



**VAILLANT GROUP  
PENSION SCHEME**

# Pension Newsletter

December 2017

Your Defined Benefit Scheme

## What's inside?

Eight things to do right now to prepare for retirement • How the new Scheme website can help you  
• Updates to your State Pension • The Scheme's latest financial health check

# To all members of the Scheme

Welcome to this year's edition of your Pension Newsletter.

## **The year in summary**

It has been a busy but positive year for the Scheme. In June, we launched a new Scheme website and published the results of the Scheme's latest Actuarial Valuation in the Special Valuation newsletter available at [vaillantpensionsvaluation.com](http://vaillantpensionsvaluation.com)

This year, the Trustees and Company have continued to work together closely on the strategic investment plan for the Scheme. This has led to an increased investment in high lease value property, which should help the Scheme meet its cash flow needs as more of our members move into retirement. The Trustees are also looking at alternative forms of investment to further improve this cash flow, which should also lead to further diversification of our portfolio of investment assets over the next 12 months.

This year we said goodbye to Ellen Ratcliffe, who was previously the Pensions Manager and Secretary to the Trustees, and welcomed her replacement, Steve Tickner. You can meet Steve on page 18. We also said goodbye to Steve Wakely and Carolan Dobson, who stepped down as Trustees. On behalf of the Board of Trustees, I would like to thank Steve and Carolan for all their hard work on behalf of the Scheme. The Company are currently considering who to put forward to replace Steve and Carolan, and we will update you on this in due course.

## **Funding level update**

The 2016 Actuarial Valuation as at 5 April 2016 measured how much money the Scheme has available against the amount of benefits it needs to pay out. The results showed that the Scheme could afford to cover the cost of 70% of members' future benefits, without having to seek additional funding.

In comparison to last year, 2017 has been a much more positive year for pension scheme investments. Our investments outperformed their benchmark, returning 16.9% against a benchmark of 16.1%.

As part of the 2016 valuation discussions, a new Recovery Plan was agreed with the Company. £187.35m of contributions will be paid into the Scheme by 2024 with the aim of removing the Scheme's shortfall. The latest actuarial report, as at 5 April 2017, showed that the funding position of the Scheme has increased to 74%, which is great news.

## **What's included in this year's edition?**

There's much more too! Make sure to have a look at all of the newsletter so you don't miss out on information that is relevant to you. As always, I hope that you find the newsletter helpful and informative. If you have any questions or feedback, please get in touch with the Pensions Department at [vaillantpensions.com/contact](http://vaillantpensions.com/contact)

**Mike Hampton**  
**Chairman of Trustees**

2017

# The new Scheme website

In June 2017, we launched  
**vailantpensions.com**

Almost 1,000 Scheme members have already benefited from the website, and now it's your turn!

Here are just a few ways the website can help you:

- **Have your questions answered**
- **Access information at your convenience**
- **Find contact details easily**

**Wherever you are on your journey to retirement, there's something for you**

Scheme members are already making good use of the website, and there's plenty for you to enjoy.



## Are you also a member of the DC Scheme?

If you joined the Company on or after 5 April 2013, or you were an active member of the DB Scheme when it closed on 5 April 2015, then you may be a member of, and have benefits in, the DC Scheme.

For more information, you can:

- Log into your Retiready account to see your total savings in the DC Scheme at **retiready.co.uk**
- Take a look at the most recent **DC newsletter** to find out how to make the most of the Retiready website and keep up to date with the DC Scheme
- Visit the DC section of the Scheme website

## Moving online

The website is the first step in the Scheme's journey to move pension communications online. As well as being better for the environment, you'll have less paper to file and should be able to find information more easily.

As part of this change, we'd like you to give us your email address (if you haven't already done so) to allow us to email you when new information is available online rather than notifying you by post. If you're happy for us to do this, please contact the Pensions Department.

# Eight ways to prepare for retirement

## 1. Think about how you'll spend your time

**Why?** Your retirement might last 30 years or more, and you could travel, spend time with family, develop new skills or volunteer. It's completely up to you.

