



News
from the
Chairman
Page 2

Scheme
Updates
Page 4

Meet the
Trustees
Page 5

Pension
News
Page 6

Pension
Scams
Page 8

How-to
and
Timeline
Page 10

2019 – Edition 1

PensionNews



Keeping your pension
running smoothly

Introduction

News from the Chairman of the Invensys Pension Scheme (IPS) Trustee

Dear Member

Triennial valuation results

Every three years, we carry out a full valuation of the Scheme's assets and liabilities. We have now completed work on the latest valuation, using membership data from the last Scheme year-end: 31 March 2018. I am delighted to confirm that the Scheme had a surplus of £143m, and a funding level of 103%.

The main factor behind this was a reduction in the assumed future improvement in members' life expectancy. This is to reflect recent trends and led to a reduction in the Scheme's liabilities. Other key financial assumptions, such as the methodology for setting the discount rate to assess the present value of pension benefits, have been kept unchanged.

We will provide more details on the actuarial valuation when we include an update on the Scheme's financial performance in the next Newsletter.

GMP equalisation ruling

You may have seen reports in the media of a recent court case involving members of the Lloyds Banking Group pension schemes. The ruling affects all schemes with Guaranteed Minimum Pensions (GMPs) and we are working with our advisers to understand the

consequences for the IPS. The court delayed some of its decisions until later in 2019 so we will wait until they are made public before we decide what we need to do.

The court ruling was about how GMPs are calculated. A GMP is a part of some members' pensions. In most cases, it's only a small part. The way a GMP is calculated could lead to unequal pensions for men and women because it is linked to State Pension Ages, which have themselves been unequal in the past. The court decided that this must change – pension schemes must 'equalise' GMPs, by topping up some members' pensions.

Both women and men could be affected. Some members who built up a GMP between 1990 and 1997 could end up getting a top-up to their pension, though many won't. Any increase is likely to be small for the majority of members compared to the rest of your pension.

We have included an article in this Newsletter to explain some of the background to the court case, and will keep you updated as the situation becomes clearer.

Trustee board updates

Last October, Eleanor Ager (a Company-nominated trustee director) retired from the Trustee board. Eleanor has been a valued member of the Trustee board since she joined in 2007 so please join me in thanking her for her contribution, and wishing her well for the future.

Three new members have been appointed to fill existing vacancies. Trevor Lambeth, from Schneider Electric UK, and Michel Picot, representing 2020 Trustee Services Limited (a company providing independent trustee services) have been nominated by the Company. Will Spinney was appointed as a member-nominated director. You can find a short biography on each trustee director on the IPS website at www.invensyspensions.co.uk

Brexit

At the time of writing, there continues to be considerable uncertainty about the Brexit process.

We have checked that our administrator, investment managers and other key service providers will continue to be able to provide us with a good service. We do not expect any disruption to the operation of the Scheme.

Administration system changes

If you are a pensioner, you may have noticed that your identification number on your payslip has changed. From December 2018, the administration team at XPS moved onto a new payroll system, which means they have changed some payroll identification numbers. If you need to contact XPS, please check your latest payslip and use the identification number shown.

Get your P60 tax certificate online

Every year the XPS administration team sends a P60 in the post to all pensioners who are receiving a pension at 5 April. Your P60 shows your income and the tax you've paid over the year, and is sent out with your May payslip. We will continue to send paper P60s to you in future. Your P60 is an important document and you may need to show it if you make a claim for state benefits or if you are filling in a tax return. We recommend that you keep your P60s in a safe place.

XPS receives many calls from pensioners asking for a copy P60 because the original has been lost or destroyed. Now that we have rolled out MyPension.com to all our pensioners, we plan to load a copy of your P60 onto your MyPension.com record. You will be able to print a copy yourself, or download the P60 and store it electronically. We hope you will find it useful to have your P60 available online and you will be asked to log into MyPension.com if you contact XPS to request a copy P60. If for some reason you can't access your P60 online, please let us know and we will send you a paper copy.

The P60s will be available via MyPension.com from late April.

Other matters

We have covered the issue of pension scams in previous newsletters but sadly the problem has not

gone away. So we've included some updates on what to watch out for, and what the government is doing to help combat scams, on pages 8 and 9.

