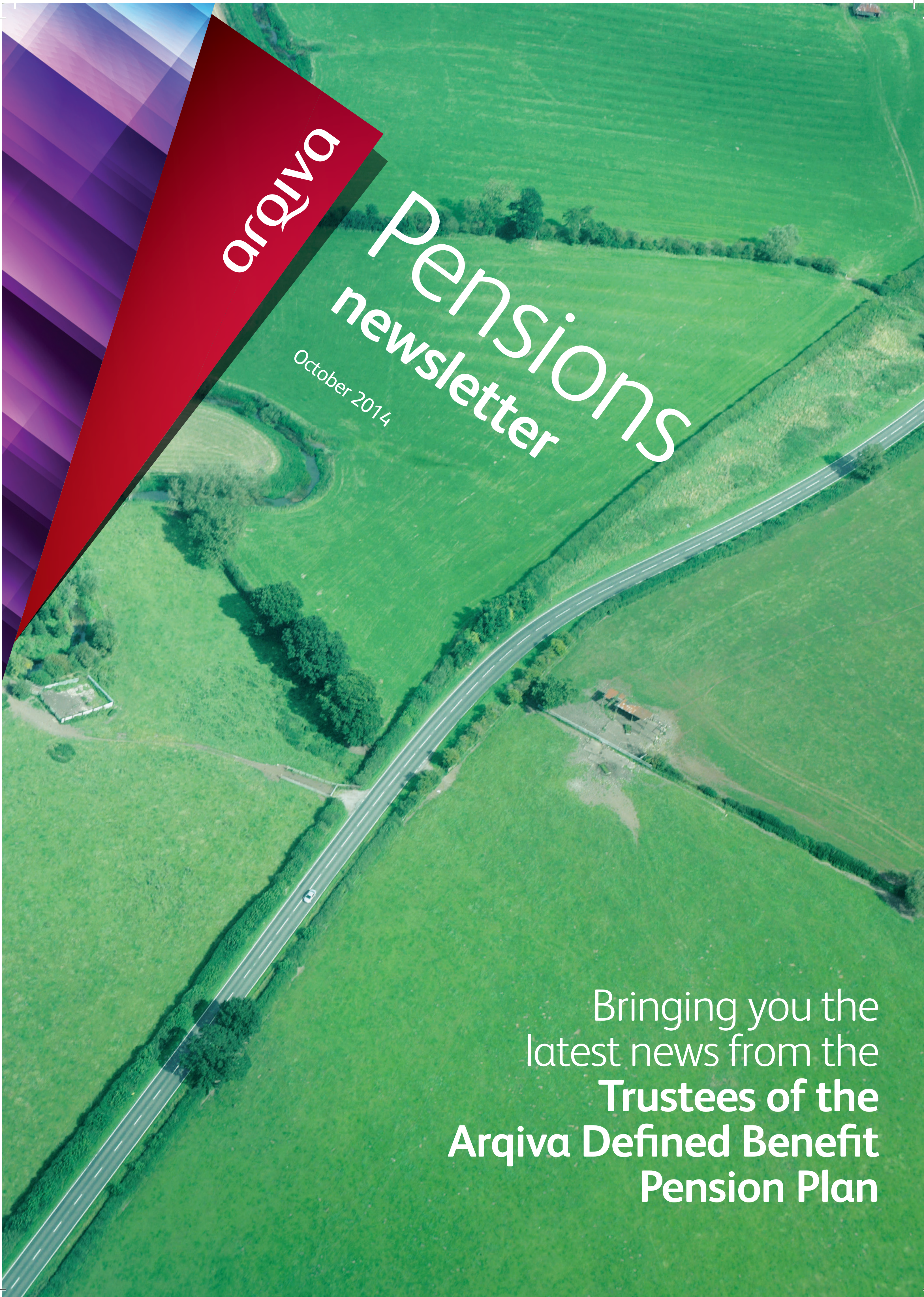


# Pensions newsletter

October 2014

Bringing you the latest news from the **Trustees of the Arqiva Defined Benefit Pension Plan**

# Message from Peter Douglas

## Chairman of the Trustees

Welcome to your 2014 newsletter, bringing you the latest news from the Trustees of the Arqiva Defined Benefit Pension Plan.

