The Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability

Newsletter 2021/22

Defined Benefit section

Inside this issue

Dear Member,

The Trustees are pleased to present the highlights of the operations of the Defined Benefit ('DB') section of the Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability ("the Scheme") for the year to 30 September 2021, along with an update for 2022.

The newsletter contains the latest Scheme news and important information that you should be aware of, together with highlights from the Trustees' Report and Accounts for the year ending 30 September 2021. Also included, is the latest annual Summary Funding Statement. We hope that you find it easy to read and that it helps you understand more clearly your benefits under the Scheme.

The Scheme's Trustees

The Scheme is looked after by a group of people called the Trustees. Some of them are appointed by the Hospital and some are nominated by the members. Regardless of how they joined the Board, the Trustees all have the same purpose: to look after the benefits that have been built up by members.

The Trustees until November 2022 were:

Eric Stobart (Chair)	Hospital Nominated	Chris Galleymore	Hospital Nominated
Keith Swabey	Hospital Nominated	Helen Finch	Member Nominated

On 2 November 2022, the Hospital appointed Dalriada Trustees Limited (Dalriada), a professional trustee company as the sole corporate trustee. The decision to move to a professional trustee was reached collectively by the Hospital and the former trustees. This decision was taken to appoint a professional trustee due to the increasingly complex regulations surrounding running a pension scheme and the time needed to complete trustee duties effectively.

The change in the trustees does not affect your Scheme Membership in any way and you don't need to take any action.

The Hospital and former trustees ran a comprehensive tender process, guided by professional advisers, to find a professional trustee company whom they believed would work well with the Hospital and continue to look after members' benefits. Dalriada was the successful firm and the former trustees have been working with Dalriada on the handover.

Dalriada is one of the largest firms of professional trustees. The Scheme will have a dedicated team of professional trustees working as trustees including:

Judith Fish

Paul Tinslay

Benefits of a sole professional trustee

The knowledge and understanding requirements for pension scheme trustees make this an increasingly challenging role for a traditional Trustee Board. However, with over 200 pensions professionals, Dalriada can manage any issues that arise in relation to the Scheme. Dalriada has been providing professional trustee services since 2003 and has robust and effective processes, including the peer review of key decisions and Board sign-off for any significant changes.

The appointment of a sole professional trustee removes the requirement to have member-nominated trustees. To date, we have been fortunate in having willing members to act as trustees. However, for most schemes that are closed to new entrants and future accrual, like the Scheme, it is becoming more difficult to find members who are able and willing to get involved in running of the Scheme.

Three of the former trustees, Eric Stobart, Keith Swabey and Helen Finch have agreed to stay on for a period of time to provide continuity on decision making. Dalriada and the Hospital are very grateful to the former trustees and thank them for them for all the hard work they have put in to managing the Scheme.

Important news from the world of pensions

Investment Market Volatility

You may have read headlines in the national press during late September and October 2022, regarding investment market turmoil which needed the Bank of England to step in. Please be reassured that this has not impacted your benefits. During this period, the previous Trustees worked with Dalriada and the Investment Manager, Legal & General Investment Management (LGIM) to understand the impact on the Scheme. The result of the market turmoil on the Scheme was not significant, with the funding position of the Scheme estimated to have fallen back to 98% at 30 September 2022. A more accurate assessment of the funding position will be considered as part of the formal actuarial valuation. Dalriada continues to monitor the Scheme's investments with LGIM regularly.

Inflation

For members of UK occupational pension schemes, the announcement of the September 2022 inflation figures are particularly meaningful as they are commonly used in determining the level at which pensions increase for both retired and non-retired members.

The Office for National Statistics announced during October 2022 that:

The annual increase in the Consumer Prices Index (CPI) was 10.1%; and
The annual increase in the Retail Prices Index (RPI) was 12.6%.

For members of the Scheme who are yet to retire, your pension entitlement at your date of leaving pensionable service is increased from your date of leaving up to your Normal Retirement Date. Where increases apply, part of the pension increases are at a fixed rate, with the remainder linked to inflation.

