

**EAT•N**

Powering Business Worldwide

**UK Pension Plan**

# PLAN AHEAD

October 2023



[www.eatonukpensionplan.co.uk](http://www.eatonukpensionplan.co.uk)



# Welcome again to Plan Ahead!

## Plan valuation in progress

We are currently working on the latest full valuation as at 31 December 2022, and we will be able to report more details next year. Early indications suggest that the Plan is broadly fully funded, three years ahead of target.

We have asked our investment advisers, LCP, to explain last year's developments in a bit more detail. You can read more on pages 8, 9 and 10.

## Market ups and downs during 2022

The Trustees' main jobs are to pay members' benefits and ensure that the Plan has enough money to continue to pay benefits into the future. We understand that investment turbulence reported in the media can be worrying.

When considering the recent falls in the Plan's value, you should keep in mind that:

- Your benefits are not directly affected by investment performance
- Eaton has a legal duty to support Plan funding
- Often, falls are short term and, the true effect may take a few years to emerge.

## Equalising Guaranteed Minimum Pensions

We reported on the Guaranteed Minimum Pensions (GMPs) in previous newsletters, we're now working with our providers to simplify and equalise GMPs where needed. We tell you more on page 11.

## Welcome to Siobahn

Finally, I'd like to extend a warm welcome to Siobahn Meikle (a Zone Leader for Eaton UK & Ireland) who has joined the Trustee Board as a Company Nominated Trustee.

**Rachel Brougham, Chair of the Board of Trustees**

This year we're changing how we tell you about the Plan to take more steps towards being greener. As part of running the Plan well, we consider how our use of resources affects the environment; this is why we'd like to start sending you Plan Ahead by email and stop sending it to you by post. This is more secure for you and better for the environment.

## What's a full valuation?

Every three years the Plan Actuary looks at all aspects of funding in a full valuation.

Whilst we check funding in between, the valuation looks at all the assumptions used and sets the Company contributions and the Recovery Plan.

You can find the latest summary funding statement on the Plan website, and we plan to publish the results of the full 2022 valuation later in next year's Plan Ahead.

# How the Trustees look after the Plan

As Trustees we have many responsibilities; the main one is ensuring that the Plan's assets are safe and sufficient to pay benefits in a timely fashion. We also have a wider responsibility to ensure that the Plan's assets are invested in responsible and sustainable investments.

## Investing with our environmental impact in mind

The Plan has around £700 million of investments. Where and how these are invested has an impact. Although the Trustees don't make the day-to-day investment decisions, we work with our advisers to look at how the Plan's investments affect our world. We monitor the Plan's investments and the companies they invest in with a view to minimising (or influencing positively where we can) the environmental and social effect they have.

We check and report on the investments we hold with support from our investment advisers, LCP. This includes reporting on the sustainability of each fund (and the companies it invests in). We also review how our managers vote at company annual general meetings, and how they engage with or monitor companies with regard to their plans to transition to a low or no carbon business.

## Want to know more about how we run the Plan?

By law the Trustees must publish information about the running of the Plan and how we have held ourselves to account. This includes looking at the checks and balances the Trustees have in place to run the Plan effectively. Our Statement of Investment Principles sets out the considerations and factors affecting how we invest the Plan's assets, and our Implementation Statement covers our managers' voting history.



Visit the Plan website <https://eatonukpensionplan.co.uk/eukpp/useful-information.aspx> to find out more.

