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PensionNews



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Introduction

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

Dear Member

The latest formal valuation shows the Scheme's funding level is stable

I am happy to confirm the Scheme's funding level at 31 March 2019 is stable at 102% with a surplus of £95m. The surplus acts as a buffer against future uncertainty and investment risks. External factors such as geopolitical tensions and uncertainty over Brexit continue to provide challenges for investors, but we work closely with our investment managers and advisers to manage risks and maintain a stable funding level.

You can find more details on the financial performance of the Scheme and what the Trustee has done over the year in 'This Year in Summary' on page 5. This section also contains details of the last formal valuation, which was carried out as at 31 March 2018.

Members who haven't retired yet now have access to MyPension.com

Up to now, only IPS pensioners had access to **MyPension.com**. Now all our members do. If you're a member who hasn't retired yet, you will receive a letter from us inviting you to log in to MyPension.com. On this secure website, you can check your pension information, including an annual update of the pension you have saved with us. You can also check the estimated value of your pension should you wish to transfer it out of the Scheme.

I hope you successfully log in and view your details, and that you will find the new information useful.

In future, we will offer you the option to access information securely via MyPension.com instead of posting it to you. For example, if you ask for an estimate of how much pension you should get when you retire, XPS Administration will upload your statement to MyPension.com and send you an email when it's available.

There's more information about the DC section of the Scheme online

This affects you if: you saved into the Defined Contribution (DC) section of the Scheme, or you paid Additional Voluntary Contributions (AVCs), and you have not yet started to receive your pension. The DWP has recently updated its guidance on what information should be given to members of DC schemes.

To keep in line with this, we have recently made some changes to the IPS website. There is now a dedicated page for members with DC funds. You can access it at www.invensyspensions.co.uk/pagedc

Here you'll find information about the funds available to you, how much the annual charges are for each fund, and links to factsheets provided by the investment managers. You'll also find a link to the chairman's statement, which we publish each year in the Report & Accounts.

If you are unable to access the information on our website, please contact XPS Administration and ask for a printed version of the documents. You'll find their information on the back page of this newsletter.

You can choose to delay your retirement

As we increasingly live longer, healthier lives, the idea of retirement has become more flexible. You may choose to delay claiming your pension until after age 65 because →





you are still working. If you have also been a member of a number of pension schemes because you have worked for different companies throughout your career, each of those pension schemes may have different rules about retirement. So, it's important you understand what happens if you choose to delay taking your pension.

The IPS allows late retirement. We will offer you this option when we contact you at normal retirement age. If you tell us you plan to delay your retirement to a later date, we'll record your preference and contact you nearer that date. Of course, you may change your mind and decide to start claiming your pension sooner. Simply contact XPS Administration to let them know.

If you delay starting your pension until after age 75, HMRC requires the Trustee to carry out a Lifetime Allowance check on your 75th birthday. It is unlikely that you will need to pay a tax charge as a result of this check unless your combined pension savings are very large. The Lifetime Allowance limit this year is £1,055,000 which is equivalent to a yearly defined benefit pension of £52,750. So you will only be affected if your total pension savings are above this limit.

We usually carry out a Lifetime Allowance check when we put your pension into payment, so if you claim your pension before you reach age 75, we don't have to check it again at 75.

If you think you may have savings above the Lifetime Allowance and need help with managing your tax liability, you should seek help from a qualified tax specialist. XPS Administration can provide you with information about your IPS benefits but they are not qualified to provide tax advice.

Watch out for scams if you are thinking of transferring your pension

Like many schemes, over the past few years the IPS has seen an increase in the number of deferred members choosing to transfer out their benefits. The increase is partly due to the variety of options introduced by the Government in 2015 under the banner of Pension Freedoms.

You might remember that we included an article about pension scams in the last issue of the IPS News. It's a problem that continues to create concerns for the Trustee. We want you to make decisions that are right for you and your family and there is no one size that fits all. It's important that you have access to good quality financial advice and your adviser must be registered with the Financial Conduct Authority (FCA). You can find out if an adviser or a firm is registered by visiting register.fca.org.uk

If you decide to go ahead with the transfer after taking advice, XPS Administration will carry out some further checks on behalf of the Trustee. This may involve them contacting you by phone to check some details.

The whole transfer process can take several months to complete but this allows time for the proper checks to be carried out. If you are unsure that you are making the right decision, you have the right to stop the process at any time.

