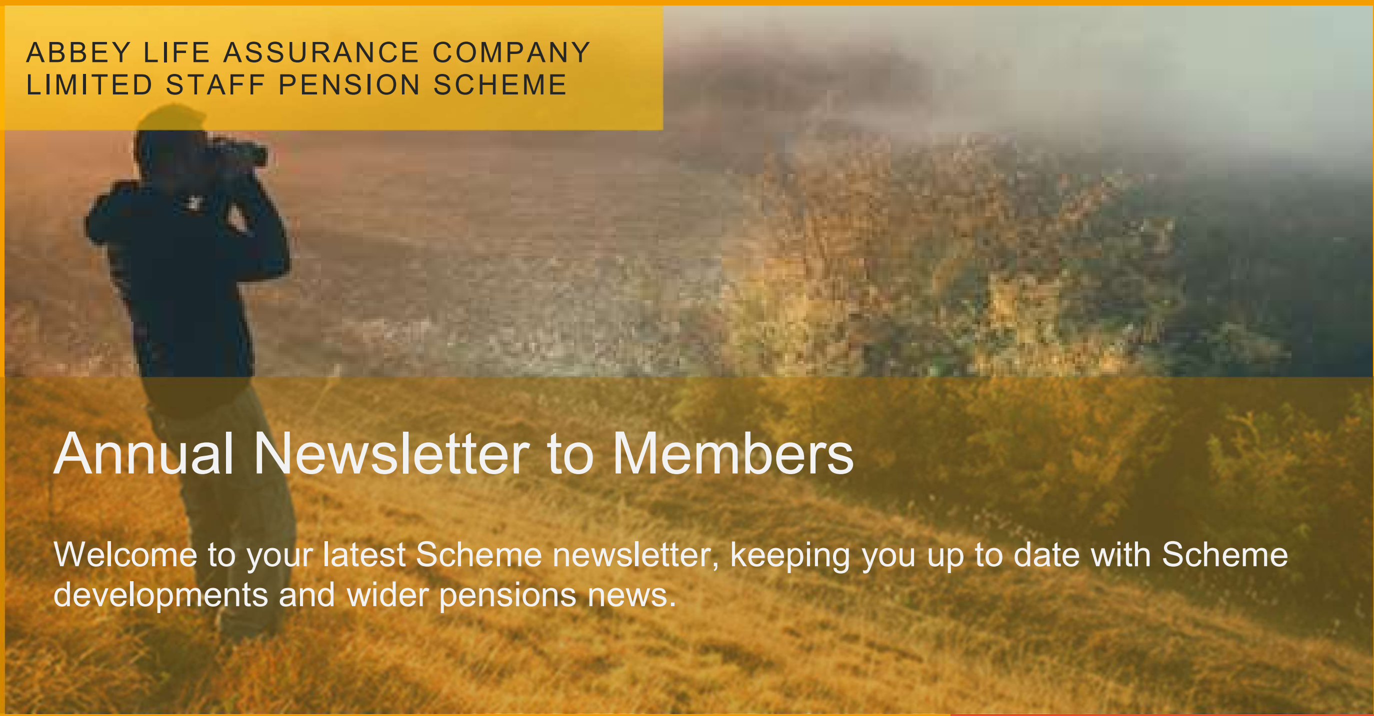
ABBEY LIFE ASSURANCE COMPANY
LIMITED STAFF PENSION SCHEME



Annual Newsletter to Members

Welcome to your latest Scheme newsletter, keeping you up to date with Scheme developments and wider pensions news.

February 2022

Life is slowly returning to normal in the UK as society learns to live with the COVID-19 virus and the vaccination programme. Indeed, the UK economy was boosted as the retail and leisure sectors re-opened. However, recent events, including soaring energy prices, remind us that the economy remains fragile.

As ever, our role as Trustee remains the same – to monitor the Scheme's development and to make any changes that we feel are necessary in order to protect the Scheme and all members' best interests.

Inside this newsletter, you can read how the Scheme's financial position is developing in our latest summary funding statement, which includes the results of the actuarial valuation as at 31 March 2021.

