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2023 Edition

PensionNews



Keeping it simple

Discover more about our new look communications

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

Welcome to the Summer 2023 newsletter

Many of you will be feeling the effects of higher prices. The conflict between Russia and Ukraine added to existing inflationary pressures and we have seen the cost of living rising at the fastest rate in more than 30 years.

To try to control inflation, the central banks are increasing interest rates, albeit not at the levels to which many of us will remember back in the 1980s. As always, keeping your pension safe and secure is our top priority and you will see that the Scheme remains in a strong position.

Our funding level has improved

The Scheme Actuary has updated his estimate of the money required to pay benefits in the future based on the assumptions agreed in 2022. This showed that the Scheme funding level had improved from the previous year. As at 31 March 2023 the Scheme has £123m more assets than the estimated amount needed to pay benefits, which is a funding level of 103.6%.

There was much reporting in the papers and on television of problems some pension schemes had when interest rates rose very sharply following the mini-Budget in 2022. Some schemes had to sell assets urgently to raise cash and lost money. But the IPS investment strategy and processes worked as planned over this period. Our Scheme did not have to sell any assets to raise cash.

You can find more details on the financial performance of the Scheme and the actions taken by the Trustee during the year in 'The Year in Summary' on pages 6 and 7. You can also read about the investment performance and strategy on pages 8 and 9.

New communication strategy

You may notice a few changes to the format of this year's newsletter. These are in response to the survey we carried out in October 2021 and feedback from our new Member Panel.

Members have asked for a shorter newsletter which they can access digitally, making the Scheme more accessible, interactive and better for the environment.

As always you can use the MyPension.com service, meaning that everyone can stay in touch with the Scheme. If you choose not to access your scheme information this way, you can still expect a great service from us by phone or post.

You can find out more about our communication strategy, MyPension.com and how you can join our Member Panel on pages 4 and 5.

If you would like to start receiving this newsletter by email, please send your email address to bulkmailing.invensys@xpsgroup.com

Meet our new Board members

We are very pleased to welcome Alison Morris and Palwinder Hare as two new Member Nominated Directors who joined in October 2022. They have already brought fresh perspectives to our thinking, and you can read more about them on page 10.

Defined Contribution and AVC changes

The Trustee reviewed the provision of the DC and AVC benefits and moved these to the AON Master Trust. We have already written to all the members who are affected by the move.

Pension transfers and the Scam investigation service

Unfortunately, we continue to see new scams emerging all the time. Our scams investigation process aims to protect members from unscrupulous advisers/providers. We will only refuse a transfer where we believe that you are at serious risk of losing some or all of your pension savings. More than 80% of transfer requests are processed without any problem.

If you want more information about scams, please see page 11. You can also go our website – www.invensypension.co.uk – and visit our scams page.

Plenty more to read in these pages

If you have a question about your pension, take a look at our How-to Guide on page 11, which also includes information on how we use your data to carry out regular checks for fraudulent activity.

The usual Timeline for retirement activity is on page 12 along with all our contact details including a change in address of our administrators, XPS.

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



New communication strategy: easy access



Nothing is more important to us than our members, which is why we have designed our new communication strategy based on your input.

Making sure your voices are heard

This year we created the IPS Member Panel. It plays a vital role in making sure your voices are heard and it has been instrumental – along with the member survey – in giving valuable feedback about improving our communication with you.

The first strand of our communications strategy is simplicity. Pensions can be complex, but they are vitally important. We want to make it easy for you to find out what is happening with the Scheme.

That's why this year's newsletter is shorter – you may have noticed it is now 12 pages rather than 20 – but we have kept all the key information and contacts you need.

The second strand of our communications strategy is accessibility. Following lockdown there has been a greater emphasis on communicating online and we have noticed a drop in postal contacts and a rise in visits to our websites. We know it is the moment to go digital so, for the first time, we have produced a full digital version of the newsletter, which includes links to further information on our website. A traditional paper-based newsletter is also available.

These two important changes not only make it easier for us to stay in touch, they will reduce costs to the Scheme – we pay thousands of pounds to send out the paper newsletter in postage alone – and also lower our impact on the environment.

In future, members can opt out of the paper-based newsletter and receive the digital version via email. You can do this by emailing bulkmailing.invensys@xpsgroup.com

Please visit www.invensyspensions.co.uk for general scheme information, guides and newsletters.