Plenty more to read in these pages

We've interviewed Will Spinney, our most recently appointed Trustee director, on page 10.

If you have a question about your pension, take a look at our How-to guide on page 12 and the important dates on page 14. 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

This year in summary

Summary Funding Statement

Each year we provide information on the financial position of the Invensys Pension Scheme ('the Scheme'). In this article, we'll explain what we learnt from the detailed actuarial valuation that was completed during 2018. We'll also give you an update of the Scheme's finances as at 31 March 2019.

This information does not affect your entitlement to benefits.

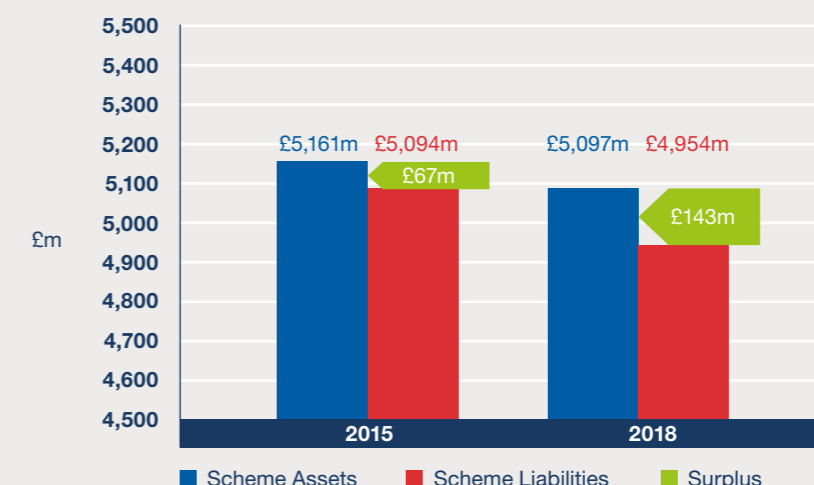
Triennial Valuation at 31 March 2018

We carried out a formal valuation of the Scheme as at 31 March 2018 which confirmed that the Scheme had assets of £5,097m and Technical Provisions (the amount needed to cover the Scheme's liabilities) of £4,954m. This meant the Scheme had a surplus of £143m and a funding level of 103%.

The Technical Provisions are a prudent estimate of the current value of the Scheme's liabilities assuming that it continues to operate in the current way.

To calculate the Technical Provisions, we set assumptions for the Scheme Actuary to use. These assumptions include: the way in which pensions will increase with inflation, how long members are expected to live, future interest rates, and the investment return that the Scheme will achieve on its funds. We set these assumptions based on advice from the Scheme Actuary, taking into account the covenant provided by Invensys Limited, the Scheme's Sponsor, and the £1.75bn parent company guarantee provided by Schneider Electric. We agreed the assumptions with the Company. →

Triennial Valuation



These assumptions are similar to the last triennial valuation in 2015. We updated them slightly by adopting the latest available models and tables for mortality. This led to us slightly reducing our assumption about how long members are expected to live in the future. The slower improvement in life expectancy reflects recent trends that have been seen both in the Scheme and in data for the UK overall. We kept the same methodology for setting our assumptions about inflation and interest rates.

At the last formal valuation, on 31 March 2015, the Scheme had a surplus of £67m. The main reason the surplus increased to £143m in the 2018 valuation was the change in the mortality assumption, which reduced liabilities by £111m. This change was slightly offset by changes in market conditions and investment returns.

The surplus will serve as a buffer against potential risks, such as an underperformance of the investments or changes in actuarial assumptions.

Updated funding position at 31 March 2019

The Scheme Actuary has recently produced the annual actuarial update, which gives an estimated liability at 31 March 2019 of £4,950m. This estimate

used the same assumptions as the 2018 valuation. Assets at the same date were £5,045m. This means the Scheme had a surplus of £95m at 31 March 2019, slightly lower than the surplus of £143m at 31 March 2018. This continues the trend over the last few years, which has seen the funding level remain relatively stable, close to 100% since April 2014. Over the year to 31 March 2019, the main reason for the slight fall in surplus is the overall effect of changes in market conditions and investment returns.

As the Scheme continues to be fully funded on a Technical Provisions basis, the Scheme’s Sponsor doesn’t need to provide any contributions.

