AQA
Realising potential

The AQA Pension Scheme

# Pensions Update

Keeping you updated on The AQA Pension Scheme

In this issue...

- The latest pensions news
- The Scheme's funding position
- Update from the Trustees

March 2023

Administered by BARNETT WADDINGHAM beyond the expected

# Welcome

**Welcome to the latest newsletter from The AQA Pension Scheme (the Scheme).**

Though we were all glad to see lockdowns come to an end and the threat of the COVID-19 pandemic subside, 2022 was undoubtedly another hard year for many. After successfully navigating through the challenges posed by the pandemic, the Scheme and its administrators (Barnett Waddingham) continue to adapt and effectively manage the Scheme for the collective good of our members. We hope that you remain assured that your pension is in reliable hands, despite the uncertainties and changes we've seen in both political and financial spheres this past year.

To see how the Scheme is doing, you can read about its financial health first-hand on pages 10-13 of this newsletter. There you'll find the results of the Scheme's latest full valuation as at 30 September 2021, which show that the funding level is at 98%. Although this means that there is a shortfall of £4.3 million, this is expected to be eliminated by the return on the Scheme's assets.

In the last newsletter, we mentioned that the Trustees were considering securing the Scheme's benefits in full with an insurance company. Many pension schemes are making similar moves and we believe achieving this would be beneficial for all members as it would provide greater security for your benefits. This would also be in line with our long-term strategic objectives. With AQA's full support, we are now in the early stages of the project, and have set up a joint working party with the Company and the Trustees that has

already started work in a number of areas. As it stands, we hope to be ready to insure the Scheme's benefits by the end of 2025. We will, of course, keep you updated on the progress of this project and aim to write to all members with more information in due course.

To make sure that you receive important information, such as the updates mentioned above, make sure that you register with BWebstream, and opt in to online communications as soon as the option is available to you. As mentioned in our previous newsletter, moving to online communications comes with a whole host of benefits, not least reducing our impact on the environment and saving on print and postage costs. Opting in to online communications will also ensure you hear from us in the most effective way as you'll no longer have to rely on the post to be kept updated.

So, if you haven't yet opted in to online communications, let me encourage you to do so. It's really quick and easy – you can find out how on page 16.

I would like to take this opportunity to say thank you to Robert Cox who retired as a Trustee recently. Robert has been a Trustee for seven years and we have valued his commitment and dedication during this time. We wish him well as he moves on to his next chapter. Following agreement to aim to insure the Scheme, the Trustees and AQA have decided to reduce the number of Trustees to five.

I hope you enjoy your newsletter. If there is anything you'd like to see in the next issue, or if you'd like to get in touch about your pension, email **AQA@Barnett-Waddingham.co.uk**

**Bruce Guthrie**
**Chair of Trustees**

# Contents

# Financial guidance from MoneyHelper

**As the cost-of-living crisis continues, more of us than ever are struggling to manage our finances. MoneyHelper offers free and impartial government-backed guidance about your money and pensions.**

You can talk to trained staff who can help you work out how to keep on top of your finances, or point you in the direction of someone who can.

## How MoneyHelper can support you

Find out more about your options and get guidance on:

- Clearing your debt
- Reducing your spending
- Making the most of your income
- Checking your entitlement to benefits
- Family care and help
- Building up savings, including your pension

## Contact MoneyHelper

- Call 0800 011 3797 (pensions) or 0800 138 7777 (money)
  Lines open Monday to Friday
  8am to 6pm for money guidance and 9am to 5pm for pensions guidance
- Go to **www.moneyhelper.org.uk**
- Use Live Chat to start a webchat
  Monday to Friday, 9am to 6pm (pensions)
  Monday to Friday, 8am to 6pm and Saturday, 8am to 3pm (money)

# Dealing with the rising cost of living

**Data from the Office for National Statistics shows that UK households are currently being hit by the steepest annual rise in inflation since the early 1980s.**