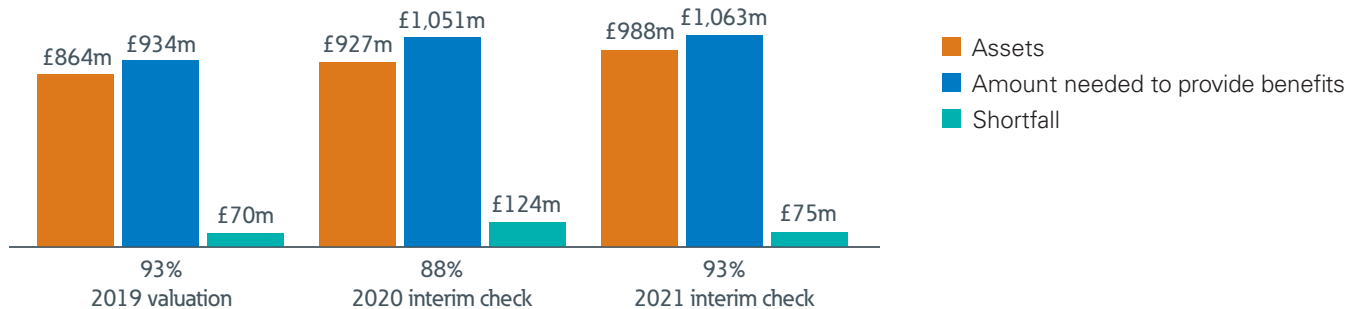
# Plan valuation underway

Richard Akroyd, our actuary

## Plan Funding

The Plan's funding level is checked regularly to monitor the effect of changes in the value of the Plan's assets, expectations for future returns and inflation, as well as estimated life expectancy. Full valuations are carried out every three years, reviewing and updating these assumptions. The last full valuation was carried out as at 31 December 2019. Funding is also checked annually, with the last interim check being carried out as at 31 December 2021. These interim checks use assumptions from the most recent full valuation.

The chart below shows how the funding position has developed since the full valuation carried out as at 31 December 2019.



 You can find the latest Summary Funding Statement on the website at:  
<https://eatonukpensionplan.co.uk/documents/eukpp-sfs-2021.pdf>

The latest full valuation is currently being carried out as at 31 December 2022 and we hope to share the results of this either later this year or early next year. **Initial indications suggest that the Plan is broadly fully funded, three years ahead of our target.**

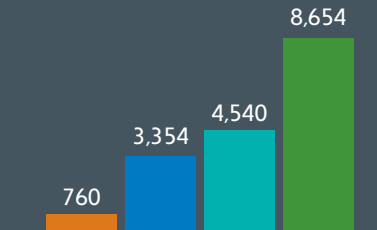
# The Plan in figures as at 31 December 2022

## Plan accounts

<b>Plan assets at 31 December 2021</b>	<b>£988.0m</b>
	+
Total contributions	£25.3m
Total outgoings	(£30.8m)
	-
Change in value of investments*	(£304.5m)
	=
<b>Plan assets at 31 December 2022</b>	<b>£678.0m</b>

## Plan membership

Actives Pensioners  
Deferreds Total



\*The significant reduction in value of the assets was due to the investment turbulence in autumn 2022. That same investment turbulence reduced the cost of providing future benefits even more, so the Plan is now broadly fully funded.

You can read more about the events behind this fall and its effect on the Plan on page 10.

You can request a copy of the Plan's full Report and Accounts from the Administration Team (details on the back page).



# A quicker, greener, and more secure way to get news about your pension

We're reducing the carbon footprint of the Plan by going paperless with our member communications. We need to tell you that from now on all communication will be online.

This means the next Plan Ahead will be published online only and we'll send you an email instead telling you when it's available.

## Why is going digital better for you?

### **It's more secure**

When you receive communications online, our verification checks ensure that it's you accessing them – preventing unauthorised access to your pension information.

### **You can access your information instantly**

We've upgraded our personalised member website to make it easier for you to use. If you are a pensioner, then you can access your details and make changes too.

### **Handy checklist**

On your home screen, you'll find there's a handy checklist to help you get to grips with the key tasks you need to do on ePA.

### **More convenient**

Using digital communications can mean one less thing to remember. For example, your email address probably remains the same even if you move house. Just let us know once and we'll do the rest.



## How this will affect you

There are two types of communications we share with you.

Some, like our newsletter, are sent to everyone. You'll be able to find these on [www.eatonukpensionplan.co.uk](http://www.eatonukpensionplan.co.uk) and we'll tell you when news is available by email only **from now on**.

So, to keep in touch, we'll need your email address please.

Personal documents, for example when you request a quotation from the Administration Team, will be added to ePA where your statements are stored, much like the portal used by HMRC.