Welcome to this year's newsletter. This is our main communication to all our membership, keeping you informed of plan developments and wider pensions news. Inside, you'll find updates on the Plan's finances – the accounts, investment performance and funding position – along with activity over the past year and current news about pensions.

The Plan's actuarial valuation – a detailed 'health check' – is currently underway. This takes place every three years and will give us key information about how the Plan is performing financially. It's a complex process, carried out by our actuary, which compares how much money (assets) the Plan holds to the value of benefits (liabilities) built up by members. From this, the actuary is able to work out whether the fund is in surplus or deficit. If there's a deficit, the Trustees must then agree a plan for eliminating this. We already have a plan in place from the 2011 valuation and as a result, the company has paid £17.4 million into the Plan since then. This is in addition to the standard monthly payroll contributions. The valuation process won't be completed for some months yet, so we'll let you have the full results next time.

In our pension news section, you can read about the far reaching pension changes which were announced by the government in the March budget. These will give everyone more choice and flexibility, including members of defined benefit pension plans such as ours.

You'll also find an important warning from the Pension Regulator about the increase in pension scams. We'll remind you about this if you're thinking about transferring your pension out of the Plan – but take a look at the information now so you can understand what the scams are and where to find out more if you have any concerns.

We hope you find the newsletter informative and, as always, welcome any feedback and suggestions for future editions.

Best regards

# Investments

Mercer are the investment consultants for the Plan. They work with the Trustees, and in particular the Investment Sub Committee, to advise on investment strategy and where the Plan's money is invested. We asked Nathan Baker from Mercer to comment on how the markets have been performing over the past year, what the economic outlook is for 2014, and how this might affect the performance of the Plan.

## What changes have been made to the Plan's investment strategy?

**Up to July 2014 the Plan was split into three sub-funds:**

- **the NTL Broadcast sub-fund**
- **the NGW sub-fund and**
- **the NGUK/ESPS sub-fund.**

The Trustees' primary objective in managing the Plan's assets is to ensure that they are sufficient to pay your benefits (which are liabilities for the Plan). Plan assets are invested in company shares – known as equities - and in bonds, including corporate bonds (loans to companies), gilts (loans to governments) and multi-asset funds which invest in a mixture of equities and bonds. It is the balance of these different types of investments and the returns on them that the Trustees closely monitor and manage through their investment strategy.

This year the focus of the Investment Sub Committee (ISC), a sub-group of the Trustees, has been in the following areas:

- **Implementation of the de-risking strategy.** The funding based de-risking strategy, developed by the Trustees and supported by the company, was put in place during July 2013. On an ongoing weekly basis, Legal & General, on behalf of the Trustees, compare the ratio of the Plan's assets to its liabilities (known as the funding level). Where the funding level for a sub-fund is in excess of set funding targets (measured as a percentage), a mechanism is in place for transferring some of the assets from equities to bonds. In this way, it is anticipated that over the long term, the portfolio will gradually de-risk into less volatile investments (bonds). Under this approach a series of de-risking transfers were made during the summer of 2013 and hence the Plan has a lower allocation to risky equity assets than it did at the start of 2013.
- **Arranging the merger of sub-fund assets.** The merger of the Plan's sub-funds was completed in July 2014. As part of this change the sub-fund assets were brought together to allow future cost savings. This was undertaken in a manner that minimised transaction costs.
- **Reviewing the emerging markets equity allocation.** Following a review the ISC determined that active management of the Plan's emerging markets equities would be preferable to the existing index-tracking approach. Having conducted a manager selection exercise the Trustees selected Vontobel Asset Management as the future manager of their emerging markets equities and the transfer of assets to the new manager was initiated in September 2014.
- **Better matching Plan assets to liabilities.** The ISC has been reviewing the extent to which the Plan's bonds may be invested in a way that better matches the liabilities, in order to further reduce risk. This has been undertaken in conjunction with Mercer and the company and is ongoing.

