

### Newsletter for members

Welcome to your latest Scheme newsletter, keeping you up to date with Scheme developments and wider pensions news.

## February 2023

Geo-political tension continues to impact the global economy, increasing volatility in investment markets, pushing inflation higher than it has been for decades and putting pressure on many peoples' finances. As we did throughout the pandemic, we are monitoring how these external pressures might impact the Scheme and will make any changes we feel are necessary to protect it and the best interests of you, the members.

As far as the Scheme is concerned, you can read how its financial position is developing in our latest summary funding statement inside. We report on the funding position as at 30 June 2021 and a funding update at 30 June 2022. The headline is that the funding level of the Scheme has fallen slightly since June 2021, but as shown on page 3 still continues to demonstrate a small funding surplus, and our position remains strong.

We also include the usual summary of the year's accounts and membership figures, and an update on the Scheme's investments. As noted in last year's edition of the newsletter, the Scheme secured a bulk annuity with Scottish Widows to cover some of the Scheme's liabilities and this is now reflected in the asset allocation.

In wider pensions news, we provide an update on Pensions Dashboards, the plan to provide everyone with online access to all their UK pensions in one place. We also highlight climate change, which is an area of increasing focus for the trustees of pension schemes.

As always, please do get in contact if you have a query about the Scheme or your benefits, or if there is a topic you would like us to feature in our next issue. The contact details are on page 8.

Iain Urquhart

Chair of the Trustee Board

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# In numbers

## The membership

At 30 June 2022 there were 6,437 members in the Scheme compared with 6,556 members at the same date last year.





|       |  |
|-------|--|
| 38    | <b>Active members</b> - working for the Company and paying regular contributions.                                      |
| 3,329 | <b>Deferred members</b> - no longer building up benefits but have benefits in the Scheme for when they retire.         |
| 3,070 | <b>Pensioner members</b> - receiving benefits from the Scheme (and including the dependants of members who have died). |

## The accounts

Here we show headline figures from the Scheme's Annual Report and Accounts. If you would like more detail, please request a copy of the full report using the contact details on page 8.

The full report includes further details on the Scheme's professional advisers and fund managers, how the Trustee Board manages the Scheme's investments with comments on how the Scheme is governed and the actuary's certification of the adequacy of the Schedule of Contributions.

Our asset values have fallen in line with market values due to the aforementioned global geo-political circumstances. However, the Scheme's investment strategy is designed so that most movements in the value of liabilities are matched by movements in the Scheme's assets, meaning the assets and the liabilities have both fallen in value. For more information on the health of the funding position please see page 3.

|   |         |   |
|---|---------|---|
| The value of the assets supporting the Scheme at 30 June 2022                 | £460.3m |  |
| The decrease in the value of the assets over the reporting year               | £119.0m |  |
| The total value of Company contributions paid into the Scheme during the year | £1.2m   |  |
| The total value of benefits paid to members during the year                   | £18.0m  |  |

# Summary Funding Statement

This section summarises the results of the valuation at 30 June 2021. It also looks at the funding position at 30 June 2022. These financial health checks are vital for monitoring the Scheme's progress. We hope the information helps you to understand how the Scheme is developing.

## The latest position

The table below shows the funding position as at the 30 June 2021 valuation and the last funding update at 30 June 2022.

|                                  | Valuation                 | Update                    |
|----------------------------------|---------------------------|---------------------------|
| Date                             | 30 June 2021              | 30 June 2022              |
| The funding level                | 104.2%                    | 102.7%                    |
| The funding target               | £537 million              | £430 million              |
| The value of the Scheme's assets | £560 million              | £442 million              |
| The overall position             | Surplus of<br>£23 million | Surplus of<br>£12 million |

The latest funding update shows that the Scheme's funding level has deteriorated since the valuation at 30 June 2021. This is due to market conditions resulting in lower returns on assets invested by the Scheme.

The next financial check will be based on the Scheme's position at 30 June 2023. We will report on the results once they are complete.

It is important to remember that it is normal for pension scheme funding levels to fluctuate over time. Even when funding is temporarily below target, the Scheme will continue to pay benefits in full as long as it continues.