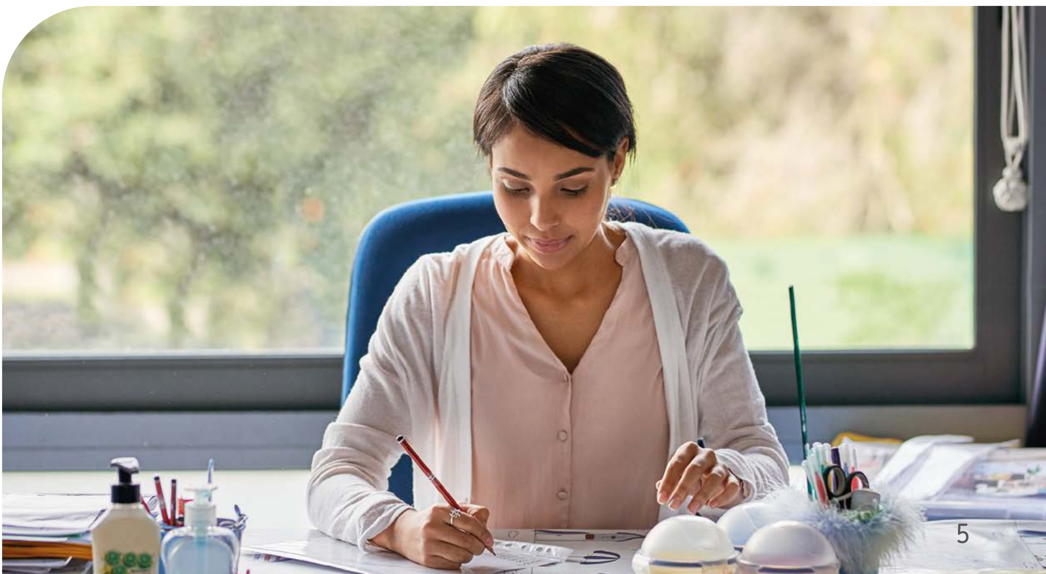
The soaring cost of gas, electricity, groceries and petrol – combined with global supply-chain disruption caused first by COVID-19 and now the devastating war in Ukraine – means that living standards are being squeezed from every direction.

It's important to remember that pension funds are long term in nature and we would like to reassure you that as the Scheme provides a defined benefit pension, the value of your benefits is not affected by the current market turmoil. Furthermore, to assess and mitigate the effects of the current situation on the Scheme, we will continue to monitor the impact of the short-term volatility on the Scheme's funding level with the help of our advisers.

On a positive note, the Scheme increases most pensions in line with inflation, subject to a cap.

## Could you be eligible for Pension Credit?

If you're a pensioner, you can download a new easy-read online guide from the Department for Work and Pensions that gives a summary of Pension Credit. It explains who can apply for it, what the threshold for eligibility is, how you can apply, and how your claim would be assessed. Read the guide at **www.gov.uk/government/publications/easy-read-pension-credit**



# Scams rise as cost-of-living crisis bites

Fraudsters are capitalising on the cost-of-living crisis by contacting people speculatively with offers of rebates, grants and support payments. Most legitimate rebates or payments are either made automatically or you have to apply for them. Local councils, government departments, or energy providers will not call, text or email you to let you know about them. They will certainly not ask you to provide sensitive personal identifying information (for example, your date of birth, National Insurance number, bank account details).

## Stay scam aware

Follow Citizens Advice's guidance at **www.citizensadvice.org.uk/consumer/scams/get-help-with-online-scams/**

Sign up for Which? magazine's free Scam Alerts service to find out which scams are doing the rounds. Go to **act.which.co.uk/page/103781/data/1**

## Pension scams pledge

In November 2020 The Pensions Regulator launched a pledge to combat pension scams. The pledge asks trustees and administrators to do what they can to protect members from pension scams and sets out a Pension Scams Industry Group Code of Good Practice. We are pleased to report that the Scheme's administrator has signed up to the pledge and remains committed to protecting members from pension scams.

Pension scams continue to entice people by offering to help them access their pension benefits early and you may have seen or heard adverts warning people about this on the television and radio. For most people the offers will be bogus and victims could lose most, if not all, of their pension savings. Other scams entice people to transfer their money to another scheme in order to benefit from supposedly high returns.