You will find some information on pension increases for 2019 on page 4.

If you have a question about your pension, take a look at our how-to guide on page 10 and our retirement timeline on page 11. We've included some information on how we use your data to carry out regular checks for fraudulent activity. You can also visit our website or call our helpline. All the details are on the back cover.

I hope you enjoy reading this newsletter. Please let us know what you think about it by emailing invensyspensions@xpsgroup.co.uk

Kathleen O'Donovan
Chairman of the Trustee of the
Invensys Pension Scheme



Pension increases for 2019

On 1 April 2019, we'll increase most pensions we're paying by 3%

Most pensioners receive a standard increase to their pension on 1 April each year. For the majority of benefits, the amount of this increase is calculated by looking at the rise in the Retail Prices Index (RPI) measure of inflation in the 12 months to December. In line with the Scheme's rules, the minimum increase that could be applied to these benefits is 3% and the maximum is 5%.

This year, the rise in the RPI to December 2018 is 2.7%. So on 1 April 2019, most pensioners will see their pension increase by 3%.

Some parts of your pension are increased differently, depending on the section of the Scheme you were in:

- **Members who joined after 5 April 2000** receive an increase of 2.7% (RPI capped at 5%) on pension that was earned up to 5 April 2006.
- **For pension earned after 5 April 2006** members receive an increase of 2.7% (RPI capped at 3%).
- **Guaranteed Minimum Pension (GMP) earned between 6 April 1978 and 5 April 1988** can increase. This increase would be paid by the State as part of your State Pension, not paid by the Scheme.
- **Guaranteed Minimum Pension (GMP) earned between 6 April 1988 and 5 April 1997** is increased for most members by 2.4% – which is the increase in the Consumer Price Index (CPI) in the 12 months to September 2018.
- **Guaranteed Minimum Pension (GMP) earned between 6 April 1988 and 5 April 1997** is

increased for members of certain categories identified in the 2012 review of the Scheme's rules by 3%. This is the annual increase in the RPI to September 2018, capped at 3%.

- **Pension earned by previous members of the Electricity Supply Pension Scheme (ESPS)** will increase by 3.3%.

When they retire, some members choose to get more pension earlier on, in exchange for lower increases in future years. This is known as Pension Increase Exchange (PIE). If you're a pensioner who took this option, you will receive a significantly lower increase than the standard increase.

For some members whose former schemes merged with the IPS, different increase rates are paid in accordance with the relevant rules.

Not a pensioner yet?

If you're not yet taking your pension, we add inflation-linked increases until you retire. The amount of those increases will depend on the section you belonged to and the date you left the Scheme. You can ask to be sent an annual update of the value of your deferred pension by contacting the helpline – see contact details on back page.



Meet the Trustees



Q&A with Peter Vos

When did you join Invensys?

I joined Eurotherm in 1980 as a financial analyst. I was still in my 20s and relatively newly qualified as an accountant, and I jumped at the opportunity to move out of London so that my very young children could see the sea and have more space to play. After a few months of commuting, we found a house near Worthing, and we're still there, although the children are all married now. In 1999 Eurotherm became part of Siebe, just before the name change to Invensys.

How did you get into pensions?

Pension costs are now a major expense for any company, so members of the management team are bound to get involved at some point. My experience was only different in that I went back for more, several times, and as I got older and more experienced, I found there was always more to learn. I joined the trustees of the Eurotherm pension scheme in the early days, and as the company grew I went on several other trustee boards over the years, including one in the Netherlands where I lived for three years. But none of them was very big, and certainly nothing like the current size of the Invensys scheme.

Why did you want to be a trustee?

I applied to join the Invensys trustees because I genuinely find pensions interesting (I know!) and the issues that arise are very challenging. Of course, as an Invensys pensioner, I wanted to keep an eye on the prospects for my own pension too. The chairman, Kathleen O'Donovan, had been my boss previously and I'd enjoyed working for her then, although I knew I'd have a lot to learn.

What was the process of becoming a Trustee?

I applied after reading about vacancies on the Board in an issue of 'Pensions News', and after gaining support

from a few fellow pensioners, and an interview by a committee of trustees, I was appointed in early 2013.