### **New skills**

The University of the Third Age (U3A) provides a range of educational, creative and leisure opportunities for retired and semi-retired people. The U3A helps you to:

- make friends;
- develop your interests; and
- enjoy yourself.

With a huge variety of activities, from studying traditional subjects to creative interests and physical exercise, you won't have trouble finding something you enjoy. To find your nearest U3A group, you can call the national office on **0208 466 6139** or visit the website at **u3a.org.uk**

### **Volunteering**

Volunteering is something that a lot of us consider but may never get around to doing. Perhaps it doesn't feel like the right time, or you can't decide what interests you. Well, Volunteering Matters can make becoming a volunteer easy.

If you don't know what you want to do yet, or if there's an area you're interested in but you aren't sure what's available, then call Volunteering Matters on **020 3780 5870** for an informal chat, or use their online search tool at **volunteeringmatters.org.uk** to find opportunities near you.

There may never be a perfect time, so why not start today?

## 2. Find out how much income you'll have

**Why?** We all want the financial freedom to have the lifestyle we want, cover any unexpected expenses and care for our loved ones. But will your expected retirement income, including your State Pension, give you this freedom?

If you want to get an idea of how much income you'll have in retirement, you can start by working out how much you'll receive from any different sources of income you may have.

To find out how much you might receive from your Vaillant Scheme pension, visit the website and view the 'How is my pension calculated?' case study. If you would like to receive an up-to-date forecast, please contact the Pensions Department.

To find out how much you might receive from your State Pension, visit [gov.uk/check-state-pension](https://www.gov.uk/check-state-pension)

You may also receive income from other pension schemes (from other employers or personal plans), ISAs, rental income or any other assets. Add together all of this potential retirement income to see what you might be on track to receive when you stop work.

Once you are over 55, you may also be able to take all of your benefits as a cash lump sum, if the value of your benefits in the Scheme does not exceed £10,000, or the value of your benefits from all schemes (excluding the State Pension) does not exceed £30,000.

If you have any benefits in the Vaillant DC Scheme (see page 3), you can work out your projected yearly retirement income on the Retiready income planner by clicking 'Explore' under 'What income could your savings get you?'

To make sure your projection is as accurate as possible, you should add your DB benefits to your income on the planner. After you've answered the questions and clicked 'Reveal my options', go to 'Explore' underneath 'Annuity', 'Guaranteed Drawdown', 'Flexi-access drawdown' or 'Cash lump sum', then click on the 'Customise' tab and add your pension in the 'Income' section.

# Eight ways to prepare for retirement

## 3. Think about how much retirement will cost

**Why?** If you want to achieve your desired retirement lifestyle, you need to know how much it will cost and if your projected retirement income will cover it.

If you have an idea of how you would like to spend your time and what your living arrangements might be, then you can work out how much your retirement might cost and start to think about your monthly budget.

Knowing how much your retirement might cost is a vital step towards securing the lifestyle you want. You can easily create an expected budget in retirement online with Retiready.

The retirement planner can give you an idea of how much your retirement might cost and if you'll be able to afford it. The more detail you enter, the more accurate it will be.

Hopefully you'll get the results you want!

But if you don't...

Consider seeking independent financial advice to find out how you can increase your retirement income. You can find an authorised Independent Financial Adviser in your area at **[unbiased.co.uk](https://www.unbiased.co.uk)**

## 4. Keep your contact and bank details up to date

**Why?** It's estimated that there are currently £400 million of unclaimed pension pots in the UK, so it's important to make sure we have your current address (and bank details once you are receiving your pension).

It's easy to forget to contact your pension schemes, old and new, when you move house. However, if you don't they won't be able to keep in touch with you, and you may struggle to find all the income you're entitled to when you retire.

Currently, if you want to change your address or the bank account that will receive your pension benefits, you must write to:

Vaillant Group Pension Scheme  
Nottingham Road,  
Belper,  
Derbyshire,  
DE56 1JT

To change your address by letter, please include your:

- Full name
- Date of birth
- National Insurance number
- Member reference number (if known)
- New address
- Old address (the address we have on file for you)

To change your bank account, please include your:

- Full name
- Date of birth
- National Insurance number
- Member reference number (if known)
- New sort code and account number
- Old sort code and account number

# Eight ways to prepare for retirement

## 5. Find out if you have a lost pension

**Why?** If you think that you might have already lost contact with a previous pension scheme, you may be at risk of missing out on a pension you're entitled to.

