

## **September 2023: PENSION NEWS FROM THE TRUSTEE**

### **1. Introduction from the Chair of the Trustee, Leon Power**

The last year has been a busy and productive one for the Trustee of the Halcrow Pension Scheme (No.2) (“the Scheme”), having completed the formal valuation of the Scheme, which we’re pleased to report has shown an improvement in the financial position of the Scheme. This is despite challenges in financial conditions, both domestic and global, with steep rises in interest rates and persistently high inflation. The risk management measures adopted by the Trustee, along with regular monitoring and continued Company support have allowed the Scheme to weather the market instability very well, with the position even having improved. Further information on Scheme finances is contained below and in the enclosed annual Summary Funding Statement.

During the last year the Trustee Boards of each of Jacobs U.K. Limited’s five UK defined benefit pension schemes have been consolidated into one Common Trustee Board. From your perspective as a member of the Scheme, there is no change - the five Schemes remain independent of each other under separate Trusts and your benefits remain the same. There are however advantages for the schemes with the Trustee Board being able to take a more consistent approach across the schemes, a reduction in costs by reducing the number of different advisers, as well as supporting effective and efficient collaboration with the Company.

This newsletter provides relevant information on some current Scheme matters. Should you have any questions for the Trustee, contact details are given in section 15..

**Leon Power**  
**Chair of Trustee**

### **2. Previous suspension of contributions**

Under the Schedule of Contributions agreed at the 2019 valuation, with effect January 2023, the Company had been paying deficit repair contributions of £333,333 per month.

Due to an expected surplus funding position as at 31 December 2022, the Trustee agreed with the Company to temporarily suspend employer deficit contributions to the Scheme whilst they awaited the results of the 31 December 2022 valuation. To provide extra security, the Trustee arranged for Jacobs to provide a Letter of Credit covering the deficit payment of £333,333 per month.

The details of this agreement were shared with the Pensions Regulator, and they responded in June to confirm that they did not have any further questions.

### **3. Valuation as at 31 December 2022**

The Trustee is required to carry out a valuation of the Scheme every three years. The latest valuation has an effective date of 31 December 2022, and this has recently been finalised, well ahead of the deadline of 31 March 2024.

We communicated previously that we expected the Scheme to have a surplus on the funding basis, and this has now been confirmed. Accordingly, the Letter of Credit will be rescinded.

The Trustee and Company have agreed that no contributions are due to be paid by the Company, and that most ongoing expenses will be paid from the Scheme’s assets. The position will be reviewed at the next valuation which must have an effective date no later than 31 December 2025. The Trustee also obtains a formal funding update each year, as well as regularly monitoring the funding position in between these formal reviews.

## 4. Summary Funding Statement

The Summary Funding Statement provided to members gives an overview of the key valuation results and shows how these have changed since the last Summary Funding Statement was issued in May 2022.

The funding position has improved to a position of surplus during 2022, but one of the biggest changes is that the Scheme's assets are now worth significantly less than they were three years ago. There are two key points to be aware of:

- Firstly, most members have a 'defined benefit' pension - this means that the pension that you are entitled to from the Scheme is linked to your salary and service when you were an active member of the Scheme. The fall in asset values doesn't affect the amount of pension that you will receive from the Scheme.
- Secondly, despite the fall in the asset value, the funding position of the Scheme has improved overall. This is partly due to substantial contributions that have been paid by the Company since the 2019 valuation, but it is also due to the way that the 'liabilities', i.e. the cost of providing pensions, are valued. When carrying out a funding valuation, the Trustee is trying to estimate the amount of money needed now to provide for members' pension benefits in the future. You may be aware that interest rates have increased significantly over the last year or so. This has reduced the amount of money expected to be needed to provide benefits in the future by a greater amount than the reduction in the asset value. So overall there is now a small surplus.

The movement in the value of the assets compared with movements in the costs of providing pensions is an area the Trustee pays close attention to. The Scheme's assets are invested in such a way that they will tend to move quite closely in line with changes in the value of the liabilities, this means that the funding level is expected to remain fairly stable, even if there are large changes in financial markets, as has been seen recently.