## Reasons for the change

Increases in government bond yields have caused the value placed on liabilities to decrease substantially. The Scheme's investment strategy is designed so that most movements in the value of liabilities are matched by movements in the Scheme's assets, meaning the assets and the liabilities have both fallen in value. As the value of assets has fallen by more than the value of liabilities, the funding position has deteriorated slightly.

# Summary Funding Statement

## Financial support

The Company provides significant financial support for the Scheme. It currently pays:

- A monthly contribution to FutureSave in respect of active members
- An annual levy to the Pension Protection Fund; and
- A contribution in respect of the business as usual expenses of administering the Scheme

The next formal valuation will look at the Scheme's position at 30 June 2024. This will include evaluating whether the Company's level of contributions needs to change.

## The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run though it has not needed to use its powers in this way for our Scheme. You can find out more about the Regulator online at

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk).

## If the Scheme came to an end

The Scheme's funding level is worked out in two ways.

- The 'ongoing' basis (shown on previous page), which assumes that the Scheme will continue into the future.
- The 'full solvency' basis, which shows the funding position if the Scheme started to 'wind up' at the date of the valuation. If this happened, all members' benefits would have to be secured without delay by buying insurance policies. This would be more expensive than paying benefits gradually over time, so the full solvency position is generally lower than the ongoing position, even for fully funded pension schemes.
- At 30 June 2021, the Scheme full solvency funding level was 89% with a shortfall of £69.3 million.
- Please note that we are legally required to report the full solvency position as part of this funding statement. The Company has no current plans to end the Scheme.
- We must also tell you if there have been any payments to the Company out of Scheme funds in the last 12 months – there have been none.



# DB Investment update

As the Trustee Board, it is our responsibility to decide on the overall investment strategy and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

## DB Asset allocation

At 30 June 2022, the Scheme held assets of £440 million compared with £558 million at the same date last year (not including DC and AVC assets).

The table below shows how the Scheme's investments were allocated at 30 June 2022, across asset types.

|                                       |
|---------------------------------------|
| Liability Driven Investment (LDI) 24% |
| Bond Funds 22%                        |
| Cash and liquidity funds 11%          |
| Equities Fund 14%                     |
| Buy-in/annuity 29%                    |

## DB Asset Strategy

As noted in the introduction we completed a further bulk annuity to secure more Scheme liabilities. To fund this bulk annuity transaction, the Scheme sold a proportion of its equity and bond holdings, as well as a move away from property holdings, which have been redeemed in the year.

Following the transaction, the Scheme continues to look ahead and ensure the asset portfolio is suitably de-risked to ensure protection of benefits.

## Overview of 2022

Global equities generated negative returns over 2022. Equities delivered solid returns in 2021, however, markets erased all their gains by Q2 2022 as geopolitical risk took centre stage with Russia invading Ukraine meaning all equity markets struggled.

Furthermore, inflation fears appeared and began to unsettle markets towards the end of 2021 and much of 2022, leading to significant interest rate rises across the globe. Since September 2022, equity markets have picked up and delivered positive returns. UK gilts rose sharply over the third quarter following the mini budget announcement of Liz Truss and Kwasi Kwateng. The Bank of England (BoE) temporarily announced an emergency £65bn bond-buying program to stabilise the government debt market after the mini budget.

The budget increased concern over the sustainability of public finances, resulting in considerable volatility in the gilt market. There was a domino effect of the rising gilt yields, as UK pension schemes struggled to provide collateral to LDI managers as yields rose further. Throughout the period the Scheme had sufficient collateral to meet any calls.

As a result of this domino effect the BoE in October announced additional support for the gilt market and pension industry. This helped the exit from its bond purchasing program announced towards the end of September. The BoE ended its temporary purchase of UK government bonds a few weeks later in October 2022. Since then the gilt yields have been less volatile thus stabilising asset levels and funding levels of schemes including ours.

## DB Investment Performance

The table below shows how the Scheme's investments have performed compared with the agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform bearing in mind economic and market expectations.

|              | Over the 12 months to 30 June 2022 |           | Over three years (% per year) |           | Over five years (% per year) |           |
|--------------|------------------------------------|-----------|-------------------------------|-----------|------------------------------|-----------|
|              | Performance                        | Benchmark | Performance                   | Benchmark | Performance                  | Benchmark |
| Total Scheme | -22.0%                             | -21.4%    | -6.3%                         | -5.8%     | -1.1%                        | 0.5%      |

Over the year market movements meant that the assets of the Scheme fell considerably. Although the asset values have reduced, this is in line with the investment strategy as a large portion of the assets are allocated to liability matching assets. We will continue to monitor performance and make any changes we feel are necessary.