MyPension.com

Keeping with the digital theme, we will be uploading all the information you used to receive by post to MyPension.com

Among other things you can use MyPension.com to:

- tell us about changes to your address or nomination details
- view past AVC or DC statements
- see your pension value at date of leaving
- view your personal data
- find out the current estimated transfer value (CETV) of your benefit.

If you haven't received your invitation, or you are having problems logging in, contact XPS Administration. You'll find their details on page 11.



Join our Member Panel to help us do even better

Our Member Panel has been a success since it began in early 2023. Now we are looking to build on that success by including a more diverse range of views, skills and suggestions.

As a member, you can have a say in how we develop tools and communication material, learn and develop new skills and meet fellow members.

The Member Panel will meet at least once per year via Microsoft Teams, with the option to join by phone. Typically, a meeting requires 90 minutes of your time.

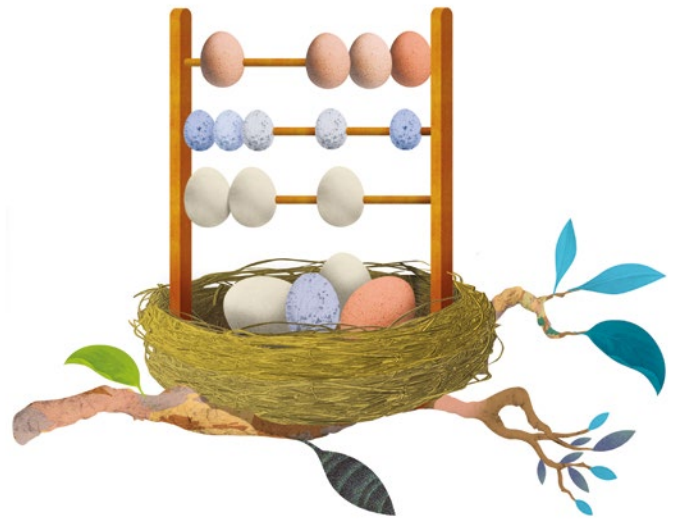
If you are interested, send an email to:
ipspanel@ipsuk.org

Please tell us why you would like to join the Member Panel and the ideas and skills you can offer.



Use this QR code to see the digital version of this newsletter.

This year in summary



This year, in keeping with our simpler approach to communication, we have a shorter summary of the Invensys Pension Scheme's financial position. A full statement can be found on our website www.invensypensions.co.uk/scheme-documents

The Scheme's funding position has improved since the last valuation

The funding position is the difference between how much the Scheme needs to pay pensions now and in the future (its liabilities) and how much money it actually has (its assets).

	31 March 2021	31 March 2022	31 March 2023
Assets	£4,828m	£4,579m	£3,502m
Liabilities	£4,815m	£4,516m	£3,379m
Surplus	£13m	£63m	£123m
Funding Level	100.3%	101.4%	103.6%

The Scheme Actuary has updated his estimate of the money required to pay benefits in the future based on the agreed assumptions. The Scheme has £123m more assets than the estimated amount required, equivalent to a funding level of 103.6%.

The funding level improved from the 100.3% at the last triennial valuation on 31 March 2021, and from 101.4% in March 2022, because our investments performed better than our liabilities and because the Company has paid £50m of special contributions to the Scheme following the sale of Eurotherm and IMServ businesses during the last two years.

The value of the assets has reduced significantly, and you may wonder why the Trustee does not see this as a problem. The increase in interest rates over the year has been unprecedented and we've also seen record levels of inflation. Our approach to managing the risk of changing interest and inflation rates has always been to hold assets that behave in the same way as the value of our liabilities when these rates change. This approach is commonly referred to as a Liability Driven Investment (LDI) strategy. This was the main reason that the value of our assets fell in the year.

The higher interest rates meant that the current value of our liabilities fell by even more than the value of our assets. In a higher interest rate environment, the amount of money we need to invest today to generate the same amount of cash in future years to pay pensions falls. The fact that the amount of money required now to pay pensions in the future is lower does not imply that the pension you are entitled to receive in the future has reduced.