We also include a summary of the year's accounts, and an update on the Scheme's investments.

For our members with DC AVC funds, you might want to ask yourselves when you last checked the value of your pension account, or reviewed your investment options? It is important that you regularly review your investment decisions to ensure that they meet your current and anticipated personal circumstances and objectives.

Away from the Scheme, we look at (i) the timetable for launching the industry's Pensions Dashboard, and (ii) we include a warning of the threat of online fraud, and furthermore (iii) we report on the increasing importance of Environmental, Social and Governance (ESG) factors for investments.

As always, please do get in contact if you have a query about the Scheme or your benefits, or if there is a topic that you would like us to feature in our next issue. The contact details are on page 6.

Neil C H Tointon
Chairman of the Trustee

In this issue

In numbers

The membership

At 31 March 2021, there were 2,668 members in the Scheme, compared with 2,712 members at the same date last year. This does not include members who are paid by means of an annuity.

1,489	**Deferred members** - no longer work for Pearl Life Holdings Limited (nor Abbey Life – the previous employer), nor have contributions paid, but they do have benefits retained in the Scheme for when they retire.
1,179	**Pensioner members** - receiving benefits from the Scheme (and including the dependants of members who have died).

The accounts

Here we show headline figures from the Scheme's Annual Report and Accounts. If you would like more detail, please request a copy of the full report, by using the contact details on page 6.

The value of the assets supporting the Scheme as at 31 March 2021	£258.9M
The increase in the value of the assets over the reporting year	£10.7M
The total value of Company contributions paid into the Scheme during the year	£6.0M
The total value of benefits paid to members during the year	£12.0M

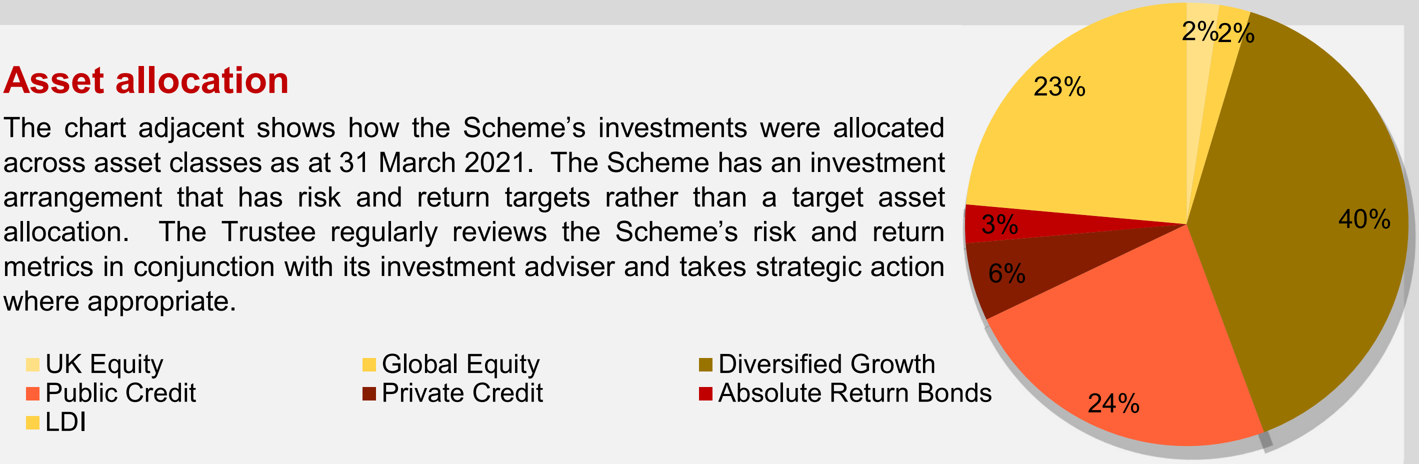
Investment update

As Trustee, it is our responsibility to decide upon the overall investment strategy and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing against our expectations.