One final point to note is that there are different ways to measure a pension scheme. The Summary Funding Statement confirms that there is a surplus on the Scheme's agreed funding measure, i.e. the measure used to decide whether additional contributions are required from the Company. However, the Scheme still has a shortfall on a wind-up basis. This means that the Scheme does not currently have enough assets to secure all members' benefits in full with an insurance company.

## 5. Discretionary increases

Once your pension is in payment, the proportion built up from 6 April 1997 is automatically increased each year up to 5%, or up to 2.5% for service after 5 April 2005. In addition, any guaranteed minimum pension built up between 6 April 1988 and 5 April 1997 will increase by up to 3%.

The Rules place an obligation on the Company to review the increases applied and determine whether it will exercise its discretion to provide increases at a higher rate than those summarised above.

If a discretionary increase is granted, then this means a higher cost of providing benefits for every year in the future, as the increased pension would be the starting point for future automatic increases. This would result in an increased cost of providing pensions and a reduction in the Scheme's funding level, unless the Company were to make a one-off contribution to cover the additional cost.

To assist Jacobs with this annual consideration, the Trustee routinely corresponds with the Company to ascertain whether it will be exercising its discretion. The Company is required to consent before any discretionary increases can be granted.

The Company has recently responded to the Trustee in this regard and advises that its key priority is to make sure all beneficiaries' entitlements are securely funded, and avoid any additional liabilities that could put that at risk. Given the Company is keen to improve the security of members' benefits further, it has determined to not fund a discretionary payment at this time.

## 6. New Scheme Actuary

As noted in 1 above, the Common Trustee Board has been working to appoint common advisors, wherever possible, across the five schemes it is responsible for, including HPS2.

The Trustee Directors have appointed Wes Jones of XPS Pension Group as Scheme Actuary to HPS2 and two other schemes.

The current individual XPS Pensions Scheme Actuary and XPS Pensions, when providing defined benefit actuarial consulting services, are typically Data Controllers in their own right, and so we share your personal information with XPS Pensions for them to provide these services.

The XPS Pensions Privacy Information is available at <https://www.xpsgroup.com/legal-regulatory/privacy-policy/>. The relevant notice for you is labelled "Combined Scheme Actuary and actuarial consulting services to pension schemes".

## 7. New pensioner payroll services provider to the Scheme

Whilst Capita currently provides pensioner payroll services for the Scheme, prior to the recent cyber incident the Trustee had already decided to move those services to XPS. Following a detailed transition programme, XPS will take on responsibility for paying HPS2 pensions later this year.

The Trustee will write again to all Scheme pensioners shortly, but prior to the change of pensioner payroll services.

## 8. Pensions Website

As a reminder, the Common Trustee Board has a new website for members of all five of the pension schemes for which it is responsible see: <https://pensions.jacobs.com>

The new member site offers:

- Communications and Documents library
- Trustee details
- Access to download commonly used forms
- Information on the scheme's AVC providers

If you were registered on the former [www.pensions.halcrow.com](http://www.pensions.halcrow.com) site, the Trustee contacted you in May to advise how to access the site. Should you have any issues accessing the new website, please contact Pensionsteam@jacobs.com and a team member will assist you.

## 9. Lump sum death benefits

For any lump sum death benefits i.e. in relation to a pensioner member who dies within 5 years of retirement or a deferred member who dies where a return of contributions is payable, the Trustee has absolute discretion as to whom the lump sum is paid but will be guided by any Nomination Form completed by the member prior to their death.

## 10. Keeping the Trustee updated

A Nomination Form is used to let the Trustee Directors know to whom you would like benefits to be paid on your death, although it is important to note that it is not binding upon the Trustee Directors.

A blank Nomination Form, for your completion and return, can be downloaded from the Trustee's Website, or is available on request from the Jacobs' UK & Ireland Pension Team. If you remain employed by Jacobs it is also available to download from the Pensions (UK) page on Jacobs Connect.

The Trustee Directors rely on you to keep them updated on any other changes in personal circumstances that might affect your benefits. For example if you get married or register a civil partnership; if you get divorced or have children.

If your familial circumstances change please review the nominees last notified to the Trustee to ensure any change to your wishes, if any, are notified by completion of a new Nomination Form.