Long Term Objective

As part of the March 2021 Actuarial valuation, we set a Long Term Objective (LTO) to be funded on a much more prudent basis by March 2030, so that the Scheme could invest with even less risk as the membership ages and the Scheme falls in size as it pays pensions to its members. We have managed to achieve a surplus of £31m on the LTO funding basis in March 2023, far earlier than expected.

The Scheme remains well positioned for the future

The Trustee continues to believe that the Scheme is well positioned to pay the pensions promised to its members. This view arises from:

- the strong funding level, described above
- the obligation of the Company to make contributions, if required, to remedy a funding deficit
- the guarantee given by Schneider Electric of up to £1.75bn that any contributions due from the Company to the Scheme will be paid.

Additional information we must tell you

The Scheme’s liabilities can also be valued by looking at how much we would have to pay an insurance company to take on the responsibility of paying members’ benefits. As at 31 March 2021, we estimated that the amount needed to do this was £5,735m, which meant a shortfall of £919m.

The law says we must provide this estimate. It doesn’t mean that we or Invensys Limited are thinking about winding up the Scheme.

The Scheme has not made any payments to Invensys Limited in the last year.

The Pensions Regulator has not been required to use any of its powers in relation to the Scheme.

More detailed information available

We’ve now completed the annual report and financial statements for 31 March 2023. The financial statements, which have been independently audited, describe the value of the assets in the Scheme and the reasons for the change in value of the funds. It also provides details of the Scheme and its investments.

The full report is on our website – www.invensyspensions.co.uk

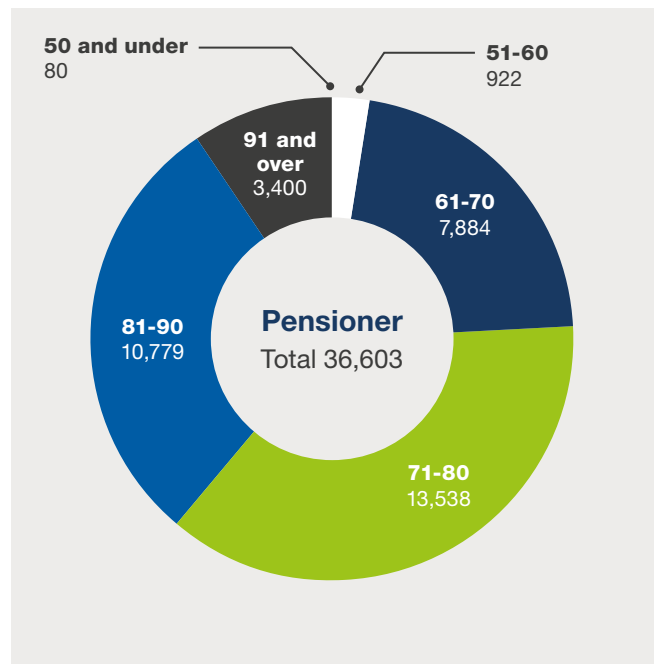
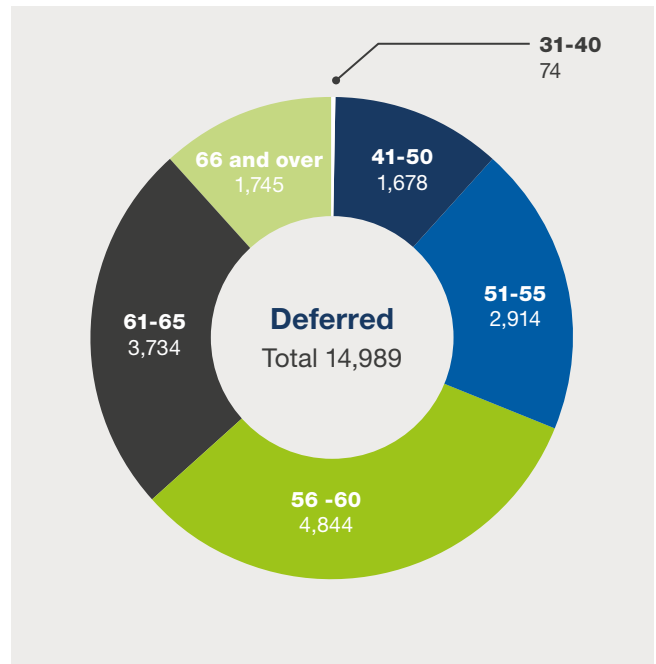
Membership

Our Member Panel feedback tells us that you’d like to hear about the Scheme’s membership profile. We’ve included this here. More information can be found at www.invensyspensions.co.uk

Membership status

Total	51,592
Pensioner	36,603
Deferred	14,989

Age profiles (at 31 March 2023)



Investment strategy

The Scheme's investment strategy has two main objectives.