As a starting point, you can find The Pensions Advisory Service's useful online tracing tool by heading to their website and selecting 'My Pension'. By answering a few simple questions, the tool will help you discover if you have a lost pension and how to find it.

To do this, or get in touch with the team, you can visit their website at [pensionsadvisoryservice.co.uk](https://pensionsadvisoryservice.co.uk)

## 6. Complete, or update, your nomination form

**Why?** Did you know that your loved ones could be entitled to benefits from the Scheme in the event of your death? The nomination form lets the Trustees know who you would like to receive your benefits in the event of your death.

**Please note that if you've been in receipt of your pension for more than five years, or if you're currently receiving a widow's/widower's pension, you don't need to complete a nomination form as there are no lump sum benefits payable in the event of your death.**

It's important to keep your nomination form up to date if your circumstances or wishes have changed so that any benefits can be paid out quickly.

Look after your loved ones and make sure the Trustees know who you would like to receive your benefits in the event of your death. Print off a nomination form from the Scheme website in the 'Scheme documents' section, and complete it whenever your wishes or circumstances change.

Once your form is complete, post it to:

Vaillant Group Pension Scheme  
Nottingham Road,  
Belper,  
Derbyshire,  
DE56 1JT



## 7. Make a will

**Why?** Making a will means that you can control where your assets go when you die. This means that you can look after the people and causes you care about most.

If your wishes and how you want your assets to be distributed are very simple, then you may want to write your own will. You can find a will-writing guide, examples of when you should seek legal advice and advice on how to keep your will safe at **[www.gov.uk/make-will](http://www.gov.uk/make-will)**

If you want to be sure that your will is clear, legal and safe, then it may be better to use a solicitor to write your will.

You can find a qualified solicitor in your area by searching the directories at **[solicitors.lawsociety.org.uk](http://solicitors.lawsociety.org.uk)**

## 8. Keep using the Scheme website

**Why?** Your new Scheme website is a great guide wherever you are on your retirement journey. It's a brilliant place to start thinking about your pension, and a first port of call for any questions.

On the new website, you can:

1. Have your questions answered
2. Access the information you're looking for at your convenience, and on the go
3. Find the contact details you want easily

If you want to know more about the great benefits the website offers, visit page 3.

How many of these have you done already?

Visit today at **[vaillantpensions.com](http://vaillantpensions.com)**

# Review of Accounts

At 5 April 2017, the net assets of the Scheme were £613.6m.

It was a positive year for our investments which performed better than the benchmark, returning 16.9% against a benchmark of 16.1%.

## Receipts and payments 2016/17

Net assets at *beginning* of year  
£530.9m

+

### Cash received



Company contributions	£20.0m
Investment income received	£8.3m

**Total £28.3m**

-

### Cash paid



Benefits paid	(£28.1m)
Transfers	(£2.4m)
Investment management fees	(£0.1m)

**Total (£30.6m)**

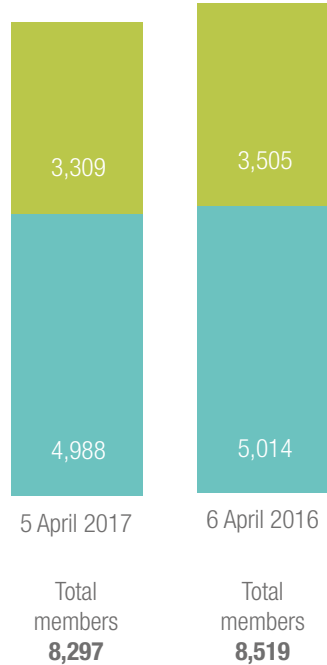
Change in market value of investments £85m