For the inflation-related increase, the uplift is based on the CPI statistic i.e. 10.1%. However, the increase is subject to a maximum level of increase of either 5% or 2.5% per year over the entire period from your date of leaving and your Normal Retirement Date.

For members with pensions in payment, your pension increases are generally at fixed rates. However, the pensions attributable to service in the Scheme after 6 April 1995 increase in line with the RPI, subject to a maximum of 5% per year.

The Scheme's 2022 valuation has just commenced, and it is likely that inflation will be an issue that will be discussed in much detail – and, in particular, the period for which high inflation may persist.

While higher inflation pushes up the value of liabilities, the Scheme invests in asset classes that are expected to provide a good level of protection against sustained periods of higher inflation. However, the Trustee is working with their investment adviser to understand the current levels of protection and to consider whether any changes to the strategy are needed.

Pension Scams

Importantly scammers are continuing to attempt to access pension savings through fraudulent means and they take any opportunity to do so. Indeed, the Pensions Regulator has flagged particular concerns that scammers have seen the COVID-19 pandemic as an opportunity to target pension savers.

There are some red flag scam indicators which you can easily look out for to avoid falling victim to a pension scam and The Pensions Regulator has published a list of warning signs:

- if someone contacts you unexpectedly claiming to be able to help you access your pension, particularly if you are not yet 55
- a free pension review
- the promise of guaranteed returns on your pension investment
- low tax/tax-free rates, including tax-free lump sums over and above your statutory entitlement
- exotic-sounding and/or overseas investments
- pressure to sign up quickly to avoid missing out

Any of the above activities are likely to be a scam.

You can get more tips on spotting scams and advice on what to do if you are suspicious at: www.fca.org.uk/scamsmart

If you are seriously considering transferring your pension benefits out of the Scheme, please consider getting financial guidance or advice before you do, either from MoneyHelper via the website www.moneyhelper.org.uk or an appropriately authorised independent financial adviser (not all independent financial advisers are authorised to give this specialist advice).

New regulations in place to help avoid Pension Scams

Important new regulations, which came into force on 30 November 2021, have been introduced to help fight against pension scams and provide Trustees with more powers to assist members. The additional processes required may delay a request to transfer out of the Scheme, but they are intended to provide you with added security.

For more information about pension scams and how they work look at:

http://www.thepensionsregulator.gov.uk/pension-scams.aspx

Please also review the useful information provided in this website: https://www.fca.org.uk/scamsmart.

You can also find free and impartial advice at MoneyHelper. The Money and Pensions Service (MaPS) was created in 2019 as a single body to bring together the services previously delivered by The Pensions Advisory Service (TPAS), the Money Advice Service and Pension Wise, providing information to the public on matters relating to workplace and personal pensions. With effect from 30 June 2021 MaPS was re-branded as MoneyHelper but still offers all the same services.

Website: https://www.moneyhelper.org.uk Email: pensions.enquiries@moneyhelper.org.uk

Members with Additional Voluntary Contributions ('AVCs') funds

Further new regulations, introduced in June 2022 (commonly referred to as the "stronger nudge regulations"), apply to members with AVC funds, requiring the Trustees to deliver a "stronger nudge" to members and beneficiaries who are applying to transfer or access pension benefits flexibly.

Irrespective of the regulatory requirement, the Trustees do encourage any members with AVC funds to seek guidance from Pension Wise* when considering taking pension benefits. There are many options and this guidance service, established by the Government, may be very helpful.

Further information on this will be provided by Capita, on behalf of the Trustee, at the time you wish to either start receiving your benefits from your AVC fund or transfer your AVC fund to another pension arrangement.

*Pension Wise can be accessed from the Home Page of the Money Helper Website (Pensions & Retirement section) https://www.moneyhelper.org.uk

Guaranteed Minimum Pension (GMP) equalisation

GMP benefits are a proportion of your overall Scheme pension, where the Scheme was previously contracted-out of the State pension arrangements.

A series of High Court judgments made from the end of 2018, in relation to GMPs, confirmed that pension schemes need to make sure that the GMPs built up between 17 May 1990 and 6 April 1997 are equal between men and women.