Solvency Funding Position

The Technical Provisions basis isn’t the only way to value the Scheme’s liabilities. They can also be valued by looking at how much we would have to pay an insurance company to take on the job of paying members’ benefits. If that happened, members’ benefits would be fully secured and we could wind up the Scheme. As at 31 March 2018, we estimated that the amount needed to do this was £6,442m, which meant a shortfall of £1,345m. This figure is just an indication and doesn’t mean that we or Invensys Limited are considering winding up the Scheme or insuring members’ benefits.

Annual Report and Financial Statements

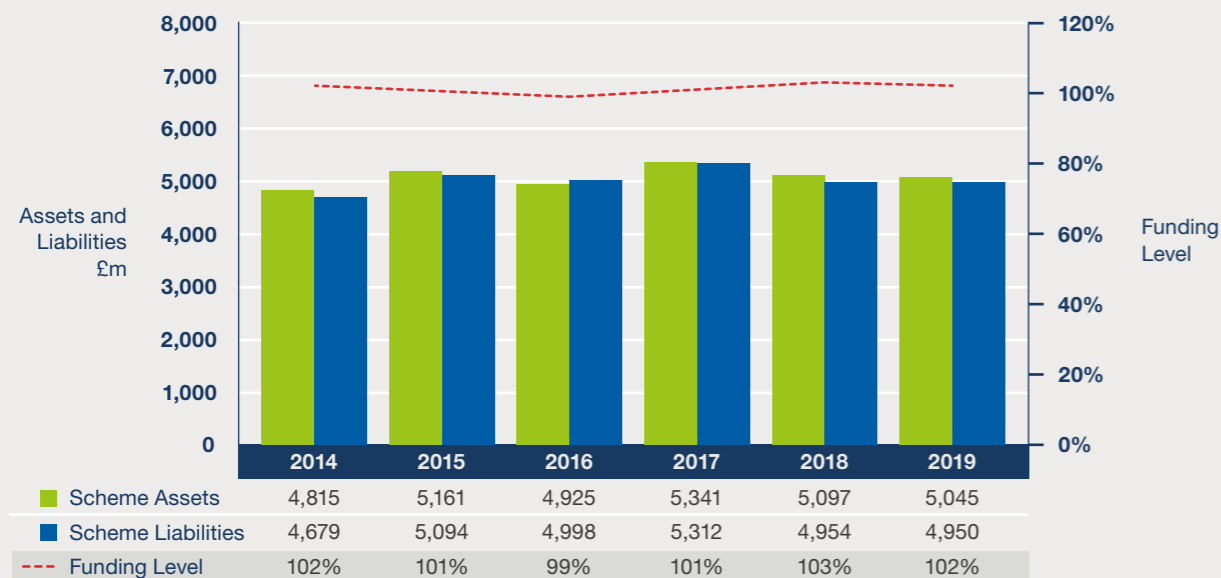
We’ve now completed the Annual Report and financial statements for 31 March 2019. They have also been independently audited. The financial statements focus on the value of the assets in the Scheme and the reasons for the movement in the funds held by the Scheme. The cost of paying pensions in the future is estimated by the Scheme Actuary as summarised on the previous pages. This cost is not included in the Scheme’s financial statements.

The movements in the Scheme’s funds over the last three years are summarised in the table below.

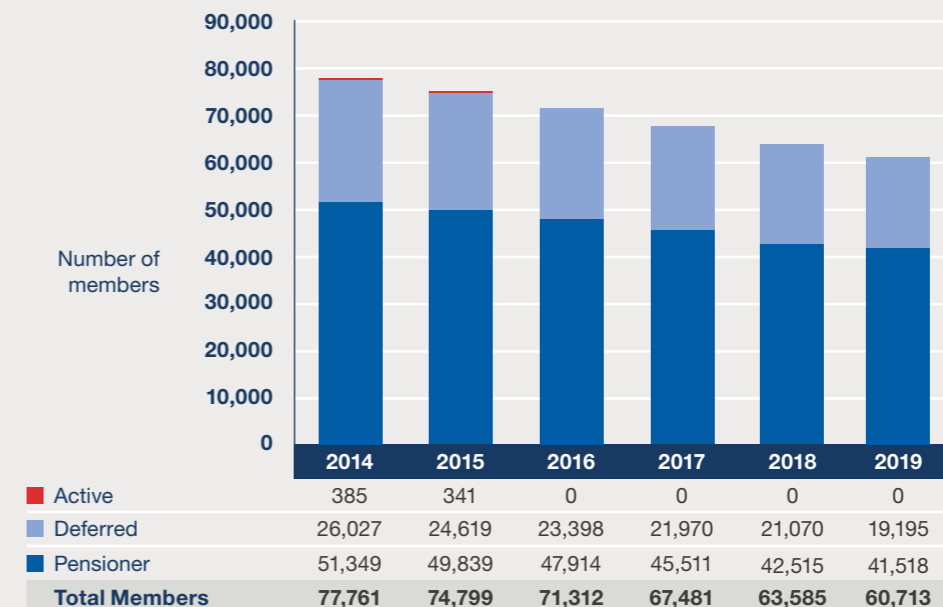
The Annual Report describes our activity in the year. It also gives more detailed information about the Scheme’s membership and the investments it holds. If you’d like to see the full report, it’s available at www.invensyspensions.co.uk. Or you can ask for a printed copy by calling XPS Administration. Their number is at the back of this newsletter. →