From 1 December 2021, any transfers with certain serious warning signs can be stopped by the Trustees and the Scheme Administrator. If there are other warning signs, you might be required to take guidance from MoneyHelper before proceeding. MoneyHelper is independent and will help you to think about whether the transfer is a good idea. Sadly, thousands of people have been the victims of pension scams and lost money they had saved for later life. Make sure you are not next by knowing what to look out for and how to protect your pension.

## Top tips to protect your savings

- Cold called about your pension? Hang up.
- Offered an 'amazing' deal? Beware!
- Using an adviser? Make sure they're registered with the Financial Conduct Authority (FCA).
- Recommended by a friend? Check everything yourself.
- Think you've been scammed? Act immediately.

Never be rushed into a decision and be very wary of anyone offering a free pensions review. Please make sure your adviser is authorised by the FCA by checking that they are on the Financial Services Register at **www.fca.org.uk/register**

If you are concerned you can call MoneyHelper on 0800 011 3797 or look at their website at **www.moneyhelper.org.uk/en/pensions-and-retirement**

More information on pension scams can be found at **www.thepensionsregulator.gov.uk/pension-scams** and **www.fca.org.uk/scamsmart**

**Beware of pension scams. Falling foul of a scam could mean you lose some or all of your money. Pension fraud is often linked to investments funded by money legitimately taken from pension schemes.**

## Take advice

Defined benefit arrangements like the Scheme provide a guaranteed income for life that rises with inflation every year (subject to a cap) and pay death benefits, such as a pension to your spouse or civil partner when you die. Benefits like this can be expensive to replace in another pension arrangement.

That's why we strongly recommend that, if you're thinking of transferring out of the Scheme, you take regulated financial advice. By law, you have to take advice if the value of your benefits is over £30,000, but however much your benefits are worth it's always a good idea to get a professional opinion on whether transferring out of the Scheme is right for you.

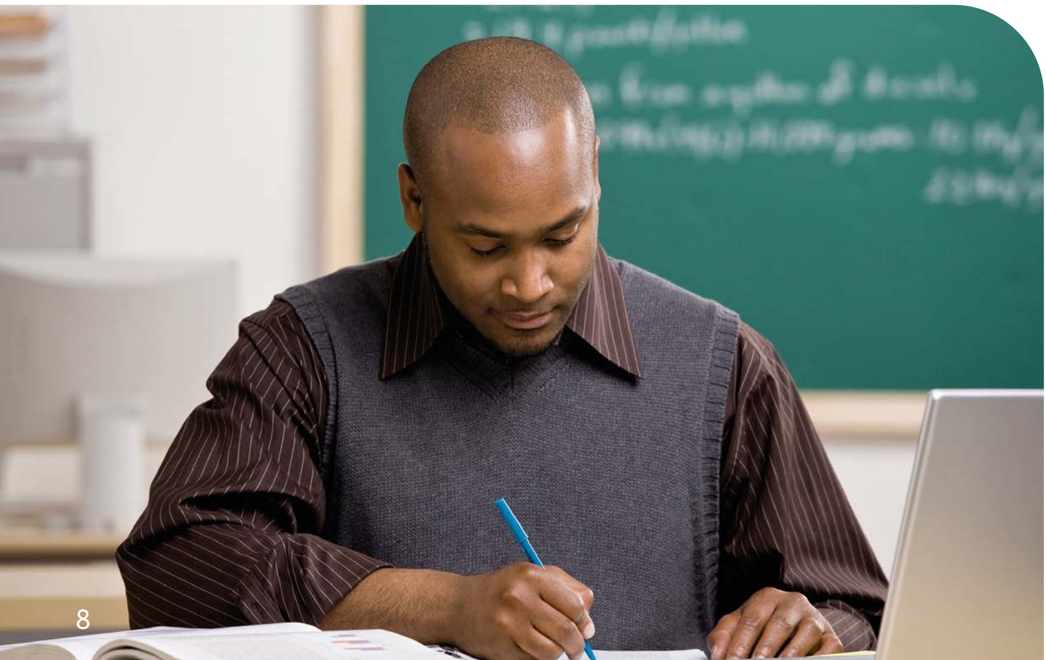
You can find an adviser near you at **www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser**