The Trustee is therefore working with its advisors to determine which members are affected and the steps that need to be taken. It is expected that there will be further communications from the Trustee once the analysis is complete.

New Minimum Pension Age (NMPA)

The NMPA is the earliest age that you can usually access your pension savings and is currently age 55. However, it is intended that the NMPA will increase to age 57 from 6 April 2028.

The current normal retirement age of the Scheme is 65. You can take your benefits before your normal retirement age, but your benefits will be reduced for early payment. If you are planning to take your pension benefits early, you should check whether the change in the NMPA will impact your plans.

Annual savings allowances

The annual allowance (AA)

The AA is the amount that can be added to your pension benefits each year without incurring a tax charge. Most people will have an AA of £40,000. If your earnings are above £200,000 per annum from all sources, you may have a lower AA.

As the Scheme is closed to accrual, your benefits are only in respect of your past pensionable service. Only in unusual circumstances would the Scheme now have an impact on your AA.

Money purchase annual allowance (MPAA)

If you have started to access any pension benefits flexibly, such as through flexible drawdown, your AA will reduce to £4,000. This specific reduction in the AA from £40,000 to just £4,000 is referred to as the MPAA.

This is a complex area and if you are considering taking some pension benefits, whilst continuing to work with further pension benefits continuing to be built up, you should seek guidance or advice.

The lifetime allowance (LTA)

This is the total amount of retirement savings you can build up over your working life without incurring an LTA charge (excluding any State Pension). In the 2022/23 tax year, the standard LTA is £1.073 million. Under the current legislation the LTA has been frozen at this level until April 2026.

The State Pension

The new State Pension has increased to £185.15 per week for the 2022/23 tax year for people with at least 35 years National Insurance contribution history. If you have more than 10 qualifying years but less than 35 then you would receive a portion of the full state pension.

> For more information and to check out how much you might be entitled to, you can visit www.gov.uk/new-state-pension

In Jeremy Hunt's Autumn 2022 Statement, it was confirmed that the State pension triple lock will be retained. Therefore, the State pension will increase by 10.1% in 2023.

From 6 October 2020, the State Pension age became 66 for men and women in the UK. A further increase to age 67 is due to take place between 2026 and 2028, with a further increase to 68 is due to take place between 2044 and 2046.

This is one area of pensions you should continue to monitor as the Government's current review on the State pension age will be published earlier than planned, in early 2023 and your State Pension age may change.

> You can check your State Pension age at https://www.gov.uk/state-pension-age

Pension Tracing Service

To get the contact details of a previous employer's scheme, use the government's tracing service at www.gov.uk/find-pension-contact-details

Expression of wish

As a member of the Scheme, your spouse/civil partner may be entitled to certain pension benefits if you were to die before them. Some of these benefits are payable at the discretion of the Trustee and, as a consequence, these benefits, if paid, are not subject to inheritance tax.

To assist the Trustee in any decision regarding whether to award these discretionary benefits and to whom they should be paid, you should complete an expression of wish form. This will help the Trustee make its decisions in those circumstances. You may have completed one of these forms before, however, if your marital status has changed, or it has been several years since you last completed a form, you may wish to complete a new form to make sure your wishes are up to date. Should you require an expression of wish form, please email your request to RHNDPensions@capita.co.uk.

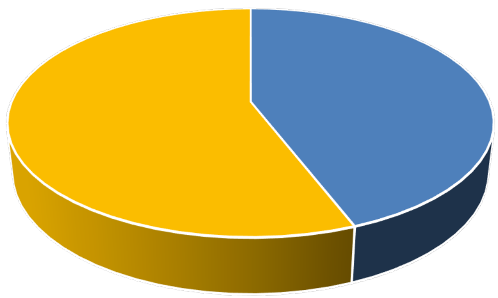
Scheme **Accounts** for the year to **30 September 2021**

Every year, the Trustee produces a full set of accounts, showing how much money has been paid into the Scheme and how much has been paid out. These accounts are audited by an accounting firm, who check that they show a true and fair view of the Scheme's financial transactions. The Scheme's accounts as at 30 September 2021 have been prepared and audited. Below you will find a summary of the Schemes' accounts for your information.