As at 31 March 2021, the Scheme's assets were invested in various asset classes – Equities (UK and Global), Public Credit, Private Credit, Diversified Growth, Absolute Return Bonds, and Liability Driven Investments (LDI). In the financial year, new allocations were made to Absolute Return Global Bond Strategies, UK Equity, and Global Equity. The allocation to Private Credit, which was first introduced in March 2020, was also increased.

Asset allocation

The chart adjacent shows how the Scheme's investments were allocated across asset classes as at 31 March 2021. The Scheme has an investment arrangement that has risk and return targets rather than a target asset allocation. The Trustee regularly reviews the Scheme's risk and return metrics in conjunction with its investment adviser and takes strategic action where appropriate.



Performance

The table below shows how the Scheme's investments have performed compared with their agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform, bearing in mind economic and market expectations. Performance figures have only been shown for mandates that have been invested in for the entire period.

	Performance over the twelve-month period to 31 March 2021		Performance over the three-year period to 31 March 2021 (% per year)	
Portfolio	**Fund**	**Benchmark**	**Fund**	**Benchmark**
Diversified Growth Fund (DGF)	17.5%	5.1%	N/A	N/A
Public Credit	8.4%	7.0%	4.7%	4.0%
Liability Driven Investments (LDI)	-10.8%	N/A	10.8%	N/A

Over the financial year, the Scheme's asset value increased (moving from £248.2m as at 31 March 2020, to £258.9m as at 31 March 2021). Over the same period, the Scheme's liabilities calculated on a technical provisions basis, increased from £336.5m to £352.6m. As a result, the funding level remained broadly flat at 73%.

The total Scheme assets delivered an investment return of 7.2% over the 12-month period to 31 March 2021. Over three years, the Scheme's assets returned 6.3% per annum.

The DGF outperformed its target of cash + 5% per annum over the year, due to the rebound in risky assets following the pandemic lows as a result of supportive monetary and fiscal policies and positive vaccine news. The Public Credit mandate returned 8.4% over the year and outperformed its benchmark.

The LDI portfolio is a "passive" mandate with the objective of reducing investment risks related to the liabilities of the Scheme, rather than aiming to outperform a market index. Over the year, and as expected given market movements, the LDI portfolio delivered a negative return, following a rise in interest rates expectations on the back of heightened inflation expectations.

In the news

Beware of cyber crime

Online fraud, or cyber crime, is an ongoing threat in today's device-led world. The Pension Regulator's new single code of practice aims to tackle this with more emphasis, making it more of a priority for the trustees of pension schemes.

As Trustee, we are committed to maintaining the highest level of security of the Scheme's online systems and your personal data, and we will continue to work closely with our expert advisers to identify any areas for improvement.

We also encourage you to be vigilant to help protect yourself from cyber crime. Things to look out for include:

Authority. Beware of emails claiming to be from someone official, such as your bank or doctor. Criminals often pretend to be someone in a position of trust to gain your confidence and then trick you into doing what they want.

Similarly, a common scam is for fraudsters to set up a website that pretends to be a legitimate business – for example, a firm that is regulated by the Financial Conduct Authority or FCA.

Urgency. Beware of urgent time periods (such as 'within 24 hours' or 'immediately').

Emotion. Beware of messages that make you panic or fearful of missing out on something. False claims of support or enticing you into wanting to find out more are common methods.

Topical. Criminals often exploit current news to make their scam seem more relevant to you. Sadly, the COVID-19 pandemic gave criminals a new opportunity to tempt people into mistakes.

Remember!

If an email, website or social media post looks suspicious, stop what you're doing and give yourself time to check whether it is what it claims to be. If a financial adviser or firm is genuine, they will be authorised by the FCA and their details will be on the FCA's register. You can check the register online at **register.fca.org.uk**. Or you can ask the FCA to check for you – call **0800 111 6768**.

Do
Read the National Cyber Security Centre guidance at **www.ncsc.gov.uk/guidance/suspicious-email-actions** for further information on how to stay safe.