# Normal Minimum Pension Age to increase

**The government will be increasing the Normal Minimum Pension Age (NMPA) from age 55 to age 57 from 2028.**

NMPA is the earliest age that you can start taking your benefits. For most registered pension schemes, this is currently age 55. But from 6 April 2028, it will increase to age 57 to bring it 10 years below the State Pension Age. How this could affect you:

| If you were born before 7 April 1971 | If you were born between 7 April 1971 and 5 April 1973 | If you were born on or after 6 April 1973 |
|---|---|---|
| You won't be affected by this change as you'll already be age 57 by the time it comes into effect in April 2028. | You will be age 55 on 6 April 2028, so you could be affected if you have not taken all of your benefits by then. If you're taking your benefits in stages, you may have to wait until age 57 to access the balance. | You will now have an NMPA of age 57, so will not be able to take any of your benefits before then. |



# What you need to know from the Autumn Statement

## What has changed?

On Thursday 17 November 2022, Chancellor Jeremy Hunt announced his Autumn Statement. This is an announcement from the Government which lays out its economic plans. Some of the changes he announced may impact your retirement savings.

## Tax

How much tax you pay can affect your finances, including what you can afford to save into a pension. Here is a list of the key changes to tax, announced in the Autumn Statement:

- Income tax thresholds are staying the same apart from the top rate of tax, which will go down from £150,000 to £125,140.
- Personal allowance and higher rate thresholds are staying the same.
- Currently, local councils have to hold a referendum if they want to increase Council Tax by more than 3%. This is increasing to 5%.

!

To find out which tax band you are in, visit **www.gov.uk/income-tax-rates**

## The State Pension

The Government has decided to keep the “triple lock”, and increase the State Pension in line with inflation at 10.1%. This increase will take effect from April 2023.

## How this may affect you

If your income goes up enough to take you into a higher tax threshold, you will end up paying more tax. The only exception to this is that if you earn over £125,140 you will be brought into a higher tax band, even if your income stays the same.

If you are approaching State Pension Age, or currently receiving your State Pension, the amount you receive will increase from April 2023.

If you are currently receiving your State Pension, you will receive a slightly higher income from April 2023.

!

To find out when you can receive a State Pension and how much you will receive, visit **www.gov.uk/check-state-pension**

# Scheme funding update

Every three years, the Trustees carry out a full financial health check of the Scheme. This is known as a formal actuarial valuation.

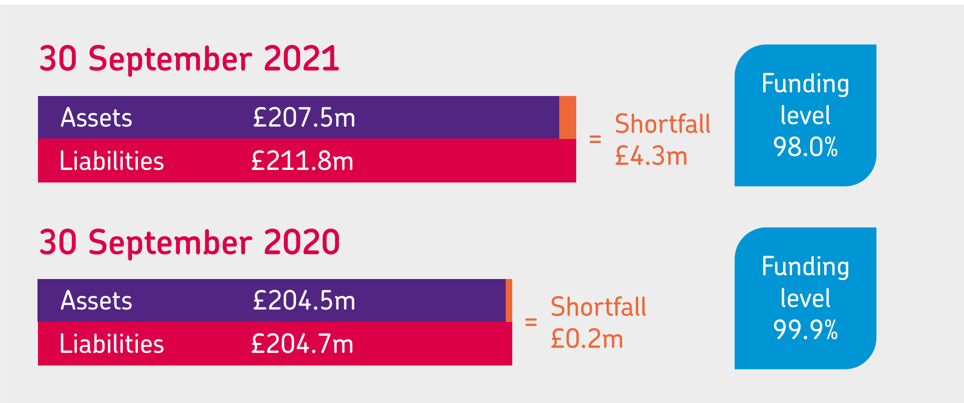
As part of the valuation, the Scheme Actuary measures the Scheme's funding in two ways – on an ongoing basis (which assumes the Scheme carries on as it is now), and on a discontinuance basis (which assumes the Scheme winds up and your benefits are secured by an insurer).