As you may remember, the Defined Contribution (DC) section of the Scheme transferred to Aviva, although there are there are a handful of members whose benefits remain in the Scheme.

The details contained in this statement relate only to the DB section of the Scheme.

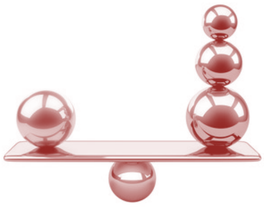
Members of the Scheme:



Defined Benefit Fund account:

On 30 September 2020, the Scheme was worth	**£104.70m**
In	
Net returns on investments	£0.76m
Out	
Pensions paid	£2.85m
Lump sum retirement and death payments	£0.18m
On 30 September 2021, the Scheme was worth	**£102.51m**

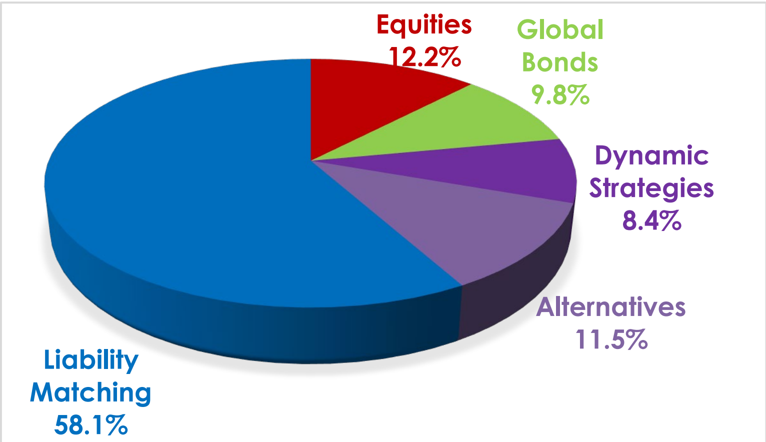
Scheme's **investments** - summary

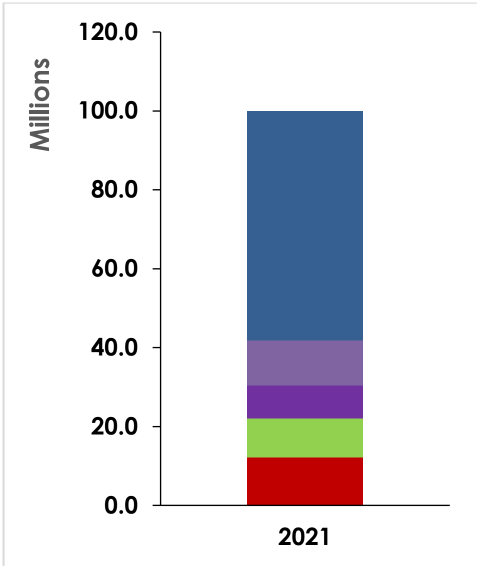


The Trustee is required to invest the **assets** of the Scheme prudently with a view to ensuring that your benefits are paid when they fall due. In setting the investment strategy, the Trustee has to consider the likelihood of a fall (or rise) in value of each asset. In general, assets which have the potential to achieve higher returns also have the greater potential to fall in value and are considered higher risk. The Trustee must balance the need to achieve higher returns with the need for stability.

As mentioned in last year's newsletter, in May 2019 Legal & General Investment Management (LGIM) was appointed as a fiduciary manager to manage all of the Scheme's assets. As at 30 September 2021, the Scheme's assets were invested as follows:

Scheme's assets as at 30 September 2021





Summary Funding Statement for 2021

Statement of the Scheme's **financial health**

As a member of the Scheme you will be aware of the valuable benefits that membership of the Scheme provides. So knowing how the Scheme is doing financially, and whether your benefits are secure, will be important to you. This information is being given to you so that you have a better understanding of the Scheme.