Visit the FCA's Scam Smart website at **www.fca.org.uk/scamsmart.**

Don't
Click on links, or share your bank details or personal information, following unsolicited requests.

Pension Scams Pledge

Fraud, in general, continues to be a significant problem in the UK. The scale of pension savings makes pension scams extremely attractive to some of the UK's brightest criminals. Moreover, whilst the police, regulators and the pensions industry must follow the rules, there is no rule book for criminals involved in pension scams. They are constantly evolving their scam techniques leaving the pensions industry to play catch up.

As part of TPR's latest initiative, Trustees and Administrators are encouraged to sign up to the Pension Scams Pledge, which means that they will:

- Regularly communicate the risk of scams
- Encourage members requesting drawdown to contact the Pensions Advisory Service for impartial guidance
- Get to know the warning signs of a scam and good practice for transfers
- Take appropriate due diligence measures for transfers and document all procedures
- Clearly communicate concerns to members if high risk transfers must be paid
- Report any concerns about a scam to the authorities and inform the member

The pledge is a two-stage process. The first step is to pledge an intention to follow the process. This therefore allows time to change procedures to fully align with the Regulator's requirements. Step two is a self-certification that the Regulator's requirements are met.

As part of our commitment to our members, as your Trustee, we have signed up to the Pension Scams Pledge. However, in practice, this means that we rely on our administrator, EQ, and the systems and processes that they have embedded. We work in close partnership with EQ and remain confident that EQ continue to respond to regulatory developments and requirements, and that they will continue to raise awareness of the risks with our members.

In the news

FCA and TPR guidance on advice and support

The Financial Conduct Authority (FCA) has published new guidance on what is expected from financial advisers delivering advice on transfers out of Defined Benefit schemes. The guidance focuses on the processes that should be put into place to ensure that firms deliver suitable advice for members interested in transferring out.

The guidance also includes a new version of the joint FCA and Pensions Regulator (TPR) publication *'Guide for employers and trustees on providing support with financial matters without needing to be subject to FCA regulation'.* The key points are:

- Trustees/employers can continue to provide information to help members understand their options for accessing their retirement benefits.
- Trustees/employers can continue to appoint and provide access to a preferred, FCA-regulated IFA.
- Factual numerical information about what members can do with a Defined Benefit transfer value can be provided, but illustrative figures, using assumptions about the future, should not be provided.

Pensions Dashboards

A few years ago, the Government called on the pensions industry to develop and launch an online Pensions Dashboard. The aim is to enable everyone to have quick and easy access to information on all their pension savings in one place. To achieve this, the Money and Pensions Service established a Pensions Dashboards Programme (PDP) team. The timeline for developing Pensions Dashboards is as follows.

From 2021

'Develop and test' phase – building, integration and testing of the digital architecture.

From 2022

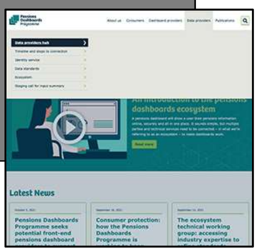
Voluntary onboarding – connection of volunteer pension schemes to the service, using real data.

From 2023

Staged onboarding – pension schemes will be required by law to connect to the service. Currently, all large schemes (with 1,000+ members) are expected to go live by the end of September 2024.

The Government has said that the Pensions Dashboard will also be made available to the public around 2023, by which point the PDP believes there will be sufficient findable pensions to make dashboards useful to consumers.

To find out more about the PDP, go to:
www.pensionsdashboardsprogramme.org.uk.



Responsible investing

You may have heard about responsible investing in the news recently, as it's getting more attention across the pensions industry. Responsible investing aims to incorporate environmental, social and governance (ESG) factors into investment decisions, which can help to create long-term sustainable returns.

- **Environmental**: the impact companies and their assets have on the environment.
- **Social**: how companies treat their employees, customers and the community.
- **Governance**: how companies and their assets are governed.

As Trustee of the Scheme, we assess ESG factors and consider how our views align with the Sponsor and our investment manager. Our appointed investment manager incorporates ESG factors into their day-to-day processes.