What characteristics make a good trustee?

There is no list of qualifications and experiences which are needed to mint the perfect trustee. The board needs diversity and broad experience, so trustees can come from any background as long as they're numerate, logical and prepared to deal with complicated issues.

Has the Trustee Board changed much over the years?

Yes, I'm sure it has but in my five years, although there have been some retirements and new appointments, the way we work has remained largely unchanged. Company appointees of course have to leave the board when they leave the company, but pensioner representative trustees like me tend to stay.

Do you have a special job as a Trustee?

I have been on two committees where the detailed work is done. Preparing for the committee meetings is harder than preparing for full Board meetings because the documents to read and understand before the meeting are sometimes up to 300 pages on an iPad and mostly contain new material. Many are resubmitted for Board approval after committee scrutiny, so it's easier to prepare for Board meetings if you've seen the material previously. Until last year I was on the former Governance and Audit committee and now I'm on the Investment committee.

What do you do outside the world of pensions?

Having retired when I was 60, I decided I wanted to be involved with charities having spent 40 years in business. I am now on the boards of four medium-sized charities, with a financial role in each. They are all different, spanning heritage, archaeology, day-care for adults with learning difficulties, and more. Together with the IPS, I think I work nearly as much now as when I was working for real.

We have four children, four grandchildren plus one on the way, and a large garden in which my wife and I split the work. I am mostly just a fair-weather gardener as my roles are grass cutting, bulb-planting and tree maintenance with some weeding at times. And I'm reasonably fit as I run nearly every day. There's not much free time left after that.

GMP equalisation – recent developments

A recent court ruling about the Lloyds Banking Group pension schemes has brought the issue of equal pensions for men and women back into the spotlight. Here we explain what the court ruling means for IPS and what steps we are taking to comply with it.

What the court ruling was about

The court ruling was about how Guaranteed Minimum Pensions (GMPs) are calculated. A GMP is a part of some members' pensions. In most cases, it's only a small part. The way a GMP is calculated could lead to unequal pensions for men and women because it is linked to State Pension Ages, which have themselves been unequal in the past. The court decided that this must change – pension schemes must 'equalise' GMPs, by topping up some members' pensions. The only members who could be affected by the court's decision are those who were building up a GMP as part of their pension benefits between 17 May 1990 and 5 April 1997.

If you left the IPS before 17 May 1990, or you joined after 5 April 1997, this ruling will not affect your pension.

Why some members have a Guaranteed Minimum Pension

There used to be two state pensions – the main one and an additional one, known as the State Earnings Related Pension Scheme or SERPS. People contributed to both of these through their taxes and National Insurance contributions.

When SERPS was introduced in 1978, companies like BTR, Dunlop, Thomas Tilling etc were allowed

to 'contract out' of it. By contracting out, the company paid less National Insurance – and so did you, if you were a member of the company pension scheme. In return, the scheme had to guarantee that it would pay you a pension that was at least as good as the pension you would have received from SERPS. This was known as a Guaranteed Minimum Pension and had to be paid as part of your IPS pension when you retired.

If you were a member of one of the contracted-out sections of the IPS some time between 1978 and 1997, you probably have a GMP. But only the GMP you built up from 17 May 1990 is affected by the ruling.

What the court ruling means for IPS members

Some members who built up a GMP between 1990 and 1997 could end up getting a top-up to their pension, though many won't. Both women and men could be affected. But any increase is likely to be small for the majority of members compared to the rest of your pension.

GMPs revalue (before you retire) and increase (after you retire) at a different rate to the rest of your IPS pension. They also revalue and increase differently depending on whether you are a man or a woman.



Equalising those benefits for everyone will be complicated because there are so many different combinations to consider.

If your pension needs to be topped up, we will tell you how we plan to do that. We expect most increases to be very small.

What happens next

The court ruling said that schemes like IPS need to take action, and suggested four different methods that schemes could use. The final decision on how to equalise will be made by IPS and the Company. The Trustee of the IPS is in the process of taking advice from the IPS advisers, and is working with the Company to agree how to equalise GMPs. There are a number of different ways to approach equalisation, but our main aim is to make it as efficient as we can – so members who are due a top-up get it as quickly as possible.