To keep you up-to-date and help you understand more about the funding of the Scheme, we send you a Statement like this each year. This year, we are providing you with an update on the financial position of the DB Section of the Scheme, as well as answers to some of the questions you may have about its financial health. The Statement is provided for information only; **you do not need to take any action.**

How is my pension **funded**?

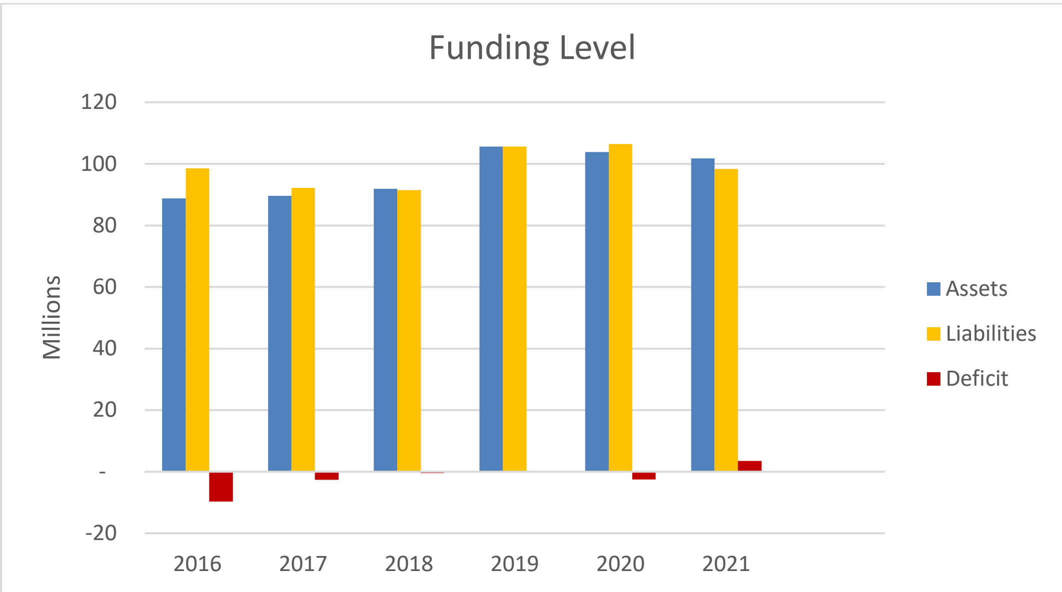
The Hospital pays contributions so that the Scheme can pay pensions and other benefits to members when they become due and are necessary to reduce the current deficit and move the Scheme to a fully funded position over the longer term.

The Trustee of the Scheme obtains regular valuations of the liabilities from the Scheme Actuary, which provides an estimate of the assets needed today, allowing for future investment returns, to pay the benefits now and in the future for all members. Using this information, the Trustee and the Hospital agree on how much the Hospital should pay into the Scheme.

The Pensions Regulator has powers to intervene in matters affecting the funding of the Scheme in certain circumstances. No such powers have been exercised in relation to the Scheme.

Results of the **last valuation** and the **funding updates**

The latest valuation of this Section of the Scheme was carried out as at 30 September 2019 and the results are shown in the table below along with the funding updates as at 2016 to 2018, 2020 and 2021.



	30 September 2021 (£m)	30 September 2020 (£m)	30 September 2019 (£m)
Assets	101.8	103.9	105.6
Liabilities	98.3	106.4	105.6
Surplus / (Deficit)	**3.5**	**(2.5)**	**0.04**
Funding Level	104%	98%	100%

The 30 September 2019 valuation showed a funding level of just over 100%. In light of the funding level exceeding 100% there was no requirement for further Hospital contributions to the Scheme at that time, allowing the Hospital to focus resources on their ongoing, hugely important charitable activities.

Over the year to 30 September 2020 the funding level fell back slightly to 98% but then improved over the following year, to 30 September 2021, to 104%, corresponding to a surplus of £3.5 million.