Our duties include making an appropriate range of investment options available to members invested within the Scheme's DC AVC arrangements. ESG remains an important factor for both DB and DC arrangements.

Minimum retirement age set to increase

The Government has confirmed that the minimum retirement age will rise from 55 to 57 in April 2028, to broadly coincide with the rise in the State Pension Age to 67.

Pension savers considering taking early retirement in 2028 or later may need to take this into account – in particular, those that will turn 55 just after the change takes effect, and those who reach age 55 shortly before then but have not accessed all of their benefits.

Where the Scheme currently gives members a right to take benefits before age 57, this will be retained for members.

We will keep you updated when the legislation for this is finalised.

More information

To find out more about the Scheme, please use the contact details below.

There are lots of useful websites that can help you understand your options and support you with your retirement planning.

Get to know your pension at www.yourpension.gov.uk. The site has a tool that can quickly generate you a retirement checklist to help you assess where you are with your planning. It also has useful links to a pension calculator, a State Pension calculator, and more.

Picture your future at
www.retirementlivingstandards.org.uk
The retirement living standards show you what life in retirement looks like at three different levels, and what a range of common goods and services would cost for each level.

www.maps.org.uk
The Money & Pensions Service brings together three main guidance bodies, the Money Advice Service, the Pensions Advisory Service, and Pension Wise.

The combined service is relaunching as MoneyHelper this summer. To find out more, go to
www.maps.org.uk/moneyhelper/

Contact point

Please use any of the methods below to get in touch with the Administration team.

Email: abbeylifepensions@equiniti.com

Phone: 0345 712 5921
(lines are open Monday to Friday, 9.00am to 5.00pm)

Write to:
Equiniti Limited
PO Box 4991
Lancing
BN99 8WQ

Reminder to keep us up to date

Please let us know if you change your name or address so that we can continue to contact you about the Scheme and your benefits.

Please also update your Beneficiary Nomination form if you need to. This tells us who you would like to receive any benefits that become payable in the event of your death. As the Trustee, we have the final say over who receives the benefits. We will consider your Beneficiary Nomination form, so if you have never filled one in, or you have not done so recently, particularly if your circumstances have changed, please do complete a form and send it to us.

Please use the contact details on the left to request a blank form.

Taking advice

If you would like advice about your retirement plans, we recommend that you speak with an independent financial adviser (IFA). You can find an adviser in your area by searching the Money Advice Service directory at:
directory.moneyadviceservice.org.uk

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised. You can do this online at:
register.fca.org.uk

or by phoning the Financial Conduct Authority helpline, **0800 111 6768**.

Remember: if you would like more information about the Scheme, you can request a copy of the Trustee's Annual Report & Accounts. Contact the administration team (details on the left).

Behind the scenes

As Trustee, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Scheme is progressing.

The Board is made up of Company-appointed Trustee Directors and member-nominated Trustee Directors.

Company-appointed	Member-nominated
Richard Zugic	Neil C H Tointon
Justin Grainger	Val Jones
Ellie Siva	

We also appoint professionals to support us on areas of particular expertise.

Administrator	EQ Limited
Actuary	Jonathan Gainsford, Aon Solutions (UK) Limited
Auditor	PricewaterhouseCoopers LLP
Covenant Advice	Mercer Ltd
Investment Adviser	Aon Solutions (UK) Limited
Investment Manager	Abrdn (Formerly Aberdeen Standard Investments (ASI))

Summary Funding Statement

This section summarises the results of the triennial valuation carried out as at 31 March 2021. It also looks at the most recent previous results at 31 March 2020. These financial health checks are vital for monitoring the Scheme's progress. We hope that the information helps you to understand how the Scheme is developing.

The latest position

The table below shows how the funding position has changed since the last funding update at 31 March 2020:

	Update	Valuation
Date	31 March 2020	31 March 2021
The funding level	73%	75%
The funding target	£336.5 million	£343.3 million
The value of the Scheme's assets	£246.5 million	£257.2 million
The overall position	Shortfall of £90.0 million	Shortfall of £86.1 million

Reasons for the change

The latest valuation shows that the funding level has improved since the update at 31 March 2020. This is largely as a result of Company contributions and investment growth, which have increased the assets.