£m	2019	2018	2017
Fund value at start of the year	5,097	5,341	4,925
Income			
Contributions paid by Invensys Limited and Scheme members	–	–	–
Income and capital gains/(losses) from investments	246	69	707
Outgoings			
Benefits payable to members (pensions and lump sums)	(247)	(256)	(249)
Payments to leavers	(35)	(41)	(22)
Fees and expenses (administration, advisers, investment managers)	(16)	(16)	(20)
Fund value at end of the year	5,045	5,097	5,341

Funding Level



Membership



Investment Summary

Our investment strategy

The Scheme invests to achieve a return equivalent to the return on Government gilts + 1 percentage point a year. This is our Strategic Target. From this, we derive a Strategic Asset Allocation. The aim is to deliver asset returns that cover the Scheme's liabilities, as based on the Technical Provisions.

At the investment level, we set specific performance targets for each underlying investment manager. These specific targets cover a shorter period than the overall Strategic Target. Bringing these targets together determines the Scheme's Investment Manager Target (IMT). Year on year, the IMT might be above or below the Strategic Target.

The Trustee is responsible for:

- Monitoring how assets perform against the Strategic Target, which is equivalent to the investment returns assumed in calculating the Technical Provisions (the amount needed to cover the Scheme's liabilities)
- Monitoring how the assets perform against the IMT (there are more details in the investment managers' performance section below).

The Strategic Target corresponded to a return of 5.7% in the year to 31 March 2019. Its value reflects primarily the impact of lower gilt yields. This increases the present value of the pensions that the Scheme is expected to pay. The IMT corresponded to a return of 5.6%, which was slightly lower than the Strategic Target. This is because the IMT was less sensitive to movements in gilt yields, and so increased less than the Strategic Target when gilt yields fell.

Strategic asset allocation

We classify the Scheme's investments in two categories:

1. A Liability Matching Fund (LMF). This helps mitigate the Scheme's interest rate and inflation risks. The LMF is made up only of assets seen to be relatively low-risk, like UK Government gilts.
2. An Investment Portfolio. This aims to access the risk premium of a diversified portfolio of return-

seeking assets. It also looks to benefit from the additional performance available from active management, where appropriate.

The investment managers' performance

Our investment managers' performance in any given year results from a combination of the capital markets' environment and the managers' ability to navigate the markets so the Scheme outperforms them.

Market environment

The year to 31 March 2019 saw a broadly stable macro-economic environment. The US and Eurozone economies grew in 2018 at rates of 2.9% and 1.9% respectively. The UK economy's growth was a little bit behind but was still in positive territory at 1.4% over the same period. China continued to report very significant growth in the region of 6%, similar to the previous year. However, trade tensions rose during the year, led by the US administration threatening to impose tariffs with some of its main trading partners. In addition, some indicators also started to point to a slowdown in economic activity.

This might explain the overall shift in the policy of the main central banks during the year. The US Federal Reserve increased its main target interest rate by 0.75 percentage points. However, they have indicated they would reduce the pace of increases at a level below what had previously been anticipated. The Bank of England also increased the base rate by 0.25 percentage points during the year. They have also since indicated they could provide further support to the UK economy, depending on developments around Brexit.