The Trustee continues to receive regular information relating to the funding level of the Scheme and can confirm that the market turmoil in late September 2022 meant that the funding position had fallen back, such that it is estimated that the funding level was around 98% at 30 September 2022, based on the assumptions adopted for the 2019 valuation, updated for changes in market conditions. The Trustee will be carrying out a full valuation as at 30 September 2022 looking in detail at all the assumptions.

The funding plan that was put in place as part of the 30 September 2019 valuation has been implemented, with the intention that by 30 September 2030 the Scheme's reliance on the support of the Hospital will be reduced to the "low dependency" level. This means that the funding level is expected to be sufficiently strong and resilient to risks, and that there will be reduced reliance on the Hospital for further contributions. This approach to funding strategy is in line with both the Pensions Regulator's expectations and the decisions made by the previous Trustees with regards to the investment strategy.

In conjunction with the funding plan, the previous Trustees and the Hospital agreed a charge over the Hospital property which would become an asset of the Scheme in the unlikely event of the Hospital being unable to continue as a going concern.

The importance of the **Hospital's support**

The objective of the Trustee of the Scheme is to have enough money in the Scheme to pay benefits in full, now and in the future. Meeting this objective is dependent on the Hospital continuing and supporting the Scheme, as:

- The value of assets can fall as well as rise, and when there is a shortfall, there is usually a need to put in more money; and
- The cost of benefits may increase so that more money is needed.

If the Scheme had more than enough money to buy-out the benefits in full (this means securing the benefits in full with an insurance company) a refund could be paid to the Hospital. No such payment from the Scheme has been made to the Hospital.

What happens **if** the Scheme is **wound up** (i.e. ceased to operate)?

If the Scheme winds up, you may not receive the full amount of pension you have earned even if the Scheme is fully funded on its target funding basis. However, whilst the Scheme is ongoing, even though funding may be temporarily below target, pensions will continue to be paid in full.

At the last Actuarial Valuation, 30 September 2019, the estimated amount that an insurance company would require to fully secure the benefits was £137.8 million. This compared to assets in the Scheme at the same date of £105.6m and a corresponding shortfall of £32.1m. Please note that the provision of this information is compulsory and does not imply that the Hospital is considering winding up the Scheme.

What happens **if** the Scheme is wound-up and there is not enough money to pay for all of my benefits?

If the Scheme winds up without sufficient assets to secure all the benefits with an insurance company then, unless the Hospital can afford to make good the shortfall, you are unlikely to receive your full entitlement under the Scheme.

To help members in this situation, where the employers become insolvent, the Government has set up the **Pension Protection Fund** (PPF) to pay benefits to members whose employers are insolvent and unable to continue funding their pension scheme.

The pension you would receive from the PPF may be less than the benefit you had built up in the Scheme depending on your circumstance. Further information and guidance is available on the PPF website at **www.pensionprotectionfund.org.uk** or you can write to the Pensions Protections Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

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

The full solvency position assumes that all benefits will be secured by buying insurance policies. Insurers are required to take a very cautious view of the future, include a profit margin and make an allowance for their expenses. By contrast, the funding plan assumes that the Hospital continues to support the Scheme financially, while adopting less cautious, but generally considered reasonable assumptions about the future.

Where can I get **more information**?

Scheme contacts

If you have any queries about the Scheme or your benefits, please contact:

The Trustees of the Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-disability
c/o Capita Pension Solutions Limited
PO Box 555
Stead House
Darlington
DL1 9YT

Telephone:	0345 606 2344
Email:	RHNDPensions@capita.co.uk

Alternatively, please speak to a member of the Human Resources team at the Hospital.

Additional documents available on request

The Statement of Funding Principles
This explains the Trustees' approach to the valuation and how the Trustees plan to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.

The Statement of Investment Principles
This explains how the Trustees invest the money paid into the Scheme.

The Schedule of Contributions
This shows how much money is being paid into the Scheme by the Hospital and includes a certificate from the actuary showing that it is sufficient to meet the requirements set out by law.

The Annual Report and Accounts
This shows the Scheme's income and expenditure in the relevant year.

The Formal Actuarial Valuation Report as at 30 September 2019
This contains the details of the actuary's check of the Scheme's situation as at the latest formal actuarial valuation date.