## A summary of the latest position

The Scheme Actuary works out the Scheme's funding position by comparing the assets against the liabilities.

- If the amount of assets is greater than the liabilities, the Scheme has a surplus.
- If the amount of liabilities is greater than the assets, the Scheme has a deficit, or shortfall.

The latest formal actuarial valuation, as at 30 September 2021, is now complete. The graphic below shows the results, compared with the Scheme Actuary's approximate assessment of the funding position as at 30 September 2020.




**KEY**

Assets – The money built up from member and Company contributions and investments, which is used to pay pensions when members retire. The asset figures above exclude the assets that are held in a separate AQA bank account that was set up following the 2018 formal valuation to be used, along with the Scheme's assets, to meet the objective to be able to insure the Scheme's benefits (more on this on page 11).

Liabilities – The cost of providing members with their pensions earned to date and pensions already in payment.

## Change in funding position over the year to 30 September 2021

The reduction in the funding position over the year was mainly due to changes in the assumptions used to determine the liabilities. These resulted from changes in market conditions, and also a reduction in the assumed investment returns agreed between the Trustees and Company (as part of the valuation process – to enable the Trustees to reduce the investment risk in the Scheme's assets and move closer to a solvency measure). This reduction was partially offset due to better than expected returns on the Scheme's assets.

## Eliminating the shortfall

The shortfall is expected to be eliminated by the return on the Scheme's assets being higher than allowed for in the 2021 valuation, which makes prudent assumptions regarding the assumed future returns. As such, no contributions will be paid into the Scheme to eliminate the deficit. However, in order to meet the longer-term objective to have access to sufficient assets to be able to secure the benefits in respect of all members with an insurer, a separate AQA bank account was set up following the 2018 valuation. Following the 2018 valuation, AQA agreed to pay £2 million a year into this bank account from 1 January 2020, in monthly instalments. This is until such time as the Scheme Actuary estimates the separate AQA bank account assets, plus the Scheme's assets, are sufficient to secure all members' benefits with an insurer. An estimate of the funding level on an insurance basis is shown on the next page. As part of the 2021 formal valuation, AQA agreed to continue making contributions of £2 million a year to the end of 2022 and £1.3 million a year from 2023. Given the estimated improvement in the funding level since 30 September 2021 (see below), the Trustees have agreed to pause contributions to the AQA bank account. As at 30 September 2021, this bank account had a value of around £3.5 million.

## Change in funding position since 30 September 2021

Markets have been volatile since 30 September 2021 with events such as the Russia-Ukraine conflict and the recent increases in short-term inflation and bond yields contributing to the volatility. The Trustees have monitored the Scheme's funding position throughout this period and are pleased to report that the funding position has been largely resilient against the market volatility since 30 September 2021. In fact, at the time of writing the funding level is estimated to be higher than it was at 30 September 2021. The Scheme Actuary will provide his approximate assessment of the position as at 30 September 2022 once the Scheme's report and accounts have been finalised.

## What protection is there for my benefits?

The Trustees are required by law to provide you with an indication of what the funding position would be if the Scheme had terminated and was wound up as at the date of the last valuation.

If the Scheme had wound up as at 30 September 2021, its assets of £207.5 million would have covered around 92% of the estimated cost of securing the Scheme's benefits with an insurance company (compared with 83.5% as at 30 September 2018). The Scheme Actuary estimated that this had improved to around 99% as at 30 September 2022 taking account of the assets in the AQA bank account.

In the event of the Scheme winding up, the Company would be legally required to finance this shortfall and pay enough into the Scheme to enable benefits to be secured with an insurance company.

In the unlikely event that the Company becomes insolvent and the assets are not enough to cover the shortfall, the Pension Protection Fund (PPF) may be able to offer compensation. Visit **www.ppf.co.uk** for more information.