# DC Investment update

## Defined Contribution (DC) and Additional Voluntary Contributions (AVCs)

DC assets totalling £18.2m are invested with Standard Life, individual members have a range of funds to choose to invest their DC pension pot in. Individual member AVCs totalling £0.25m are invested with Aviva, Standard Life and Utmost Life. Information on how different DC & AVC funds have performed over the year can be found in the Chair's Statement which is included in the Trustee Report & Accounts which can be found at <https://pensioninformation.aon.com/spiritgroup>

## An update from the Trustee – Financial markets and your retirement savings

Your DC savings are invested in financial markets in assets such as equities and bonds. These assets are expected to grow in value over the long term meaning that your DC savings should grow in value by the time you retire. However, assets can go up and down in value in the shorter-term and you may be aware that financial markets have been particularly unstable over 2022. This instability has meant your retirement savings may have gone down in value recently.

### How does this affect you?

The specific impact of recent market conditions will depend on how you have chosen to invest your retirement savings and how far away you are from your target retirement date. However, the recent falls in financial markets have been widespread with the impact being felt by most members in the Scheme and, indeed, most members of DC pension schemes across the UK.

We understand that seeing the value of your retirement savings fall can be worrying, particularly for members close to retirement. If you are concerned, we would encourage you to access the help and support that is available to you and to consider obtaining appropriate guidance and advice before drawing your retirement savings and/or changing how you are invested. **Given market conditions, it is particularly important that you think carefully and are fully informed before making significant decisions about your retirement savings.** If you would like more details, or links to further support, including more information on the Trustee appointed IFA please refer to page 8 of this newsletter.

## Getting help and support

With the support of our professional advisers, the Trustee remains committed to closely monitoring the Scheme's investments, identifying, and managing risks as far as possible and always acting in your best interests.

We set out our agreed investment approach in the Scheme's formal Statement of Investment Principles (SIP) which is now held on a public website and can be found at: <https://pensioninformation.aon.com/spiritgroup> and contains information on the investment objective, the investment strategy and the Trustee Board's policy on Environmental, Social and Governance requirements.



## Pensions Dashboards: update

The aim of Pensions Dashboards is for everyone to have quick and easy online access to information on all their UK pension savings in one place.

Recent developments include completion of the digital build phase and the first volunteer providers preparing to connect to the system to begin testing using data.

The release to the onboarding phase is on track, beginning with the very largest schemes first, from spring/summer 2023, to achieve broad coverage.

To prepare for the release of Pensions Dashboards, between now and the staging date for the Scheme which is expected to be July 2024, we will be working with our advisers and administrators to make sure that we have the right processes in place.

To find out more, go to

**[www.pensionsdashboardsprogramme.org.uk](http://www.pensionsdashboardsprogramme.org.uk)**.

## Climate change

Recent years have seen an increasing focus on climate change and its associated risks for pension schemes. Indeed, since 2019, trustees of pension schemes have been required to consider long-term environmental risks and opportunities.

As Trustee of the Scheme, we regularly meet with our investment advisers and publish updates in our Statement of Investment Principles.

Elsewhere, the Pensions Regulator has published best practice investment guidance for trustees, while its climate change strategy sets out how it can help trustees to meet the environmental challenges. We as Trustee are continuing to consider any guidance and how we can best act responsibly in the way we invest in assets.

Further, the Task Force on Climate-Related Financial Disclosures (TCFD) was established to develop best practice guidance for climate reporting. Regulations requiring schemes to report in line with the TCFD's recommendations came into effect for the UK's largest pension schemes from October 2021 and for the next largest group of schemes from October 2022.

The collective aim is that these guidelines and requirements will empower the markets to channel responsible and sustainable investment opportunities.

## Pension Scheme Act 2021: new trustee powers

In the ongoing battle against pension fraud and following the provisions of the Pension Scheme Act 2021, we now have the power to put a transfer request on hold or block a transfer if certain 'flags' suggest fraudulent activity – for example, by an unscrupulous financial adviser.