=

Net assets at *end* of year  
£613.6m

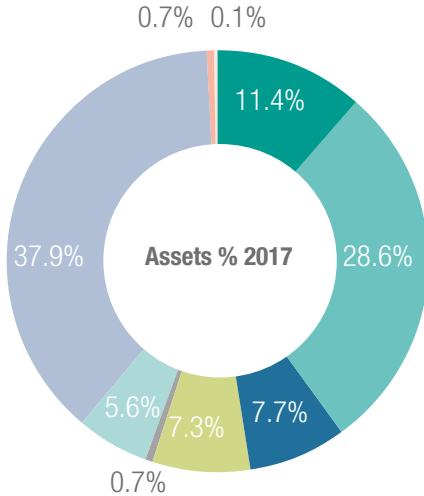
## Scheme membership

- Deferred members
- Pensioners

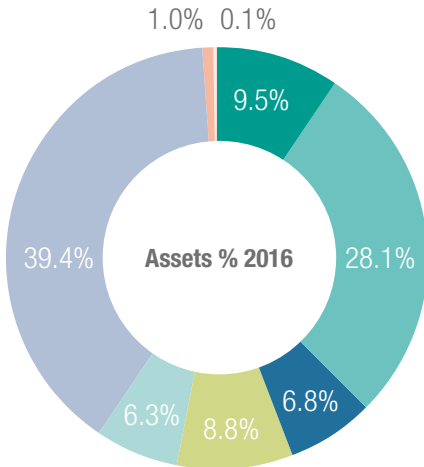


## What assets does the Scheme invest in?

The Trustees invest contributions in a range of assets. These are designed to spread the investments and ensure the Scheme is protected from any sudden fluctuations in the market.



Asset type	Asset value (2017)
UK Equities	69,940,512
Global Equities	175,619,337
Emerging Markets Equities	47,011,573
Diversified Growth	44,949,428
High Lease Value Property	4,196,287
European Loans	34,633,618
Fixed Income	232,093,335
Cash	4,522,910
AVCs	655,241
<b>Total</b>	<b>613,622,241</b>



Asset type	Asset value (2016)
UK Equities	50,246,362
Global Equities	149,441,963
Emerging Markets Equities	36,088,958
Diversified Growth	46,553,050
High Lease Value Property	N/A
European Loans	33,668,558
Fixed Income	208,682,164
Cash	5,501,990
AVCs	701,054
<b>Total</b>	<b>530,884,099</b>

The Trustees continue to monitor the investment strategy and have made changes over the course of the year to generate additional income and ensure the Scheme holdings are exposed to a greater range of assets.

# Scheme investments

The investments with Standard Life are in a Trustee Investment Plan, a form of insurance policy not requiring a custodian.

The fees of the investment managers and custodians were met from the resources of the Scheme.

At the year-end, the Scheme's investment assets were placed with the investment managers as follows:

<b>Investment Manager</b>	<b>Holding</b>	<b>Assets % (2017)</b>	<b>Assets £ (2017)</b>	<b>Assets % (2016)</b>	<b>Assets £ (2016)</b>
BlackRock	Global Equities	9.7	59,501,598	8.6	45,462,701
M&G	Fixed income	26.1	159,552,856	27.6	145,741,808
M&G	Fixed income - longer duration	11.8	72,540,479	11.9	62,940,356
M&G	European Loan Fund	5.6	34,633,618	6.3	33,668,558
Sands	Emerging Markets Equity	7.7	47,011,573	N/A	N/A
Standard Life	GARS	7.3	44,949,428	8.8	46,553,050
Standard Life	Long Lease Property	0.7	4,196,287	N/A	N/A
UBS	UK equities passive	11.4	69,940,512	9.5	50,246,362
UBS	Global equities passive	7.7	47,289,969	9.4	49,999,731
Veritas	Global equities	11.2	68,827,770	10.2	53,979,531
Vontobel	Emerging market equities	N/A	N/A	6.8	36,088,958
Cash and Creditor	N/A	0.7	4,522,910	1.0	5,501,990
AVCs	N/A	0.1	655,241	0.1	701,054
<b>Total</b>	<b>N/A</b>	<b>100</b>	<b>613,622,241</b>	<b>100</b>	<b>530,884,099</b>

The Trustees review performance regularly, and the investment managers and Mercer report to the Trustees on at least a quarterly basis.