The ISC continually monitors all the Plan's investments with Mercer and updates the full Trustee board at every quarterly meeting.

## What has been happening in the economy this year?

Against the backdrop of continued monetary easing by the world's major central banks, both growth and defensive assets delivered positive returns over the 12 month period to 30 June 2014. As the recovery of all major developed economies, notably the UK, began to broaden and the Eurozone emerged from recession, investor sentiment gradually improved with investors' risk tolerance increasing. Whilst wage growth remained low, improvement was seen in employment and the labour market. By the end of the second quarter of 2014, market volatility significantly reduced to pre-2008 levels and most developed markets experienced above-trend growth.

The UK was at the forefront of the global upturn, as growth appeared to have retained solid momentum in 2014 with accelerated business investment and strong demand in the housing market. On the back of the expectation that the Bank of England would raise interest rates sooner than their US and Eurozone counterparts, Sterling continued to appreciate against their currencies.

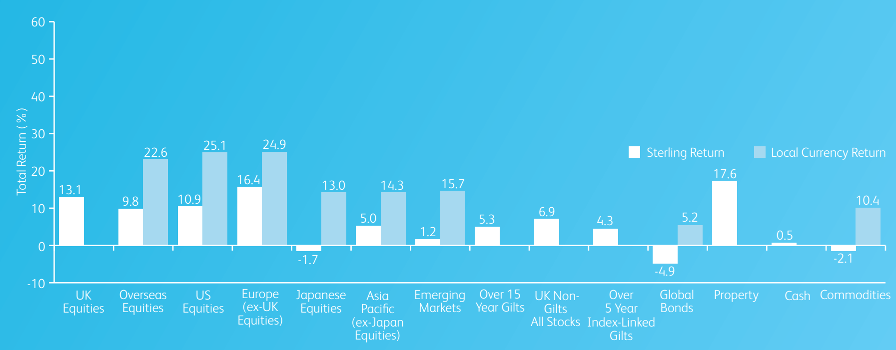
Whilst emerging markets were laggards in 2013, economic conditions started to improve in the first half of 2014. However the political unrest in Ukraine and the instability in the Middle East undermined the growth prospect in the emerging world. Equity and debt investments in emerging markets remained highly volatile and struggled to return to a steady uptrend despite low valuations.

# How have investment markets responded?

Equity markets generally performed strongly, with returns on bonds being solid too. The chart shows the returns for various types of asset over the 12 month period to 30 June 2014.

Within equity markets, "developed markets" (such as the UK and US) outperformed "emerging markets" (such as Brazil, China, and Russia) in sterling currency terms, with the exception of Japan (due to Sterling's appreciation versus Yen). In bond markets, corporate bonds (shown as "Non-Gilts" in the chart above) outperformed conventional gilts. Index-linked gilts (whose returns are linked to inflation) provided positive returns.

### 12 month performance to 30 June 2013




Source: Thomson Reuters Datastream, 2014

# How has the Plan's investment strategy performed?

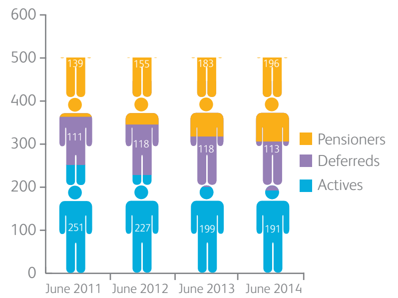
Amid supportive conditions for investors, the positive returns generated from equity markets over the year have meant that the three sub-funds' have performed strongly. The NTL Broadcast, NGW and NGUK/ESPS sub-funds produced investment returns of 9.1%, 8.3%, and 9.4% respectively over the year ending 30 June 2014 (gross of fees).

The ISC will continue to monitor the ongoing performance of Plan assets and, as part of the de-risking framework, how this compares to the change in Plan liabilities.