If you are thinking about transferring your benefits out of the Scheme, there will be more information about pension fraud and financial advice in your transfer pack.

To find out more, go to

**[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)** and choose Document library > Scheme management detailed guidance > Administration > Dealing with transfer requests. These regulations are due to be reviewed in 2023 and we will provide an update as and when appropriate as to any changes to these regulations and what these mean for members.

You can read more about the Pension Scheme Act 2021 online at:

**[www.thepensionsregulator.gov.uk/en/pension-schemes-act-2021](http://www.thepensionsregulator.gov.uk/en/pension-schemes-act-2021)**.

## Minimum retirement age increase

Your pension benefits – from the Scheme, from the State and from any other pension savings you have – will probably start at different ages. You therefore need to have an idea of when you plan to retire so you can assess what you could receive – and when.

As mentioned in the last edition of the newsletter. The earliest age most individuals can start receiving their pension benefits will go up from age 55 currently to 57 in 2028. The aim of this change is to keep the minimum retirement age at around 10 years below the State Pension age, which is gradually increasing and will reach 67 by 2028.

Please contact the Administrator if you need any information about receiving your pension (see contact details on page 8).



# More information

To find out more about the Scheme, please use the contact details below.

There are lots of useful websites that can help you understand your options and support you with your retirement planning.

**Get to know your pension at [www.yourpension.gov.uk](http://www.yourpension.gov.uk).**

The site has a tool that can quickly generate you a retirement checklist to help you assess where you are with your planning. It also has useful links to a pension calculator, a State Pension calculator and more.

**Picture your future at**

<http://www.retirementlivingstandards.org.uk> The retirement living standards show you what life in retirement looks like at three different levels, and what a range of common goods and services would cost for each level.

## MoneyHelper

MoneyHelper is a free, impartial guidance service, backed by the Government. It brings together the support that was previously available through the Money Advice Service, the Pensions Advisory Service and Pension Wise.

[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

## Contact point

Please use any of the methods below to get in touch with the Administration team.

Email: [spirit.group.mailbox@aon.com](mailto:spirit.group.mailbox@aon.com)

Phone: 0370 850 6840  
(lines are open Monday to Friday, 9am to 5pm)

Write to: Aon, PO Box 196, Huddersfield, HD8 1EG

## Reminder to keep us up to date

Please let us know if you change your name or address so we can continue to contact you about the Scheme and your benefits.

Please also update your Expression of Wishes form if you need to. This tells us who you would like to receive any benefits that become payable in the event of your death. As the Trustee Board, we have the final say over who receives the benefits. We will consider your Expression of Wishes form, so if you have never filled one in, or you have not done so recently, particularly if your circumstances have changed, please complete a form and send it to us.

Please use the contact details on the left to request a blank form.

## Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser (IFA). You can speak to WPS Advisory, the IFA appointed by the Trustee in 2021, or you can choose your own IFA. You can find an adviser in your area by searching MoneyHelper's online directory. Go to [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk) and choose Pensions and retirement > Taking your pension > Find a retirement adviser. If you wish to find out more about WPS Advisory, please contact the Scheme administrator using the details on the left.

**Remember:** if you would like more information about the Scheme, you can request a copy of the Trustee's Report & Accounts. Contact the administration team (details on the left) or by visiting the member website <https://pensioninformation.aon.com/spiritgroup>

## Behind the scenes

As the Trustee Board, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Scheme is progressing.

The Board is made up of Company-appointed Trustees and member-nominated Trustees.

| Company-appointed | Member-nominated |
|-------------------|------------------|
| Iain Urquhart     | Robert McDonald  |
| John Freeman      | Maria Gavin      |
| Nick Wilks        | Francis Patton   |

We also appoint professionals to support us on areas of particular expertise.

|                    |   |
|--------------------|---|
| Administrator      | Aon Solutions UK Limited                    |
| Actuary            | Roger Moring, FIA, Aon Solutions UK Limited |
| Auditor            | Crowe UK LLP                                |
| Covenant Adviser   | Darren Masters, Mercer LLC                  |
| Investment Adviser | Aon Investments Limited                     |
| Legal Adviser      | Linklaters LLP                              |