Financial markets performance was relatively positive during most of the year. There was a sharp correction towards the end of 2018 and the beginning of 2019, but the markets have largely recovered from it. Global equities returned around 5% year-on-year which is close to the return expectations the Scheme uses. Credit spreads ended the year broadly wider than they were at the beginning of the year. UK gilt yields decreased at the short and medium maturities, but the gilt yields on longer maturities stayed largely unchanged.

How the Scheme performed

The Scheme's funding level remained stable throughout the year and ended it at 102%. The Scheme's assets achieved a return of 5.0% over the year. This was 0.6 percentage points and 0.7 percentage points below the Investment Manager Target and the Strategic Target respectively. The Investment Management Target is split between the target for the Liability Matching Fund (LMF) and the target for the Investment Portfolio.

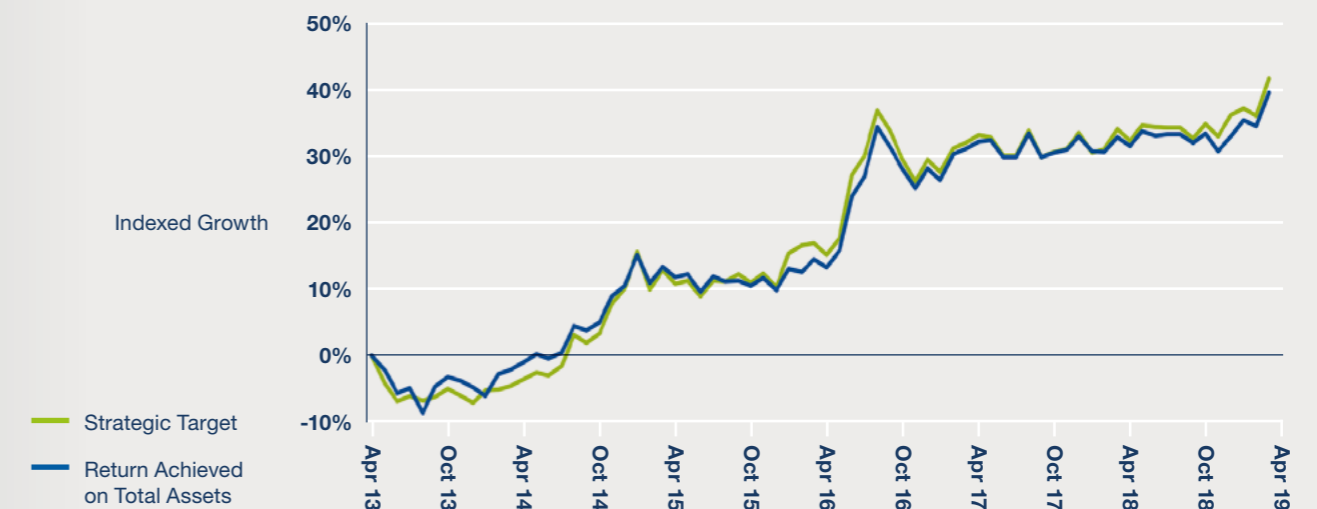
The LMF had a total return of 7.3%, in line with its target of 7.2%. Those relatively high numbers are largely explained by the fall in gilt yields.

The Investment Portfolio had a total return of 2.1% for the year. This return was 1.8 percentage points below the target of 3.9%. The returns for most of the mandates in the Investment Portfolio were positive but below their targets. In the case of the IG Bonds, Broad Bonds and Loans mandates, this was largely due to the widening of credit spreads. On a positive note, the widening of credit spreads created an opportunity for the Scheme to reallocate gilts into some of those mandates and so achieve higher return expectations.

The chart below shows that the Scheme assets' performance has tracked the Strategic Target very closely over the past few years.



Asset Performance Against Strategic Target





Q&A with Will Spinney

When did you join Invensys?

I joined Invensys as Deputy Group Treasurer in 2000 at the Head Office in Victoria. The next few years were very turbulent for Invensys as it struggled with its finances and made several disposals. I became Group Treasurer in 2004 and was heavily involved with the major refinancings in 2004 and 2006. I became a fiduciary of the US pension scheme at about that time and also saw aspects of the UK scheme. This gave me a vital understanding of pensions from the ‘employer’ side. I left Invensys in 2007.

How did you get into pensions?