If you change address/email address/phone number please notify Jacobs' UK & Ireland Pensions Team.

## **11. Qualifying Dependents**

In the event of a member's death, a pension may be payable to a qualifying dependant(s), these are restricted to;

- The person to whom the member was married immediately before death;
- Any person with whom the member had entered into a civil partnership; or
- Any other person who, in the Trustee's opinion, is financially dependent on a member at the date of their death and who the Trustee decide (with the consent of the employer) should be treated as a qualifying dependant.

If a member has more than one Qualifying dependant the Trustees will decide in their absolute discretion to which of the dependants any benefits will be payable

A child's pension will be payable to qualifying children. This means a member's natural child or a child in respect of whom the Trustee decides that the member stood in loco parentis, or that the child was financially dependent on the member.

A qualifying child dependant will be under age 18 (or age 23 if in full time education or training). Once a child no longer falls within this age category, their pension will cease.

If a member marries after their retirement and dies within six months of the marriage, any pension payable to a qualifying child will only be payable if the member was the parent or legal guardian prior to the marriage.

## **12. State Pension Taxation**

We received a number of calls to the Pensions Team regarding 1 May pension payments appearing lower than in previous months. This was due to the state pension increase applied.

State pension is liable for income tax but is not taxed via PAYE, instead your free pay allowance is reduced by the tax payable on your state pension. So, when the state pension is increased, your tax code will be proportionately reduced. This means that more tax is required to be deducted from your HPS2 pension.

## **13. Pension Scams**

Pension scam companies approach pension scheme members claiming they can help them to get access to cash from their pension early. Only in very rare circumstances, such as terminal illness, can you access pension funds before the age of 55. In most cases, promises of early cash will be bogus and are likely to result in serious tax consequences. In some cases, these arrangements technically operate within the law, but can still attract large tax charges, whereas others are outright illegal. If approached, be sure to get financial advice before making any decisions.

The Trustee Directors take this matter very seriously. If you think you're being scammed – act immediately. For more information, please see [www.thepensionsregulator.gov.uk/individuals](http://www.thepensionsregulator.gov.uk/individuals). If you have any concerns or are approached by anyone offering to unlock your pension early, you are urged to contact Action Fraud on 0300 123 2040.

#### **14. Advice regarding your pension**

If you need advice, the following websites <http://www.unbiased.co.uk> or <http://www.fca.org.uk/customers> can give you details of independent financial advisers in your area.

#### **15. Further Information**

A list of documents which provide further information is set out below. Many of which are available on the Trustee website or, if you want us to send you a copy of any of these documents please let us know.

##### **Additional documents available on request:**

###### **The Statement of Funding Principles**

This explains how we (the Trustee Directors) plan to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.

###### **The Statement of Investment Principles**

This explains how we (the Trustee Directors) invest the money paid into the Scheme.

###### **The Schedule of Contributions**

This shows how much money is being paid into the Scheme by the Company, and includes a certificate from the Actuary showing that it is sufficient to meet the requirements set out by law.

###### **The Trustee's Annual Report and Accounts of the Scheme as at 31<sup>st</sup> December 2022**

This shows the Scheme's income and expenditure for each year ending 31 December 2022.

###### **The Actuarial Report as at 31 December 2020**

This contains the details of the Actuary's update of the Scheme's situation as at 31 December 2020.

###### **The Actuarial Report as at 31 December 2021**

This contains the details of the Actuary's update of the Scheme's situation as at 31 December 2021.

###### **The Formal Actuarial Valuation Report as at 31 December 2022**

This contains the details of the Actuary's check of the Scheme's situation as at 31 December 2022.

###### **The Scheme Information Booklet**

This is the members' handbook for the Scheme. You would have been sent a copy in October 2016 when you transferred to HPS2 but we can let you have another copy if required.

**Trustee Contact details:** Email [pensionsteam@jacobs.com](mailto:pensionsteam@jacobs.com)

Phone 01189 467942

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Winnersh, Berkshire. RG41 5TU

Sent for and on behalf of the

**Trustee Directors of the Halcrow Pension Scheme (No.2)**