## Looking after the Scheme

In certain circumstances, The Pensions Regulator has powers it can use, for example to set a pension scheme's funding plan. In relation to the Scheme, The Pensions Regulator has not used any of these powers. We can also confirm that the Company has not taken any money out of the Scheme.

### Scheme membership

| | 30 September 2022 | 30 September 2021 |
|---|---|---|
| Active | 91 | 95 |
| Deferred | 331 | 335 |
| Retired | 491 | 496 |
| Total | 913 | 926 |

## Scheme documents

The Statement of Investment Principles explains how the Trustees invest the money paid into the Scheme and can be found on the AQA pensions website at **www.aqadbpensions.co.uk**

The Implementation Statement shows how the Trustees have acted in line with the stewardship and engagement policies set out in the Statement of Investment Principles during the Scheme year. This is also available online at **www.aqadbpensions.co.uk**

The following Scheme documents are available upon request from Barnett Waddingham:

- Statement of Funding Principles – sets out the Scheme's funding target and how this will be achieved.
- Schedule of Contributions – shows how much money AQA and active members are paying into the Scheme, and when those contributions are due to be paid.
- Annual Scheme Report and Financial Statements – shows the Scheme's income and expenditure over the year.
- Formal Actuarial Valuation Report – shows the Scheme's financial position as at 30 September 2021.
- Actuarial Report – contains details of the Actuary's approximate update of the Scheme's financial position as at 30 September 2020.
- Summary Funding Statements – show the Scheme's estimated financial position each year. This newsletter includes the Summary Funding Statement as at 30 September 2021.

# The Trustees

The Trustee Board is responsible for the governance of the Scheme, and making sure that it's run in the best interests of its members. A team of specialist advisers are responsible for managing the Scheme on a day-to-day basis.

## The Trustee Board is made up as follows:

# Who should we look after when you die?

**Nobody likes to think about their own mortality, but completing an Expression of Wishes form is an important part of planning for a time when you're no longer here.**

## What does an Expression of Wishes form do?

It lets the Trustees know who you'd like to receive any lump-sum death benefits from the Scheme that could be payable when you die.

## Do I have to complete an Expression of Wishes form?

No – but completing one, and keeping it up to date, lets the Trustees know your preferred beneficiaries and can speed up the process of payment.

## Is it legally binding?

No, it's not a legally binding document and any payment made is at the discretion of the Trustees. But it will help guide the Trustees' decision-making process.

## I've already completed a form – do I need to do it again?

If you have previously filled in an Expression of Wishes form and your personal circumstances haven't changed, then there's no need for you to complete another one. But you should always make sure that the details on your form are still relevant. Life events, such as marriage, divorce, or the birth of a child, could mean your form is out of date and your death benefits might be paid to people you no longer wish to be considered.

## Where can I get a copy of the form?

Go to **www.aqadbpensions.co.uk** and click on 'Update your Expression of Wishes form now'.

# Contact us

Need information about the Scheme or your benefits? Contact the Scheme Administrator, Barnett Waddingham, using the contact details below.

It is also important that you notify the Barnett Waddingham administration team if you move house – this will ensure that you receive important Scheme communications and also that your benefits are paid on time.


Barnett Waddingham LLP
7th Floor, Pinnacle
67 Albion Street
Leeds LS1 5AA

0333 111 1222

AQA@Barnett-Waddingham.co.uk


## BWebstream

Don't forget, you have access to Barnett Waddingham's member self-service website through BWebstream – their secure and easy-to-use tool to help you manage your pension online, whenever and wherever it suits you.

Through BWebstream, you can view your pension information, letters and statements, and also obtain your monthly payslips if you're a pensioner. You can also upload documents securely and send them electronically to Barnett Waddingham. BWebstream also allows you to access Scheme documents, such as those outlined on page 13.

We are moving the majority of our communications online to BWebstream. This allows us to reduce the number of paper-based communications we send out, reducing our environmental impact and also our printing and postage costs.

**If you have not used BWebstream before, you will need to register to use the service. Please get in touch with Barnett Waddingham on 0333 1111 222 who will be happy to help.**

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