I was a trustee for the UK scheme of my employer, Eaton Corporation, in the 1990s. Back then, and also while I was in treasury at Invensys, the whole nature of pension schemes was under scrutiny. Regulation and Accounting rules changed rapidly. But the key issue was that the liabilities, or pensions to be paid, are very much like debt for the employer. This was hugely important in treasury, where the ability to service and repay debt is the number one priority.

Why did you become a trustee?

I was invited to be a trustee and was very happy to accept. I remember, as a treasurer, trying to model the risks in the many schemes that Invensys had around the world. The running of a scheme has always fascinated me. There is this mix of risk management and financing, together with the fact that a member’s pension is their ‘wages’ in retirement. They need it to live! So, it’s numerate and personal.

From my experiences in treasury, I know that a ‘comfortable’ financial position can quickly deteriorate. Being very aware that we are entrusted with people’s

livelihoods, I’m keen to protect those. I hasten to add that the Scheme is in a very strong position, but this is because of sound trustee work over many years.

What characteristics make a good trustee?

Lots of qualities are needed. The board needs diversity to make good decisions. I’d also say the key qualities are the willingness to keep on learning, to listen to the issues and arguments, and to be curious.

Do you have a special job as a trustee?

The trustees work as a team to govern the scheme and achieve the goal of paying the pensions. But I am a member of the Investment Committee, which oversees investment policy and practice. The role includes reviewing investment managers and dealing with all sorts of issues such as regulations around derivatives and other technical challenges. My experience of dealing with financial markets is of enormous value here.

‘Being very aware that we are entrusted with people’s livelihoods, I’m keen to protect those.’

What do you do in your free time?

I still work in treasury, occasionally teaching or some other academic work, but I am essentially now retired. I’m pleased to say that I’m probably fitter now than I have ever been, with plenty of time to walk, cycle and run. I recently did a 300km ride round London over two days. I still worry about my three children, even though they are very grown up. One lives in Australia, so this means an occasional trip there, but my wife and I also enjoy the theatre and less distant holiday destinations.

Your IPS Pension at the touch of a button

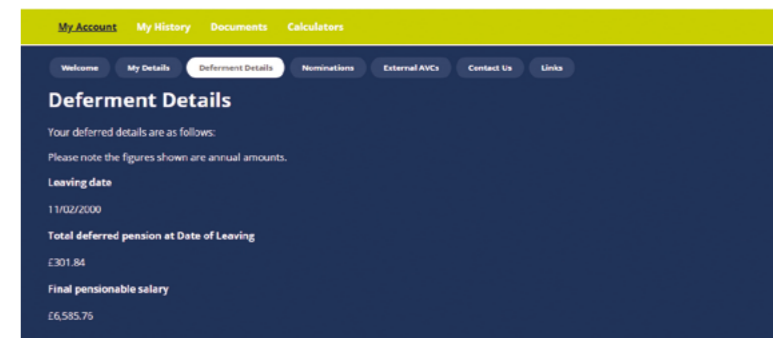
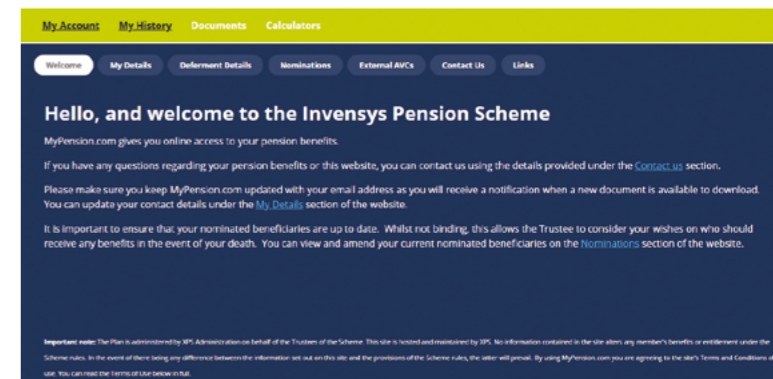
Before now, only IPS members who were taking their pension had access to MyPension.com. But we have now rolled out MyPension.com to members who aren’t taking their pension yet, too.

MyPension.com is a secure website that gives you the information you need about your IPS pension – and much faster than usual. For instance, instead of going through the process of asking for a transfer value, waiting for our administrators to calculate the answer and post it back to you, you can see an estimated transfer value online immediately.