- 1 To secure members' future benefits by limiting risk and delivering consistent, reliable investment returns.
- 2 To meet the investment target agreed with the Company (the Strategic Target). From April 2022 onwards, this was to achieve 1.1 percentage points (ppts) above the return on UK Government bonds (gilts) each year. The Trustee has to invest in some assets that have an element of risk associated with them to achieve this target.

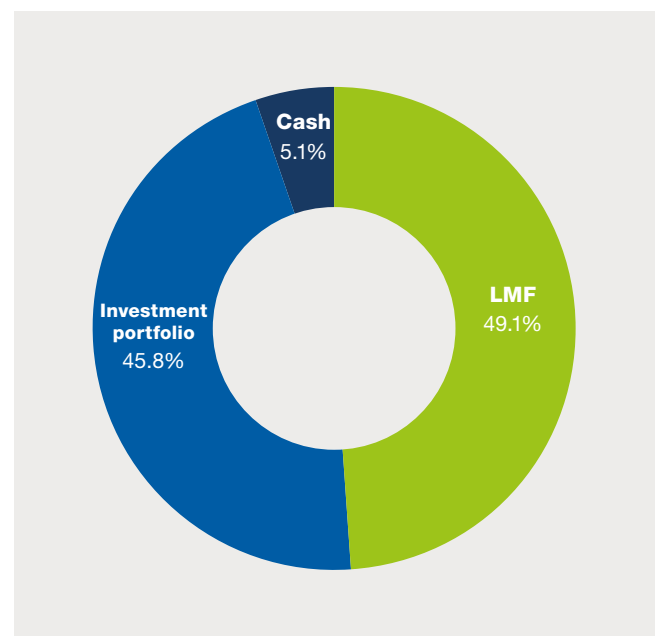
The investment strategy is designed to invest in assets that aim to move in the same way as the Scheme's liabilities. This means that when the asset values fall this is matched by a consistent drop in liability values.

Since the Scheme's liabilities move in line with UK gilt yields and with changes to the expected future inflation rate, we need to invest in assets that mitigate those moves.

We classify the Scheme's investments in two categories.

- 1 A Liability Matching Fund (LMF). This helps mitigate the liabilities' sensitivity to changes in gilt yields and inflation. The LMF is made up of only 'low risk' assets, like UK Government bonds, Network Rail bonds and cash. We also invest in derivatives to help manage any interest rates and inflation risks.
- 2 An Investment Portfolio. This aims to generate a return over gilts from a diversified portfolio of assets. This is mainly made up of bonds with a high credit quality.