In the meantime, we are continuing to work with HMRC (the tax office) to complete a separate exercise connected with GMPs, called GMP reconciliation. We have mentioned this in previous newsletters. This exercise is being carried out by all schemes that have GMPs, to make sure that each scheme's records match the records held by HMRC. We will need to complete our reconciliation project

before we can start work on equalising GMPs. If there are any changes to your pension as a result of the reconciliation or equalisation, we will write to you.

One-off cash payments suspended

Members who are entitled to a small pension may be able to exchange their pension rights for a one-off cash payment. This is known as trivial commutation. The court ruling means that we have had to temporarily suspend this option for anyone who earned a GMP between 17 May 1990 and 5 April 1997.

How to avoid pension scammers

Pension scams are on the increase. According to the Money Advice Service, as many as 8 people every second get a phone call from someone who is after their pension money. And those who fall victim lose an average of £91,000. Scams are getting more sophisticated and harder to spot. So here are some tips on some of the methods scammers are using, to help you avoid them.



What scammers do

Scammers pretend to be legitimate finance specialists. Either directly, or by introducing you to someone else, they can take your pension money by moving it to a fake scheme, or they can persuade you to put it into high-risk or unregulated investments that earn high commissions. They can also use complicated structures that make your cash hard to track and get back. They can also leave you with a big tax bill by tricking you into taking too much of your pension at once – after they've taken their cut.



What to look for

A lot of scams start with a 'cold call' – an approach that comes from someone offering to help you. This 'cold call' doesn't have to be on the phone. It could be through a website that comes up on a search,

and looks official. Or it could be through networking sites like LinkedIn or Facebook. You could even be introduced by friends who think they are doing you a favour.

The Government has recently banned most cold calling about pensions, which should help to reduce the problem.

Pension scammers might promise you eye-catching, guaranteed returns. They might say you first need to transfer to a Self Invested Personal Pension (SIPP) then transfer again to another arrangement. You'll often be told that there are two or more advisers in different firms that you have to deal with.

In particular, be wary of anyone who offers to help you transfer out or 'cash in' your pension. The Financial Conduct Authority (FCA) says most members are 'best advised' not to transfer out of a final salary scheme. And if you do look into it, you should get the help of a properly authorised independent financial adviser.



Use the FCA to check out a firm

If you don't already know the adviser, it's a good idea to call the FCA to check them out. You can call them on 0800 111 6768 or go to their website:

- Start with a quick search of the firm's name in the search bar at the top of the FCA's website and see what comes up – www.fca.org.uk
- Check the FCA Register to see if the firm is properly authorised – www.fca.org.uk/firms/financial-services-register. If they're listed, check the contact details you've been given match those on the Register.
- If the firm isn't on the Register, check the list of unauthorised firms – www.fca.org.uk/consumers/unauthorised-firms-individuals



Tips to help you avoid being scammed

1. **Don't** expect scammers to be easy to spot – they are sophisticated, professional, polite and well-dressed!
2. **Don't** believe anyone who says they don't have to be authorised by the FCA
3. **Don't** let a friend talk you into a special deal they've found – they may have been scammed too
4. **Don't** take an offer from a cold caller or an email to transfer your pension into another scheme
5. **Don't** fall for perks, like the offer of a personal home visit, or a free lunch.

To get more information about scams, go to www.fca.org.uk/scamsmart

You can report scammers to the police at www.actionfraud.police.uk

How-to...

How-to...

A helpful guide for common questions



How do I find out what my income will be after I retire?

We'll write to you about five months before you're due to retire. We'll let you know what your pension will be and explain the options you have. If you'd like to know before then, write to us at the address on the back page or call our helpline.

How do I find out what my pension would be worth if I want to transfer it to another pension scheme?

Write to us at the address on the back page and ask. We'll work out a value for your pension for you for free. It can take up to 20 working days for our response to reach you. If you'd like us to give you more than one valuation within a year, you'll need to pay us £250 for each additional calculation.

How do I tell you that someone's died?