Please check the new feature in ePA, called e-documents, that enables you to access your quotations online rather than receive these in the post. Once you have added your preference to ePA, any future quotations that you request from the Administration Team will be added to your record in ePA. You will receive an alert via email or text once your quotation or a letter is ready to review.

## Keeping you safe

We've introduced Two-Factor Authentication. This is an extra layer of protection when you log in. As well as using your usual login details you will be required to enter a One Time Passcode sent to your phone.



## Tell us how you want to be sent Plan information



To keep you informed about your pension and Plan news, from now on we will need your personal email address.

The screenshot shows the 'Contact Preferences' screen. At the top, it says 'Confirm how you prefer to be contacted by the administrator'. Below this, it explains that the administrator will need to contact the user about their pension. There are two main questions: 'Are you happy to receive communications online, or via e-mail, where appropriate?' with a 'Yes' radio button selected, and 'What is your preferred method of contact for notifications?'. Under this second question, there are two options: 'Email' with a 'No' radio button selected, and 'SMS' with a 'No' radio button. A 'Save' button is located at the bottom right of the form.

To help you to do this easily we have now added a Member Communication Preferences screen, which will pop up when you log in (unless you have previously set your preferences).

If you can't login to ePA, please contact the Administration Team (details on the back cover) and we will continue to send your communications in the post.

# How did LDI and market events affect Plan funding?

## Investment Advisers, LCP

'LDI' and some big-name company pension schemes hit the headlines last year during the investment turbulence following the autumn 2022 mini budget. So, what was it all about and did it affect the Plan?

### What is Liability Driven Investment (LDI)?

LDI means investing in assets that provide returns that aim to move in the same way as the expected cost of providing benefits (the liabilities). Pension schemes use LDI as a way of holding government bonds (gilts) because, broadly, liabilities are valued using the return available on them. The aim is to protect funding from changes in interest rates and inflation, which are two of the biggest factors affecting the value of the liabilities.

### Does the Plan use LDI?

The Plan holds LDI investments. As at 30 June 2023, around 32% of the Plan's assets were invested in LDI with another 9% or so held as **collateral\***. The Plan's LDI assets are designed to protect or hedge 90% of the changes in the value of its liabilities due to interest rate or inflation changes. This means that if liabilities rise or fall in value by £100 million, the value of its LDI portfolio is expected to rise or fall by around £90 million.

### What caused the 'LDI crisis' last year?

The mini budget introduced by Liz Truss's government in September 2022 made investors question the UK government's ability to repay its debt, due to the huge amount of unfunded tax cuts proposed. This loss of confidence in gilts caused them to be sold quickly which in turn caused their price to fall (and gilt yields to rise).

This meant the value of the LDI funds also fell significantly which in turn caused **leverage\*\*** levels to become too high. LDI managers had to ask for cash to return to normal levels.

Due to the speed of the fall in gilt prices, LDI managers asked for cash at a much faster rate than normal. Most schemes with LDI had to sell assets to meet these calls. However, some were unable to, and so were forced to reduce their **hedging\*\*\***.

Reducing hedging effectively resulted in more sales of gilts and caused gilt prices to fall further, leading to a downward spiral that forced the Bank of England to step in to restore order to the market by buying gilts.



### **\*What is collateral?**

LDI fund managers have target levels of leverage which means they can call for, or pay out, cash to keep leverage at the desired level.

To cover this, most schemes hold cash alongside their LDI portfolio; this is called collateral and ensures that any calls for cash can be met.

### **\*\*What is leverage?**

One feature of LDI is 'leverage'. Leverage means that more than £1 of liabilities can be protected for each £1 invested. For example, if a pension plan has £100m in an LDI portfolio, protecting £200m of assets, it is 2x leveraged.

### **\*\*\*What is hedging?**

Hedging is an investment technique that enables the Plan's investments to be protected from certain market movements.



## What are liabilities?

The Plan promises to pay pensions into the future for its members.

These promises can be expressed as a monetary value called the Plan's liabilities.

The higher the investment return we expect in the future, the lower the Plan's liabilities today.

