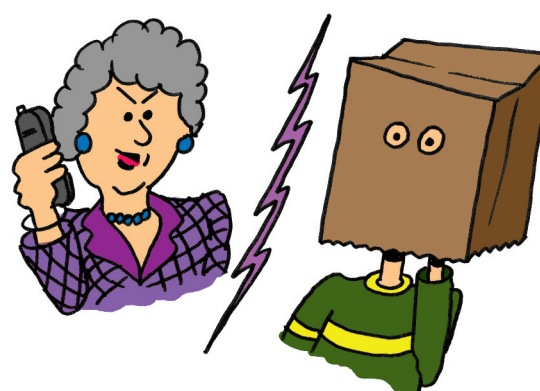
**T**HE INCIDENCE OF fraud is increasing all the time. The Scheme and the wider pensions industry are constantly trying to improve security for individuals and to minimise the risk of a successful scam or any errors.

To assist with this the banks are to introduce a requirement for the name of someone receiving a payment to be added to the existing details of sort code and account number as an additional check that money is being paid to the person intended to receive the payment.

At present, to make a payment, including the payment of your pension, the payer enters the name, account number and sort code, but the name is not checked. Hence if we do not have the correct name at present, whilst a warning message is received the payment can be made to the account. From summer 2019 the name of the account quoted by the payer e.g. Group Pensions Department, will have to match the bank account name just as the sort code and bank account number must currently. Otherwise the payment will be rejected just as it would now if the sort code or account number is wrong.

Therefore, it would be helpful if you would ensure that your bank details are correct and kept updated if you make any changes at all. The technology for the system is expect to be in place by April 2019 with the system up and running by July 2019.

The banking trade body, UK Finance, offers the following advice to help to protect yourself against fraud.



*"Can you speak more clearly, you sound like you're talking inside a paper bag!"*

- **Never disclose security details such as your PIN or full banking password.**
- **Don't assume an email, text or telephone call is authentic.**
- **Don't be rushed – a genuine organisation will not mind waiting.**
- **Listen to your instincts – if something doesn't seem right it may well not be.**
- **Stay in control – don't panic into making a decision you regret.**



		£,000
<b>VALUE @ 31.12.16</b>		<b>1,876,907</b>
<b>Contributions from employer</b>	<b>*Normal</b>	<b>6,673</b>
	<b>Deficit repair</b>	<b>25,000</b>
	<b>Additional</b>	<b>692</b>
<small>*included are £2,166,000 under salary sacrifice</small>		
<b>Contributions from employee</b>	<b>Normal</b>	<b>133</b>
	<b>AVC</b>	<b>1</b>
<b>Investment Income</b>		<b>44,090</b>
<b>Changes in Market Value of Investments</b>		<b>77,873</b>
<b>LESS</b>	<b>Pensions Paid</b>	<b>-69,210</b>
	<b>Lump sum at retirement</b>	<b>-5,250</b>
	<b>Death benefits</b>	<b>-562</b>
	<b>Transfers Out</b>	<b>-24,302</b>
	<b>Investment Management expense</b>	<b>-1,558</b>
<b>VALUE @ 31.12.17</b>		<b>1,930,487</b>
		<b>Increase of £53,580,000</b>

# PSS BENEFITS

In speaking with non-pensioners in PSS and despite the information being available on the [www.superpilk.com](http://www.superpilk.com) website, there is usually an element of surprise when the benefits of PSS are explained.

The benefits differ depending upon whether retirement is from Active status – i.e. still contributing; or from paid-up status, often referred to as ‘deferred’ meaning that a person is no longer contributing but may or may not still be working for the Company.

As an active member the Scheme offers life insurance or ‘death in service benefit’ of usually 3.5 x actual salary. For these purposes, and those of the ill-health pension, it is still

actual rather than capped salary which counts. On retirement there is the option to simply take a pension. An alternative is to give up (or commute) some of the pension and take a lump sum. If this is done then it is only the member’s pension which is reduced and if the eligible spouse/dependant survives the member, then that pension is (in general terms) half of the uncommuted pension – i.e. the original pension.

For anyone who has either left active membership of the Scheme by leaving the Company or who has opted out of PSS, then the life cover as such ceases but in the event of death before the pension goes into payment, there is a refund of the member’s contributions. In addition, there may be a spouse’s pension payable which is half the accrued benefit with no reduction for early

payment if the member is younger than 65 at death.