Split of the Scheme's investments

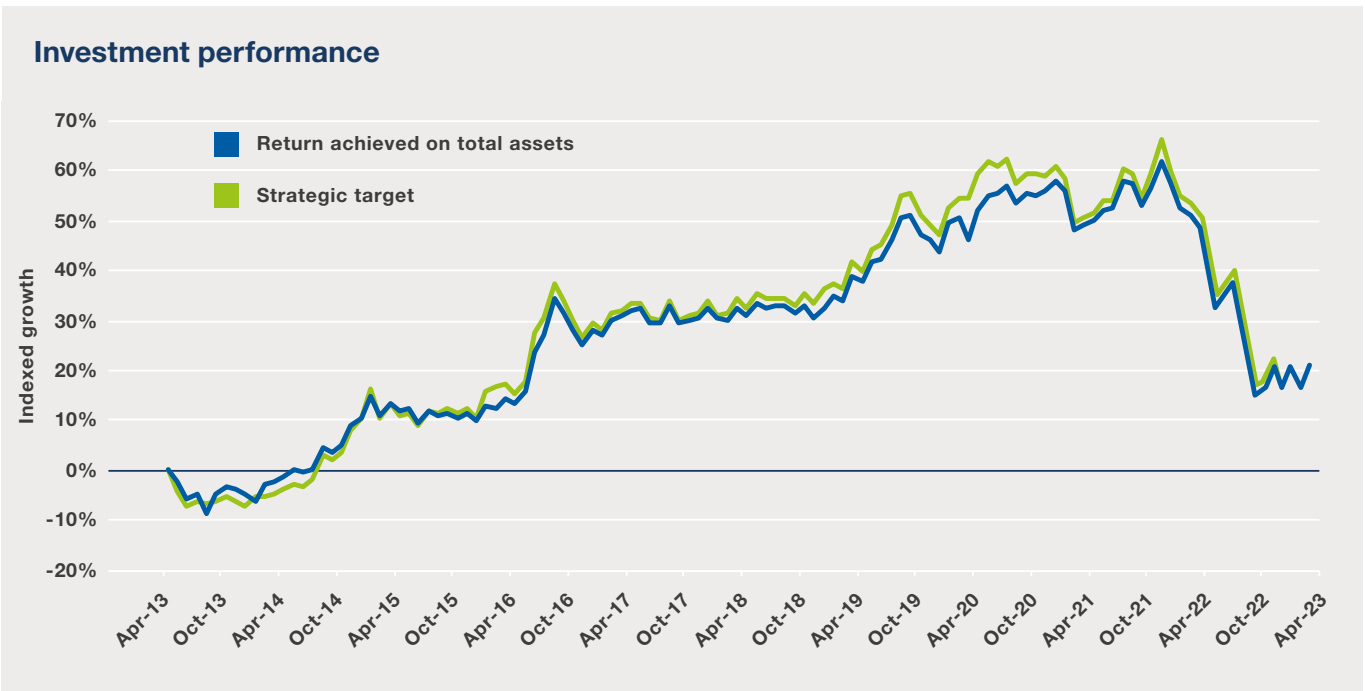


How the investments have performed

In the year to March 2023 the Scheme's investments outperformed the target rate of return by 0.4 ppt. The return on the Scheme's investments was a fall of 18.8% in the year net of all fees and costs, compared to the Strategic Target of a 19.2% fall. The absolute investment returns have been negative given the significant increase in UK Government bond yields.

Where derivatives were used, there were sufficient assets to satisfy increasing demands of collateral, even allowing for a sizeable buffer for future market movements as happened in September 2022's 'mini-Budget'.

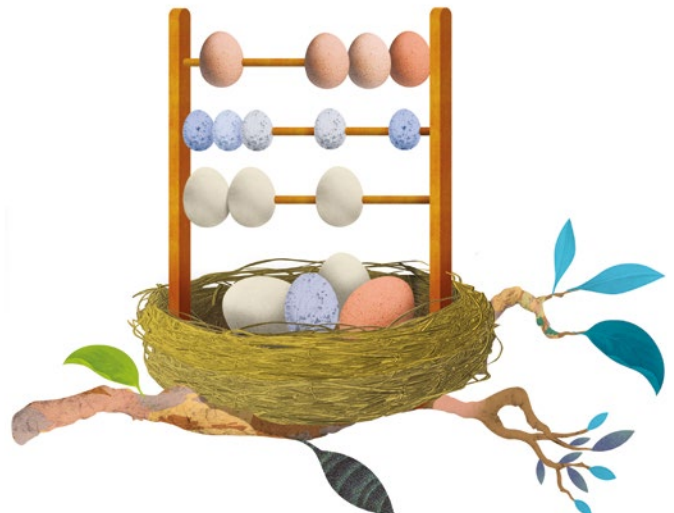
The present value of liabilities fell by more than the market value of assets over the course of the year. Therefore the funding position improved and remains strong.



Over the past three years, the Scheme’s assets outperformed the Strategic Target by 1.6 ppts per annum. The chart above shows that the Scheme assets’ performance has tracked the Strategic Target very closely over time.

The Trustee will continue to act prudently to protect the Scheme’s funding level, while looking for investment opportunities to enhance it.

You can read more about the investments, performance and market outlook in the Trustee report & accounts which can be found on our website www.invensyspensions.co.uk



Meet the trustees

In October IPS appointed two new Member Nominated Trustee Directors to the Board who bring extensive experience and expertise to the role. They tell us how they plan on making a difference to the Scheme.