Matching the expected cost of providing benefits with the Plan's investments, including LDI, is how the Trustees ensure that these promises are met, and pensions paid.

## How did it affect the Plan's assets and its funding level?

LDI is a useful tool; but it needs to be used carefully. The Trustees take a prudent approach to the use of LDI and hold significant collateral alongside the LDI funds. In addition, the Plan's hedging is not allowed beyond a level that can be supported.

Despite the speed and nature of the crisis caused, the Plan was able to maintain its hedging throughout the crisis by selling collateral, and some equities to meet calls from the LDI manager.

## What does all this mean for Plan funding and my pension?

Firstly, your pension and benefits remain the same despite the market turbulence. Whilst the value of the Plan's LDI portfolio fell significantly over this period, the value of its liabilities fell to a greater extent. The Plan has a well-diversified portfolio of investments, including equities, property, infrastructure, and corporate bonds, as well as LDI.

A combination of the majority of these non-LDI assets performing well, and the value of the Plan's liabilities falling to a greater extent than the LDI portfolio meant that the **Plan's funding level improved materially** over this turbulent period.

## Any follow up news?

The Financial Conduct Authority and the Pensions Regulator produce a series of guidance notes and recommendations for LDI managers and Trustees respectively. These have resulted in LDI funds running lower levels of leverage, and pension plans (including this Plan) increasing the amount of collateral available to support liability hedging.

Whilst these measures have reduced the likelihood of a repeated LDI crisis, it has meant that it is no longer possible to maintain the same level of hedging and same exposure to return-seeking assets such as equities. The Trustees and LCP are currently in the process of reviewing the overall investment strategy as part of the 2022 actuarial valuation.

# Plan news



## Remind me; what is GMP again?

The Plan provides a minimum level of pension, known as the Guaranteed Minimum Pension (GMP).

A High Court ruling in 2018 said that pension plans that provide GMP earned between 1990 and 1997 must be adjusted so that they provide equal benefits to men and women.

## Need advice – IFA reminder

If you're working for Eaton, you can get support and guidance on your pension and the different ways you can take your benefits at retirement from 80Twenty (a firm of financial planners).

Contact them on:

 **0800 542 8020**

 **[eaton@80twentygroup.co.uk](mailto:eaton@80twentygroup.co.uk)**

 **[www.80twentygroup.co.uk](http://www.80twentygroup.co.uk)**

If you need more in-depth personal advice, then you should talk to an FCA-registered Independent Financial Adviser. Remember that if you wish to explore transferring your benefits out of the Plan then only an Independent Financial Adviser can help you.

## GMP equalisation next steps coming in 2024

We are planning to tell you more about how we plan to equalise members' GMP earned between 1990 and 1997. We will write to you with more information next year about our proposed approach.

## What's happening?

For most pensioners there'll be no effect on their pension and for most who are affected any adjustments will be relatively small and positive. As mentioned in last year's Plan Ahead, we are planning to convert any GMP to non-GMP pension.

For members who have yet to retire, their GMP will be converted on retirement.



# Pensions headlines

## More room to save for retirement

There are two tax limits for the amount of pension savings you can build up in the UK. Both the Annual Allowance and Lifetime Allowance changed from 6 April 2023. Here are the headlines, but bear in mind that pension tax rules are complex and there may be points relevant to you that we haven't covered below.

In particular, if you're a higher earner or were approaching the Lifetime Allowance, you may need advice. You can get help and advice on your own position from an Independent Financial Adviser, authorised and regulated by the Financial Conduct Authority (FCA).

## The Annual Allowance (AA)

The AA is the maximum amount of pension benefits you can build up in your pension arrangements in a year without a tax charge. Here are the main points:

- The standard AA increased from £40,000 to £60,000 from 6 April 2023.
- If your income from all sources exceeds £260,000, your AA reduces by £1 for each £2 of income over £260,000, to a minimum of £10,000
- The Money Purchase Annual Allowance applies if you 'flexibly access' pension benefits from a Defined Contribution pension arrangement. From 6 April 2023 this has been increased from £4,000 to £10,000.
- You can still carry forward unused Annual Allowance for up to three years.
- Contributions over the Annual Allowance will be taxed at your highest rate of income tax.