This was partly offset by an increase in the value of the liabilities. The main drivers for this increase were:

- The net impact of changes in market conditions in relation to the valuation discount rate and future inflation expectations.
- The introduction of an allowance for the potential impact of GMP equalisation in the 2021 valuation.
- These factors were partially offset by changes to certain demographic assumptions, in particular updates to the longevity assumptions, which now make allowance for slightly shorter life expectancy.

The next financial check will be based on the Scheme's position as at 31 March 2022. We will report on the results once they are complete.

It is important to remember that it is normal for pension scheme funding levels to fluctuate over time. Even when funding is temporarily below target, the Scheme will continue to pay benefits in full as long as it continues.

In addition to the assets held in the Scheme, assets are held in separate accounts, called the New 2013 Charged Account, and the New 2016 Charged Account, which amounted to £41.9 million and £20.4 million respectively as at 31 March 2021.

An assessment was carried out as at 31 March 2021, which identified a shortfall in the Scheme exceeding the value of the New 2013 Charged Account. As a result, the entirety of the New 2013 Charged Account was paid into the Scheme in December 2021, totaling £42.7 million.

The Scheme will receive monies from the New 2016 Charged Account should certain events occur, or if there is a shortfall in the Scheme as at 31 March 2027 (assessed in a specified manner). Any payment to the Scheme from the New 2016 Charged Account will be made no later than 30 June 2028.

For further details on our investment approach, please read our Statement of Investment Principles (SIP) at:

www.thephoenixgroup.com/site-services/abbey-life-staff-pensions-scheme

You can also see our Implementation Statement showing how we have implemented the requirements of the SIP over the last scheme year.

This includes our voting policy and a link to information on specific voting and engagement examples within the website for Abrdn, who carry this out on our behalf.

Summary Funding Statement

Removing the shortfall

As part of the valuation as at 31 March 2021, we agreed with the Company to bring the Scheme to a fully funded position. This is known as a 'recovery plan'.

The Company agreed to pay £400,000 per month into the Scheme until 31 July 2025 to satisfy the recovery plan. In addition, a payment of £42.7 million was received by the Scheme in December 2021 from the New 2013 Charged Account.

These monthly contributions, and the payment from the New 2013 Charged Account, together with anticipated future investment growth, are expected to remove the shortfall by 31 July 2025.

The Company has also agreed to pay additional contributions into the Scheme of £400,000 per month from 1 August 2025 to 30 June 2026, and annual payments of £4 million each year until 31 July 2025 into the New 2016 Charged Account.

In respect of the expenses of administering the Scheme, the Company currently pays £106,295 per month. This amount will increase annually each 1 April in line with the 2021 valuation RPI inflation assumptions.

The next formal valuation will look at the Scheme's position as at 31 March 2024. This will include working out whether the recovery plan is on track, or if changes need to be agreed.

If the Scheme came to an end

The Scheme's funding level is worked out in two ways.

- The 'ongoing' basis (shown above), which assumes that the Scheme will continue into the future.
- The 'full solvency' basis, which shows the funding position if the Scheme started to 'wind up' at the date of the valuation. If this happened, all members' benefits would have to be secured by buying insurance policies. This would be more expensive than paying benefits through the Scheme, so the full solvency position generally shows a lower funding level than the ongoing position, even for fully funded pension schemes.

As at 31 March 2021, the Scheme's full solvency funding level was 64%, with a shortfall of £146.4 million.

Please note that we are legally required to report the full solvency position as part of this funding statement. It is important to note that the Company has no current plans to end the Scheme.

We must also tell you if there have been any payments to the Company out of Scheme funds in the last 12 months. There have not been any such payments.

The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way that occupational pension schemes are run, although it has not needed to use its powers in this way for our Scheme. You can find out more about the Regulator online at:

www.thepensionsregulator.gov.uk.