On MyPension.com, you can:

- View your personal data and tell us about any changes to your address or who you want your money to go to when you die
- View your latest Additional Voluntary Contribution (AVC) or Defined Contribution (DC) statements, if you paid into these parts of the Scheme
- See the amount of your annual pension when you left and its value now
- Check how much your pension is worth should you wish to transfer it out – we’ll update this estimated transfer value every three months

Although the Trustee aims to provide all members with an up to date valuation of benefits and an estimated transfer value, this is not possible for some categories of membership. If you are unable to see your pension and transfer value when you log in, please contact XPS Administration who will be happy to provide you with the information within 20 working days.



You can also use MyPension.com to contact XPS Administration. For example, if you’re thinking of retiring early, you can log in and contact the Administrator for an early retirement estimate. You’ll still be able to contact XPS Administration by phone, email, or post if you wish. You can find the contact details on the back page of this newsletter.

In future, we’ll put information on MyPension.com instead of sending it by post. If you usually receive an annual statement, you’ll find it on MyPension.com in future. If you ask for an estimate of how much you’ll get when you retire, we’ll put this securely on MyPension.com instead of sending it to you by post. From 2020, we’ll no longer send any statements by post unless you ask us to in writing.

If you’ve mislaid your letter inviting you to log in to MyPension.com, or you’re having problems logging in, contact XPS Administration using the details on the back page.

Go to www.invensyspensions.co.uk for general information, like how the Scheme works, frequently asked questions and past newsletters.



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, contact XPS Administration using the details on the back page of this newsletter.

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

You can check the estimated Cash Equivalent Transfer Value (CETV) of your deferred pension by logging into www.MyPension.com/ips. We update the estimated CETV in your online account every three months.

If you would like to speak to a financial adviser about transferring your pension to another scheme, you can ask us to send you a full transfer

pack. Contact XPS Administration using the details on the back page. It can take up to 20 working days for the pack to reach you. If you'd like us to give you more than one transfer pack 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?

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 tell you if I change my email address?

If you have registered on MyPension.com, it's important that you tell us if your email address changes. You can log into your account at www.MyPension.com/ips and change it there.

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 log into www.MyPension.com/ips and update your nomination details online. Alternatively you can download the form from www.invensyspensions.co.uk/forms, or call the helpline and ask us to post you one.



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

There are more pension scams around all the time. Unregulated companies are trying to tempt people with cash in return for moving their pensions. Even if these companies are legitimate, what they are offering can be very risky.

So be wary of website promotions, cold calls or text messages out of the blue. Watch out for adverts that make it sound tempting to move your pension. Someone might even knock on your door with an 'opportunity' or offering a 'free pension review'. These are all warning signs. Check everything carefully before you make any decisions about your pension. Once you move your money, it will be too late to get it back.

If you do want to change your pension provider, speak to an independent financial adviser.

If you're worried about pension fraud, get in touch with The Pensions Advisory Service. This is an independent voluntary organisation with local advisers who are experts in pensions. You can phone them on 0300 123 1047 or go to www.pensionsadvisoryservice.org.uk and search for 'pension scams'.

How does the Trustee use my data?

We only ever use your data to provide you with benefits from the Scheme. This may involve sharing your data with carefully selected providers to carry out work on our behalf. More information on how we use your data can be found in the Privacy Policy on the IPS website – www.invensyspensions.co.uk

We need to be sure that we are paying pensions to the right people, so we use a specialist service to check our data against the death records held by the General Registrar in the UK. 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

If you have previously requested an annual update, we'll calculate the current value of your deferred pension and upload a statement to your secure account on www.MyPension.com/ips. From June 2020, we'll no longer send you any statements by post unless you ask us to in writing.

Every July

We'll upload a statement to your secure account on www.MyPension.com/ips if your pension is based on what you've built up in your own Defined Contribution (DC) or Additional Voluntary Contribution (AVC) pot. From July 2020, we'll no longer send you any statements by post unless you ask us to in writing.

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

Most pensions receive an increase on 1 April. Some pensions increase at different rates, depending on which section you joined. We'll post the standard increase rates on our website in March each year.

Every May

We'll send your P60 to your home address. You'll also 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 invensypensions@xpsgroup.co.uk



Visit our website at www.invensypensions.co.uk

Log into MyPension.com and view or update your details online at www.MyPension.com/ips



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.



Get this newsletter as an audio CD

We make this newsletter available as an audio CD for members who are blind or partially sighted. To get yours, call the helpline on 0191 341 0600.