## The Lifetime Allowance

Up to 6 April 2023, your Lifetime Allowance was the maximum value of pension benefits you could build up in all UK registered pension arrangements without an additional tax charge.

The standard Lifetime Allowance remains at £1,073,100 until 5 April 2024. However, the Lifetime Allowance tax charge on pension savings no longer applies and the Government is finalising legislation to abolish the Lifetime Allowance from 6 April 2024.

## What about tax-free cash?

The Lifetime Allowance was also used to calculate the amount of tax-free cash you can take from your pension savings. From 6 April 2023 you will be able to take 25% of your total pension savings, tax-free up to a limit of £268,275 (25% of the Lifetime Allowance).

## Minimum pension age increasing

As mentioned in last year's Plan Ahead, the Government has announced that the normal minimum age at which members may start to take their pension benefits will increase from age 55 to age 57 from 6 April 2028. As before, a member may be able to retire earlier than this age if a plan's trustees decide that retirement is due to incapacity. In addition, some members will retain the ability to retire from age 55.

We expect to contact members to provide more detail in 2026, ahead of the changes from 2028.

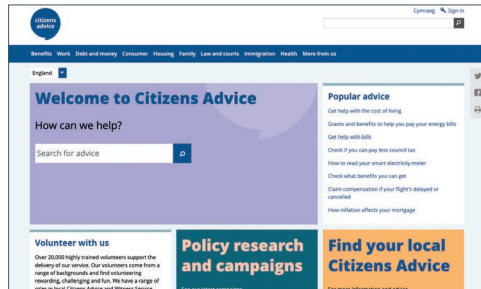
# Be vigilant

If anyone contacts you out of the blue about your pension offering 'advice' or 'offers to help you access your savings', they are doing so illegally. If this happens to you, please stop and check with the FCA or call the MoneyHelper pensions helpline on **0800 011 3797**.

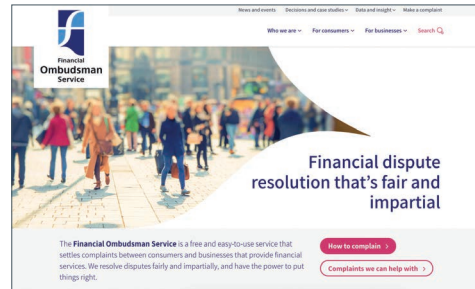
## Learn how to spot scams

Pension scams are becoming more and more sophisticated. It is important to know how to recognise a scam so you can protect yourself from fraudsters. You should also be aware of bank scams, more support and information about these can be found on:

 The Citizen's Advice website  
[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)



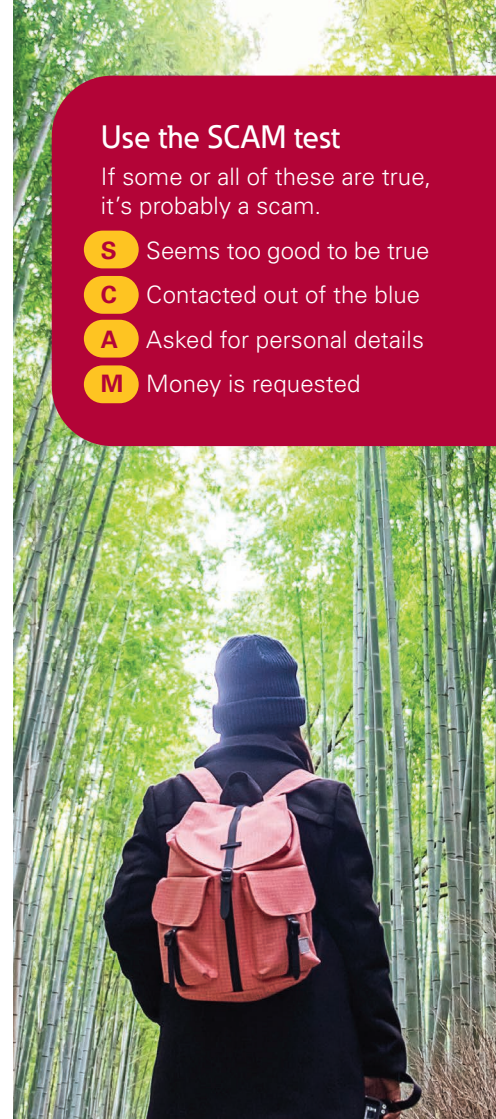
 The Financial Ombudsman's website  
[www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)



## Use the SCAM test

If some or all of these are true, it's probably a scam.