# Your Scheme's financial health check

## How is the Scheme's financial health measured?

To work out the financial health of the Scheme, we compare the Scheme's liabilities (the expected cost of providing the benefits you and other members of the Scheme have built up) to the Scheme's assets (the money within the Scheme from Company contributions and investments). If the Scheme's liabilities are higher than the Scheme's assets, then the Scheme has a shortfall (less money than it needs to pay out all the expected benefits for members). If the Scheme's assets are higher than the Scheme's liabilities, then the Scheme has a surplus.

## What were the results of the 2016 Scheme Actuarial Valuation?

Every three years, the Scheme undergoes an Actuarial Valuation. You'll be aware from the newsletter we issued in June that the Scheme's latest valuation was carried out as at 5 April 2016.

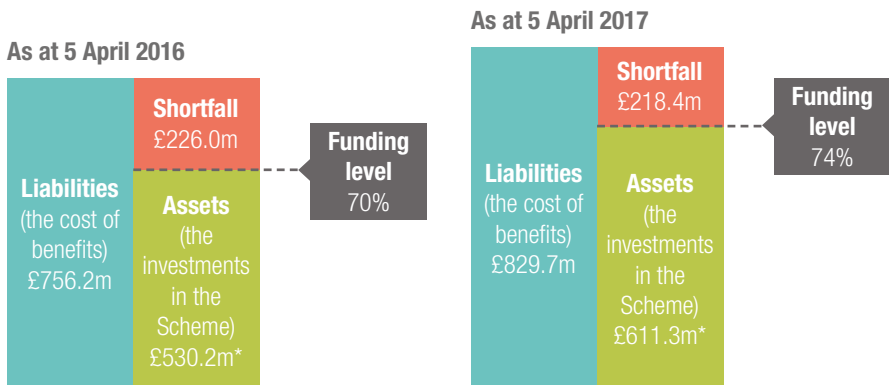
The results from the Actuarial Valuation showed that the Scheme's liabilities were higher than the assets. The Scheme's funding level at that point was 70%, which means that the assets covered 70% of the expected liabilities.

Although the Scheme can pay out the member benefits that are already being received, it will need additional funding to be able to cover the cost of members' expected benefits in the future. The Company and the Trustees have put together a Recovery Plan to address this shortfall, which will see £187.35m being paid into the Scheme by 2024.

The next valuation is due in April 2019.

## What has happened since 5 April 2016?

Between Actuarial Valuations, the Scheme Actuary gives an annual update that estimates the financial health of the Scheme. The 2017 results show that although the Scheme still has a shortfall, the funding level has increased to 74% which is good news.



\*The Scheme's health check was carried out using unaudited market values of the Scheme's assets at 5 April 2017.

## How will we reduce the shortfall?

The Trustees and Company agreed a revised Recovery Plan following the 2016 Actuarial Valuation, which aims to remove the Scheme's shortfall by 2024. By this time, the Company will have paid £187.35 million into the Scheme. If the Recovery Plan is successful, by 2024, the Scheme will be able to cover the cost of all members' future benefits.

## The Recovery Plan payments

The Company paid an additional £20m into the Scheme in December 2016, and will also make the following payments;

<b>Date range</b>	<b>Payments</b>
May 2017 – April 2018	£25m for the year
May 2018 – April 2020	£30m each year
May 2020 – October 2024	£18.3m each year

## Find out more about the continued commitment from the Trustees and the Company

In addition to the Company payments outlined in the revised Recovery Plan, the Trustees and the Company have agreed a Negative Pledge and a Deed of Guarantee.

The Negative Pledge ensures that the value of the Company and its subsidiaries cannot be materially reduced by the actions of the Company, without the Trustees' consent. If the Company were to breach the agreement, this could trigger additional cash contributions into the Scheme.

The Deed of Guarantee ensures that if any of the companies that participate in the Scheme can no longer meet their financial obligations, the remaining companies would be liable for their debt.