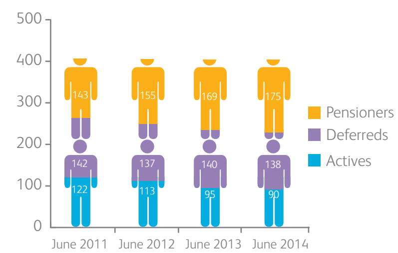
# Membership of the Plan

The charts below show the membership of the different sub-funds of the Plan, and how the numbers have changed since the valuation in June 2011.

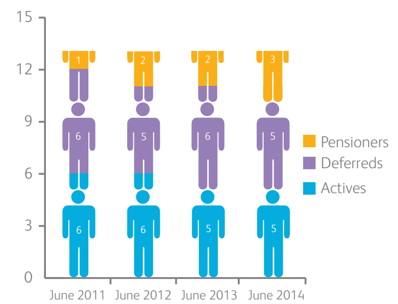
NTL Broadcast membership



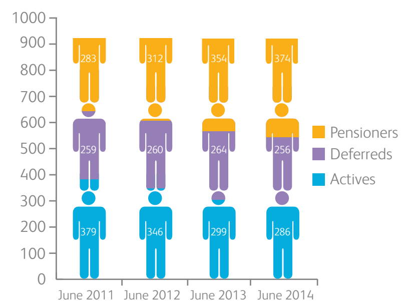

NGW membership




NGUK/ESPS membership




Plan membership in total

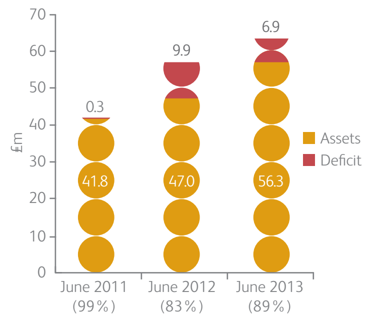


# Scheme funding

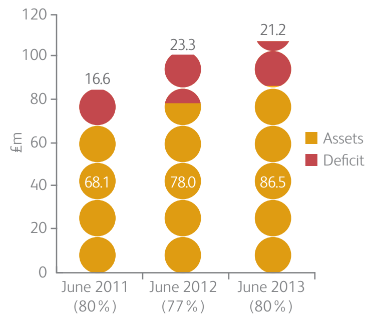
The formal actuarial valuation of the Plan as at 30 June 2011 was completed in September 2012 and the results were communicated to you in the 2012 newsletter. In the years where there is not a formal valuation, the Plan actuary produces an update of the funding position so that we can keep track of whether or not the valuation objectives are being met.

The charts show the progression of the funding levels since the formal 2011 valuation. The deficit is calculated as the difference between the asset value and the liability value. The funding level is shown underneath the bars in brackets.

NTL Broadcast

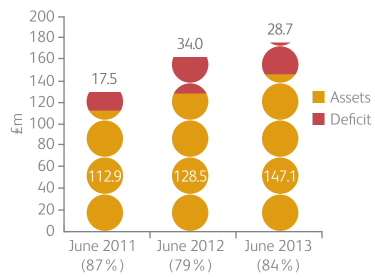



NGW




NGUK/ESPS


Plan in total




## Scheme merger

Since the beginning of 2010, the Plan has been segregated into three separate sub-funds (NTL Broadcast, NGW and NGUK/ESPS), as shown in the adjacent charts. The three funds have had separate assets and liabilities.
On 26 June 2014, the three funds were merged together as a single fund and we wrote to you about this in July. This decision was taken by the Trustees in order to create efficiencies in the operation of the Plan. The merger will have no effect on your personal pension benefit and there is no action you need to take.

The merger means that the formal valuation of the Plan at 30 June 2014 will be conducted on a single fund basis, and so it will show a single set of results rather than three.

## Assets and liabilities

The Plan's asset value is the sum of all the Plan's investments, which are obtained from the Plan's various investment managers.