Once a member’s pension is in payment it is guaranteed for 5 years. What does that mean? By way of example, a member has a pension of £10,000 p.a. and commutes some of the pension to gain a lump sum leaving a pension of £8,500 p.a. The member dies after 2 years of retirement leaving a spouse. At this point, 3 of the 5 years guaranteed have not been paid so are paid as a lump sum to a beneficiary selected by the Trustee – 3 x 8500 = £25,500. The following month the spouse will start to receive the pension – half of £10,000 – which will be paid for life.

There is also provision for childrens’ pensions where a member dies leaving children under the age of 18 or in full time education.

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TRANSFERS

AS YOU MAY have read in the press, and last year in Reflections there was a piece about the ‘Pension Freedoms’ and how these may be of interest to some members. The Regulator (‘tPR’) and the Financial Conduct Authority have each expressed the view that in the majority of cases, members of Defined Benefit (DB) pension schemes like PSS will be best advised to remain in the DB scheme and take their pension – tPR has said ‘Transfers from DB schemes to defined contribution schemes are unlikely to be in the best interests of most members, although there are certain circumstances where they may be appropriate.’

There has been a significant increase in the number of people electing to transfer their benefits out of PSS and taking the cash equivalent transfer value (‘CETV’) to another fund. Members may wonder if this is detrimental to the Scheme as funds are removed from it and this can be large sums of money. The total in 2018 may approach £40m. However, members can be reassured that the calculation of the CETV is fair to everyone and because of the different ways in which the CETV and funding bases are measured, the fact that the assets and liabilities attributable to members’ benefits are removed from the Scheme, results in a benefit to the funding position.

To explain why this is the case without getting too technical is tricky but that is no reason not to try. The CETV calculation is intended to reflect the actuary’s best estimate of the cost of providing the individual’s pension and any benefits which may flow from it e.g. spouse’s pension. A ‘best estimate’ does not include any margin for prudence to cover events which may happen in the future as the benefit is being transferred imminently so any such events would not have an impact. The CETV therefore is a straightforward reflection of the cost today of providing the benefit i.e. the amount of money which is needed today to meet the cost of the payments in the future.

When estimating the funding position, the actuary estimates that very same cost but also allows a level of prudence to cover possible future risks and build in a buffer so the funding position is more secure.

The amount paid as a CETV whilst a fair and ‘best estimate’ of the future cost of providing the pension benefits, would be less than the amount counted in the valuation for the same benefit. Therefore, each time there is a CETV paid, then there is a small advantage to the funding position of the Scheme.

Company and Trustee. The Company has agreed to provide further security to the Scheme over the period to 2026 to assist the Scheme to reach that secondary funding target. It is anticipated that this point will be reached significantly earlier than the 2026 target date with current estimates being late 2020/early 2021. The Scheme will then aim to meet its Final Funding target, the achievement of which should enable the Trustee to secure the members’ guaranteed benefits whilst at the same time assessing the possibility of paying any NSIs as noted above.

**Changes in personnel**  
There has been one change in personnel on the Trustee Board this year. Jackie Mafi resigned after 20 years’ service during which she has served on the Board and on its Committees. I thank her on behalf of the Trustee and the membership for her long and valuable commitment to the Scheme and send her every best wish for the future. Gary Luck re-joined the Board to replace Jackie having previously been a member of the Board until 2013. The work of the Trustee Directors goes largely unnoticed but there are increasingly high standards of knowledge and behaviour required of them and the work requires great commitment. Your Directors are very diligent in attending both the regular training and the meetings and take their duties seriously. I thank them personally for their support and on your

behalf. Group Pensions Department too work hard and diligently throughout the year for the members and our thanks are due to them too. There is almost always a special exercise going on in addition to the ‘business as usual’ workload yet deadlines and high standards continue to be met.

The next year will bring a change as Julie Halligan will be retiring from the Company after 33 years in Legal, then Pensions Department, so a new Group Pensions Manager is being recruited. Details of Julie’s successor will be posted on the [www.superpilk.com](http://www.superpilk.com) website once the appointment is made. Julie has been a great support to me personally as Chairman and the Board as a whole over many years and has also led a highly motivated Administration team; she will be sadly missed, but we wish her a long and happy retirement.

**Concluding remarks**  
And so we look forward to 2019. Inevitably there is some uncertainty around how Brexit will impact the economy in the UK, Europe and globally. PSS is well hedged against shocks but will not be immune. However, the Trustee has good advisers with whom it has worked over many years and we are confident that we can minimise any disruption to the Scheme and continue the positive trends of recent years.

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.

DECLARATION FORM

A gentle reminder that it is very helpful to the Trustee if your declaration form can 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](http://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.

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 dependants. 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 all your 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.

OPTION TO CLAIM YOUR PSS PENSION AND REMAIN IN EMPLOYMENT

Members aged 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.