To let us know that someone has died, please ring our helpline as soon as you can. One of our

administration team will guide you through the next steps at this difficult time, including how to apply for any benefits that may be payable. If you contact us after the 18th of the month it may not be possible to stop the next pension payment being made, so we will ask you to return it.

How do I tell you I've changed my address?

If you're a pensioner, you can log into www.mypension.com/ips and update your address online. Alternatively, you can write to us or download a form from www.invensyspensions.co.uk/forms

How do I nominate who'll get any death benefits when I die?

If you've been receiving your pension for less than five years, or you're a deferred member, you just need to update your nomination form. You can download the form from www.invensyspensions.co.uk/forms. Alternatively, call the helpline and ask us to post you one. Once

we have your form, we'll respond within ten working days to confirm we've updated our records.

How can I tell if someone's trying to con me?

See our special article in this newsletter – How to avoid pension scammers.

Why have you asked me to sign a 'certificate of existence'?

We need to be sure that we are paying pensions to the right people. One of the ways we do this is to write to randomly selected members and ask them some questions to confirm their identity. If you receive one of these letters, please fill in the form that came with it and return it to the administration team. The sample is chosen at random, so please don't worry if you receive a letter – we aren't suggesting that you've done anything wrong.

As well as checking in this way, we use services such as the National Fraud Initiative to check our data

Timeline – What to expect and when to expect it

against the death records held by the General Registrar in the UK. We share your personal data with carefully chosen providers to carry out this service. We do sometimes find that we have made pension payments that we should not have done. This is usually because a member has died but the family hasn't told us. This could be due to a genuine mistake – we know there are lots of things to sort out when someone dies. However, we also see cases where the family has not told us about the death so that they can continue receiving the pension.

If your pension has been overpaid, we have a responsibility to all Scheme members to try to get the money back. Most of the time we can sort it out quickly by asking for the overpayment to be paid back. However, if we suspect fraud has taken place, we use a specialist legal team to pursue fraudulent overpayments and have successfully taken court action to recover wrongly paid pensions.

Annually, before you retire

Every June

You can ask us to send you an illustration of what your final salary pension might be worth. We'll send it out in June.

Every July

We'll automatically send you a statement if your pension is based on what you've built up in your own Defined Contribution (DC) or Additional Voluntary Contribution (AVC) pot.

A few months before you retire

We'll aim to get in touch with you five months before you retire. But if any of your pension is Defined Contribution, where you've built up your own IPS pension pot, or you've topped up your pension with Additional Voluntary Contributions, we'll get in touch with you eight months before you retire.

In any case, we'll send our pack of everything you need to know. You won't need to do anything until you receive the pack.

It's important for you to tell us if you move house, so that we can contact you without delay. If you have moved but you haven't told us, we may need to use a tracing service to find you. This could delay payment of your pension and lump sum.

After you retire

We try to pay you as soon as possible after you retire.

If you're taking a lump sum

As long as we received all your forms on time, your money will usually be in your bank account within 7 days of your retirement date. It will be slightly longer if you have Additional Voluntary Contributions or Defined Contribution funds because we have to ask the manager to sell your investment and send us the proceeds.

If you're taking your IPS pension

We pay everyone on the first day of each month. If you retire in the first half of the month, we can usually start paying your pension on the first day of the following month. It'll be the month after that if you retire in the second half of the month. Some pensions are annual. We pay those on the first of the month in which they're due. When the first of the month is on a weekend or bank holiday, we bring payments forward to the working day just before.

Every April

Every year there are standard increases for the pensions in the Scheme. We'll tell you how much they are in April.

Every May

You'll be able to see your latest P60 at www.mypension.com/ips. A P60 is the form that shows your income from the Scheme for the previous tax year. You'll need to produce it if HMRC asks you for it.

Get in touch – Our contact details



Write to our Scheme Administrators at:

XPS Administration
36 Gallowgate
Newcastle upon Tyne
NE1 4TD



Email us at: invensyspensions@xpsgroup.co.uk



Visit our website at: www.invensyspensions.co.uk



Phone us on: 0191 341 0600

When you phone us, we'll need to check you are who you say you are. To help us, please have your National Insurance number and Payroll identification number handy when you phone.



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