The liability of the Plan is the estimated amount of money, expressed in current terms, that needs to be held in order to meet all future expected pension payments of the Plan members. It is calculated using a set of assumptions which are discussed and agreed between ourselves and the company. Because the assumptions are long term in nature, it is impossible to predict them with 100% certainty.

Future pension payments (and these can be in many years' time) are expressed in today's terms using assumed future rates of interest and inflation. The three key assumptions used to value the Plan's liability are:

- Future interest rates: the lower the interest rate assumed, the higher the current value of the liability
- Future inflation: the higher the inflation rate assumed, the higher the current value of the liability
- Future mortality rates: the lower the mortality rates assumed the higher the current value of the liability

## Other disclosure information from the 2011 valuation

At the valuation date the estimated amount required so that all members' benefits could have been paid in full if the Plan had started winding up and benefits were to be bought out with an insurance company, were:

- NTL Broadcast: £66.2m (i.e. a shortfall of £24.4m)
- NGW: £123.0m (i.e. a shortfall of £54.9m)
- NGUK/ESPS: £6.0m (i.e. a shortfall of £3.0m)

Inclusion of this information does not imply that the Company is considering winding up the Plan.

## Deficit payments

It was agreed that the Company would pay contributions to correct the deficits identified at the 2011 valuation. The remaining deficit payments are:

| £000s | NTL Broadcast | NGW | NGUK/ESPS | Total |
|---|---|---|---|---|
| Paid on 31 July 2014 | - | 5,557 | 143 | 5,700 |
| Due by 31 July 2015 | - | 3,996 | 143 | 4,139 |



# Plan
## and pension news

### 2014 Budget changes - what do the new options mean for me?

As a member of a defined benefit pension plan, such as ours, you will be able to access new flexibility being introduced by the budget changes by transferring your pension to a defined contribution plan.

This is because anyone taking benefits after 5 April 2015 with a defined contribution (DC) pot will have much more choice. Individuals will be able to:

- take their entire pension pot from age 55 as cash with up to 25% tax free or
- spread the cash taken over any number of years (subject to income tax rules)

It is possible for members of defined benefit (DB) schemes to take advantage of these new flexibilities but this would involve a transfer from one DB scheme to an appropriate DC arrangement and this would need to be considered carefully and advice taken.

What to do…..

If you are thinking of retiring soon after April 2015

- make sure you understand how you might benefit from the new flexibility.
- you may want to re-think your retirement plans
- you may want to wait for the new guidance which will be available to everyone retiring after 5 April 2015. This will give you access to free and impartial guidance (but not professional financial advice) about your retirement choices.

If you are thinking of retiring before April 2015 you may want to check the size of your pension pot(s).

- if your pension pot is less than £10,000 you could take it all as cash (subject to tax)
- if the total of all your pension pots is less than £30,000 you can take them all as cash (subject to tax).

**Remember**

- in previous newsletters we highlighted that money purchase AVCs (not Added Years AVCs) could be transferred to another provider without also transferring your main Plan benefits. Should you do this the flexibility described above will be available from April 2015
- if you are a deferred member of the Plan, you have the right to transfer your Plan benefits to another pension arrangement at any time.

Deciding whether it's in your best interests to transfer your pension to a DC arrangement to take advantage of these new options is complicated and you will need to take professional advice first.

### Have you kept track of all your pension savings?

Did you know there are around £3 billion in unclaimed pensions in the UK?

If you have worked for other employers at any time, or if you've paid into a private arrangement, you may have pension savings elsewhere.

Last year results from an Age UK survey showed that one in four respondents had lost details of at least one pension. Keeping track of them can be tricky but there is a way to find any lost pensions.

Collect all the information you can about the pension you're looking for – anything at all which could be relevant. If you can't contact your previous employer or pension provider get in touch with the Pension Tracing Service. Call them on 0845 600 2537 or visit their website at www.gov.uk/find-lost-pension - the service is free and has access to over 200,000 schemes in the UK.