## How safe is my pension?

If the Scheme were to wind up right now, we would currently be unable to provide all members' benefits without additional funding. The Trustees currently view the covenant as strong, but if the Company were unable to meet the funding shortfall the Pension Protection Fund (PPF), set up by the Government, may be able to help. The PPF provides compensation to members if their pension scheme or company cannot cover the cost of members' benefits. The pension you would receive from the PPF may be less than the full benefits you built up in the Scheme.

The good news is that there are no plans for the Scheme to wind up and the information is included only because it is legally required. The Trustees and Company have continued to work closely together and have agreed a revised Recovery Plan to ensure the Scheme is fully funded by 2024.

# Pensions Update

## State Pension age

The State Pension age is the earliest age you can start to receive your State Pension.

### **For women**

Depending on your date of birth, the State Pension age for women is gradually increasing, and is expected to reach 65 by November 2018.

### **For men**

The State Pension age for men is expected to remain at 65 until at least 2018.

### **For everyone**

The State Pension Age for men and women is expected to increase to 66 between 2018 and 2020, and to increase again to 67 between 2026 and 2028. A further rise to 68 was previously planned to take place between 2044 and 2046, but the Government proposes to bring this forward to between 2037 and 2039 (although this is not yet law).

Take a look at your State Pension age with the Government's online calculator at [www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)

## What does the State Pension triple lock mean for me?

You may have heard about the State Pension triple lock in the news recently. This was introduced in 2010, and is a guarantee that the State Pension will increase each year by either 2.5%, inflation or average earnings – whichever is higher. Prior to the 2017 General Election, there were concerns that the triple lock would be downgraded to a double lock by removing the 2.5% option. However, the Government has confirmed it will remain unchanged, and the State Pension should now be protected by having a minimum increase of 2.5%, even if inflation is negative.

## Taking your pension benefits

### **Flexible Retirement**

Within certain limits, it's up to you when you choose to take your pension.

If you are in good health, you may be able to take your pension benefits at any time after your 55th birthday. The age at which you start taking your benefits will affect the amount you are paid, so if you retire before normal retirement, your pension will be reduced to reflect the fact that it will be expected to be paid for longer. If you retire after normal retirement age, your pension will be increased.

If you are unwell, and the Trustees agree that you meet the Scheme's definition of ill health, you may be able to take your pension from the Scheme before age 55.



### **How can I take my small pension?**

Did you know that if you have a small pension, you may be able to take it as a lump sum?

If the value of your benefits in the Scheme is less than £10,000, then you can apply to take them as a cash lump sum after you reach age 55.

If the value of all your pension benefits from all schemes (apart from the State Pension) is less than £30,000, then you may be able to apply to take these as a cash lump sum.

This is known as trivial commutation. If you were to take your benefits in this way, 25% of the cash lump sum would be paid tax free, and the rest would be taxed in line with your income.

If you want to discuss your potential retirement age or what you can do with your small pension, please get in touch with the Pensions Department at [vaillantpensions.com/contact](https://www.vaillantpensions.com/contact)



# Security updates

As Trustees, we take our responsibility to protect your data and personal information very seriously. There have been several news stories about cyber-attacks and data leakages recently and we are all aware that online threats will continue to change and evolve. Therefore, we will continue to monitor your personal information, and review our processes to ensure that your data is safe.

## We're protecting your data

We are very confident that your data and personal information will not be compromised. However, from 2 May 2018, the General Data Protection Regulation (GDPR) will give you extra protection if your data is breached by increasing the penalties if a breach occurs and ensuring you are notified within 72 hours.

## Pension scams

We're familiar with the idea that people will try and access our personal information to access our bank accounts and credit cards, but don't forget that there are pension scammers out there too.

## Keep your benefits safe

### **1. Don't share personal information if you're unsure**

Scammers will try lots of different tactics to get people to share their personal information. They may pretend to represent companies you trust, like your bank. Please ignore texts, calls, emails, and knocks on your door if you're not 100% sure who's contacting you, or what their intentions are.

### **2. If it sounds too good to be true, then ignore it**

Scammers will make it sound like they are doing you a big favour by offering exciting investment opportunities, free pension reviews, or the chance to get your benefits before you're 55. Scammers may sell you a dream, but these are just ploys to get your personal information and damage your financial situation.