- S** Seems too good to be true
- C** Contacted out of the blue
- A** Asked for personal details
- M** Money is requested



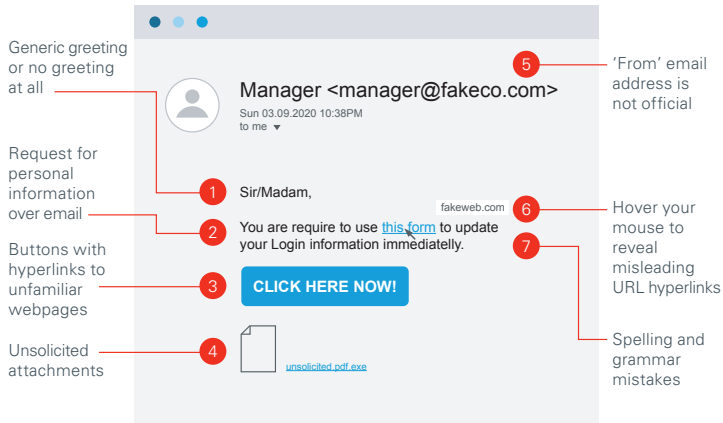
# Protect yourself against cyber scams

More and more people bank and shop online which means the potential for cybercrime has increased and continues to increase.

- Over £1.2 billion was stolen by criminals through authorised and unauthorised fraud in 2022, equivalent to over £2,300 every minute.
- Authorised fraud typically starts online or via telecommunications. This is equivalent to over £485 million during 2022.
- Unauthorised fraud losses across payment cards, remote banking and cheques reached £726.9 million in 2022.

Source: Get Safe Online

## 7 signs of a 'phishing' email



Here are three tips to keep your money and yourself safer online:

1. **Strengthen any passwords** and update them regularly. Make sure you don't use the same password for multiple online accounts.
2. **Watch out for 'phishing' emails.** Never follow links, but instead type the web address into the browser yourself or go to: **[www.ncsc.gov.uk/collection/phishing-scams](http://www.ncsc.gov.uk/collection/phishing-scams)**
3. **Read more** at: **[www.getsafeonline.org](http://www.getsafeonline.org)** **[www.ageuk.org.uk/information-advice/work-learning/technology-internet/internet-security](http://www.ageuk.org.uk/information-advice/work-learning/technology-internet/internet-security)**

There's lots of helpful information on these sites including known scams that are emerging that you should watch out for.

The Trustees recognises there are also cyber risks for the Plan as an organisation and it works with its administrators and its advisers to keep member data secure.

## What's authorised versus unauthorised fraud?

**Authorised fraud** is where you have been tricked by someone pretending to be your bank for example into transferring money to them.

**Unauthorised fraud** is where your details have been used for payments without your knowledge or permission.

# Help

If you need help with your pension, please contact the Administration Team at:

@ [eatonpensions@wtwco.com](mailto:eatonpensions@wtwco.com)

☎ 01707 607603

✉ **Eaton UK Pension Plan**  
**WTW**  
**PO Box 545**  
**Redhill**  
**RH1 1YX**

If you email us, please include your month of birth, postcode, and the last four characters of your national insurance number in your email.

## Data protection

Your data is extremely important, and the Trustees are committed to protecting your data and privacy.

The Plan's Privacy Notice can be found on our website too. It outlines the data we store about members to administer the Plan, as well as how we use this data.



[www.carbonbalancedpaper.com](http://www.carbonbalancedpaper.com)  
CBP021177

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