Palwinder Hare, a corporate lawyer, is looking forward to using his legal experience to support and challenge the Board of Trustees

“To make a difference one has to learn and contribute. My legal experience provides me with the technical expertise to look at transactions and issues from a strategic perspective. I previously served as Trustee Director of the Foyer Federation, a charity supporting young people to realise their potential. This provided me with first-hand experience in the role of a director and gave me a strong appreciation of diversity and inclusion and a commitment to equality and social justice.

My trustee directorship at Standard Chartered Pension Fund provides me with specific pensions-related board knowledge and experience. Being a Trustee Director of two schemes allows me to share experience from one to the other.

I and my fellow Trustees, with their diverse experiences, are committed to steering the Scheme in the best interest of the members.”

To read more about Palwinder, go to www.invensypensions.co.uk/ph-interview



Alison Morris, a retired HR director, hopes to bring a different perspective to the scheme

“I’m fortunate to have capacity in my retirement to take on something to challenge me while hopefully benefitting the Scheme by bringing a different perspective.

Most of my working life has been in Human Resources. This included Governance and Compensation and Benefits responsibility, so Pensions Management, Governance and Administration have been important threads throughout my career. Overseeing changes from Defined Benefit to Defined Contribution Schemes and introducing Stakeholder Pensions have also given me valuable experience and knowledge to prepare me for the Trustee position.”

To read more about Alison, go to www.invensypensions.co.uk/am-interview

To read the full interviews with our new Trustees visit www.invensypensions.co.uk

How-to

How-to a helpful guide for common questions

How do I tell you that someone's died?

To let us know that a Scheme member has died, please ring our helpline as soon as you can on **0191 341 0600**.

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

You can log into **MyPension.com/ips** and update your address online. Alternatively, you can write to us or download a form from **invensyspensions.co.uk/forms**

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

Be wary of website promotions, cold calls or text messages out of the blue. If you're worried about pension fraud, get in touch with The Pensions Advisory Service on **0300 123 1047** or go to **www.moneyhelper.org.uk** and search for 'pension scams'. Alternatively, go to our website – **www.invensypension.co.uk** – and visit our scams page.

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**

If you are looking for more information about the Scheme, you can find details of the most common questions at **www.invensyspensions.co.uk** or at **www.MyPension.com**

Get in touch

The Scheme is administered by XPS Administration who can be contacted at:

Tel: 0191 341 0600 (general enquiries)

Email: invensyspensions@xpsgroup.co.uk

XPS Administration
PO Box 562
Middlesbrough
TS1 9JA



Yearly, before you retire

Every quarter (**Jan, April, July and Oct**)

For most of you we'll calculate the current value of your deferred pension and upload a statement to your secure account on **MyPension.com/ips**

We no longer send statements by post unless you have asked the XPS Administration team to do so.

A few months before you retire

We aim to get in touch with you five months before you retire with a pack containing everything you need to know.

You won't need to do anything until you receive this pack. It is important that you tell us if you move so that we contact you easily. Without your latest details we may need to use a tracing service to find you, which could delay payment of your pension or lump sum.

If you transferred your DC Pension Savings from IPS to the Schneider Future Wealth section of the Aon MasterTrust, you should contact Aon directly for information on how you can access your pension fund. Their details are below.

If you are in the Aon MasterTrust, you have the option to switch your DC savings back to IPS and take them as cash. How much tax-free cash you can take will be shown in your retirement pack. This option is only available when you take your benefits from the Invensys Pension Scheme.

You can contact the administrators of the MasterTrust using the following details: **admin@theaonmt.co.uk**

Telephone number: **0345 646 1021**

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 receive all your forms on time, your money will usually be in your bank account within 7 days of your retirement date. It could be slightly longer if you switch back your DC savings from the Aon MasterTrust to IPS because we have to ask Aon to sell your investments 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 a month after that if you retire in the second half of the month. Some pensions are paid yearly. We pay those on the first of the month in which they're due. When the first of the month falls on a weekend or bank holiday, we bring the 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**

If you have registered on **MyPension.com** you'll be able to view your P60 by 31 May. If you have not registered, we'll send your P60 to your home address by 31 May.

A P60 is the form that shows your income from the Scheme for the previous tax year. You'll need to show it to HMRC if they ask.