### Early retirement after leaving the Plan

If you are interested in taking your pension early, please get in touch with KPMG for more information. You will need to be over age 55 and have left the Plan although you can still be in employment with Arqiva or elsewhere.

### Pension scams – don't be a victim

With more pension options and flexibility for everyone, it's even more important that you watch out for pension scams.

Pension scams are on the increase and the Pension Regulator is warning that scammers' tactics are increasingly evolving. Home visits from 'introducers', claims about 'legal loopholes' and unusual investments such as overseas property, storage units or biofuels are all being used to fool members into thinking they're being offered a legitimate pension transfer.

In rare cases – such as terminal illness – it is possible to access funds before age 55 but for the majority the truth is that many victims of scams will lose their entire pension and have to pay a large tax charge on top.

Pension scams can take many forms. Some scams will appear to be legal, and some of the people who offer them may even suggest that the government has asked them to contact you.

**Watch out for**

- Phrases like 'one-off investment opportunities', 'free pension reviews', 'legal loopholes', 'cash bonus', 'government endorsement'
- Approaches out of the blue over the phone, via text messages or in person door-to-door
- Transfers of money to investments overseas, meaning the money is harder to recover
- Accessing your pension pot before age 55
- No copy of documentation for you
- Being encouraged to speed up transfer of your money to the new scheme.

Once the pension is transferred, it's too late.

You can find more at www.thepensionregulator.gov.uk or if you are in doubt or have any concerns at all call KPMG on 0118 964 2179.

### Contracting out changes in 2016

It's been looming on the horizon for a while. One of several upheavals to the UK State Pension system will finally come into effect in April 2016. But this brings a number of

significant potential changes for contracted–out defined benefit pension schemes such as our Plan.

A single-tier State Pension, will replace the existing system of a Basic State Pension and State Second Pension from April 2016. With this new system, the option for employers to opt their employees out of the State Second Pension (known as "contracting-out") will cease.

In simple terms, this means that the current reduced level of National Insurance paid by both the company and members of the Plan will cease. If nothing else changes, the company will see an increase in their costs, whilst members see a reduction in their take-home pay by around 1.4% of their 'band earnings.'

In return, you might expect to receive a more valuable State Pension in your retirement. However, complex transitional arrangements for the new state pension system means that it will be difficult to predict the impact on individuals.

We are discussing the changes with our advisers and will give you a detailed update in our next newsletter.

## Increase to minimum pension age

The earliest age at which pensions can be taken will increase from age 55 to age 57 by 2028, but the details of how the government plan to introduce the increase are not yet known. This minimum age will also increase further after 2028, in line with any increase to the State Pension Age.

## Annual Allowance

The government's lower level Annual Allowance of £40,000 came into effect from the beginning of this tax year. This is the amount of tax free pension benefit you can accrue in a specified 12 month period. Benefits can be accrued above this limit but they don't attract any tax relief.

If you are liable for payment of any Annual Allowance (AA) tax charge, you will normally be able to ask the Trustees to pay part or all of this charge for you if your charge exceeds £2,000 – this is known as "Scheme Pays".

We will only pay an Annual Allowance tax charge that results directly from benefits earned in our Plan. If you have a tax charge from pension savings elsewhere, these will not be included in our Scheme Pays facility.

Our plan administrators, KPMG, will give you further information and options if an Annual Allowance tax charge applies to you.

There's also more information about the Annual Allowance at www.hmrc.gov.uk

## Lifetime Allowance

Most people won't have pension savings worth more than the new £1.25 million Lifetime Allowance, which came into effect from 6 April 2014. However, if your total pension savings are worth more than this when you take your benefits, you'll have to pay a Lifetime Allowance tax charge on the excess unless you have 'protection'.

A form of protection called 'individual protection 2014' became available from August 2014. It will provide protection for those with pension savings between £1.25 million and £1.5 million on 5 April 2014. Unlike earlier forms of protection, a person with individual protection 2014 can continue to accrue unlimited further pension benefits or pay contributions without losing their protection. Applications for individual protection 2014 must be received by HMRC no later than 5 April 2017.