### **3. Use a scam-identifying tool**

If you are concerned that a scammer may have approached you, that you have transferred your benefits into a fraudulent investment or simply want more help in recognising scams, then you can use The Pensions Advisory Service's scam-identifying tool at [pensionsadvisoryservice.org.uk/my-pension](https://pensionsadvisoryservice.org.uk/my-pension)

### **4. Make sure your financial adviser is authorised and legitimate**

Financial advice can be a vital part of planning for your financial future. So, if you do pursue financial advice, remember to check that your adviser is on the Financial Conduct Authority (FCA) approved register at [fca.org.uk](https://www.fca.org.uk) before sharing any of your personal information with them.

# Meet the new Pensions Manager

## Introduction to your new Pensions Manager

We are pleased to welcome Steve Tickner to our Pensions Team. Steve joined us in April 2017 from Capita and has quickly become an integral part of the team.

You can find out more about Steve below:

- **What made you want to become a Pensions Manager?** Having spent the last 30 years in pensions, I wanted to join a company where I could apply my knowledge and passion to helping a group of my own colleagues better understand their journey into retirement, and how to plan for this effectively.
- **What is a day in the life of a Pensions Manager like?** No two days are ever the same! I work with the wider pensions and HR teams to ensure we are administering the pension Scheme effectively, and also spend a good deal of time working and supporting the Trustees in the general running and governance of the Scheme. This covers a wide range of duties and keeps the role interesting. One day I can be working on statutory reporting, and the next dealing with The Pensions Regulator or working with the Scheme's Professional Advisers on a legal or complex investment matter.
- **What excites you most about the Scheme right now?** I join the Vaillant Group at an exciting time for the Scheme. With the Valuation 2016 now behind us, I am encouraged to see the strong commitment there is from the Company to meet their pension commitments to members. Along with most of you, I have some nervousness around what Brexit will actually mean for the UK, and the impact it may have, but relish the challenges this will undoubtedly bring.
- **What are your interests outside of being a Pensions Manager?** Outside of work, I enjoy family time and also help with my youngest son's football team – which invariably means setting up goals and running the line every Sunday at 9.30am. I also enjoy travel and have seen a lot of France, a country I also like to escape to regularly to spend a week fishing for Carp. As my children are growing (my eldest being 21 this year), I will start to think more and more about retirement and grandchildren. If my retirement savings allow, my intention is to buy a retirement house in France, complete with a small lake, where I can spend some quality time in search of the elusive 'one that got away' whilst 'sampling' some of the fine red wines from the surrounding areas.
- **What would you most like members to know about the Scheme?** As stated, I am passionate about pensions and I would like all our members to know I am there to support them through this (often complex) journey.





# The Scheme Trustees and Advisers

## The Trustees

The Trustees are the people responsible for looking after your Scheme, and the team is below:

### Trustees appointed by the Company

<b>Mike Hampton</b>	Chairman and Independent Trustee
<b>Neil Partridge</b>	Human Resources Director, Vaillant Group (UK) Ltd.

### Changes

<b>Steve Wakely</b> (stepped down in December 2016)	Head of UK Pensions for Vaillant Group (UK) Ltd. and deferred member of the Scheme
<b>Carolyn Dobson</b> (to 25 July 2017)	Independent Trustee

### Trustees nominated by Scheme Members

<b>Steve Adams</b>	Retired, previously employed by Vaillant Holdings Ltd.
<b>Brian Powell</b>	Retired, previously employed by Hepworth Heating Ltd.

### Independent advisers

<b>Steve Tickner</b>	Secretary to the Trustees
<b>Harry Sime (Mercer Ltd)</b>	Actuary
<b>PricewaterhouseCoopers LLP</b>	Independent Auditors
<b>Pinsent Masons</b>	Solicitors
<b>Mercer Ltd</b>	Investment Consultant

## Get in touch

The Company's Pensions Department looks after the administration of members' benefits. Please get in touch if you want more information about the Scheme or if you have a specific query about your benefits. You can find their details on our website at [vaillantpensions.com](http://vaillantpensions.com)