There's detailed information at www.hmrc.gov.uk and if you think you might be affected you should consider consulting an Independent Financial Adviser.

## Is your nomination for death benefits up to date?

There are provisions within the Plan rules covering the payment of spouse/partner/dependant pensions in the event of your death. However, it is important that the Trustees have an up-to-date nomination form to give them guidance about who you would like any payments to be made to.

Don't worry about who you might have nominated on any previous document – the best way to make sure your information is up-to-date is to complete a Plan Nomination Form which is available from KPMG.

If your circumstances change in the future or if you want to make sure the Trustees have a recently dated document, just request another form from KPMG at any time.

(Please note: if you are already receiving benefits as a dependant of the Plan, then no additional dependant benefits are payable and this section is not relevant to you.)

If you are currently working for Arqiva, there is a different nomination form for your life assurance benefits provided outside the Plan. Take a look on the benefit pages of Connect to find out more or contact the P&O helpdesk on 01962 822424.

## Same Sex Couples

In March this year, same sex couples were able to legally marry for the first time and new requirements for pension plans and employers followed so that there was no discrimination against same sex married couples. The Trustees have been working with their legal adviser to ensure that the Plan rules will meet all the new requirements and same sex spouses will receive the same survivors' pension benefits as civil partners.

## Trustee report and accounts (year to 30 June 2013)

The report and accounts for the Plan were produced this year and the auditors have confirmed that the full financial statements are correct. Copies are available for you to view on request.

## Trustee change

Last but certainly not least - many thanks to Frank Brown for his valuable contribution over many years as our BECTU nominated Trustee. Frank left Arqiva and his Trustee role earlier this year and was replaced by Mark Jacobs who has previous experience on the Trustee board.

All other Trustee appointments remain the same. You can find the full listing on the last page of the newsletter.

# Need more information?

Current active members can find links to the Plan's documents and member booklets on the pension pages of Connect. If you have left the Plan or receive a pension and have a question, just contact the Plan's administrators, KPMG.

## Your Contacts


**KPMG administrators**

Emily Tetlow
KPMG Pensions,
Arlington Business Park,
Theale, Reading, RG7 4SD

Tel: 0118 964 2179
Fax: 0118 373 1373
Email: emily.tetlow@kpmg.co.uk

**Arqiva and Trustees**

People and Organisation Helpdesk

Tel: 01962 822 424
Email: p&o.helpdesk@arqiva.com


## Your personal data

Please help us maintain our high standards of member data. Contact KPMG directly to let them know about any change in your circumstances such as a change of address, updated beneficiary nominations and marital / civil partnership status.

## Your Trustees



## Our professional advisers

We are supported by a number of professional advisers:

| | |
|---|---|
| **Actuary and administrators** | KPMG LLP |
| **Legal advisers** | Baker & McKenzie LLP |
| **Investment advisers** | Mercer |
| **Auditors** | Crowe Clark Whitehill LLP |
| **Investment managers** | Legal & General Investment Management<br>Standard Life Investments Ltd<br>Insight |
| **AVC Managers** | Legal & General Investment Management |
| **Bankers** | Lloyds TSB |

## NTL Pension Plan (Virgin Media)

If you have benefits within the Virgin Media/NTL Plan, our own administrators KPMG will not be able to give you any information about benefits that you might have in the 'old NTL Plan'. For any enquiries, please contact Punter Southall on 0118 313 0725.

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**About Arqiva**

Arqiva, the communications infrastructure and media services company, operates at the heart of the broadcast, satellite and mobile communications markets.

The company is at the forefront of network solutions and services in the digital world. Arqiva provides much of the infrastructure behind television, radio, satellite and wireless communications in the UK and has a significant presence in Ireland, mainland Europe and the USA. Customers include major broadcasters such as the BBC, ITV, BSkyB and the independent radio groups, major telco providers including the UK's four mobile network operators, and the emergency services.

**www.arqiva.com**