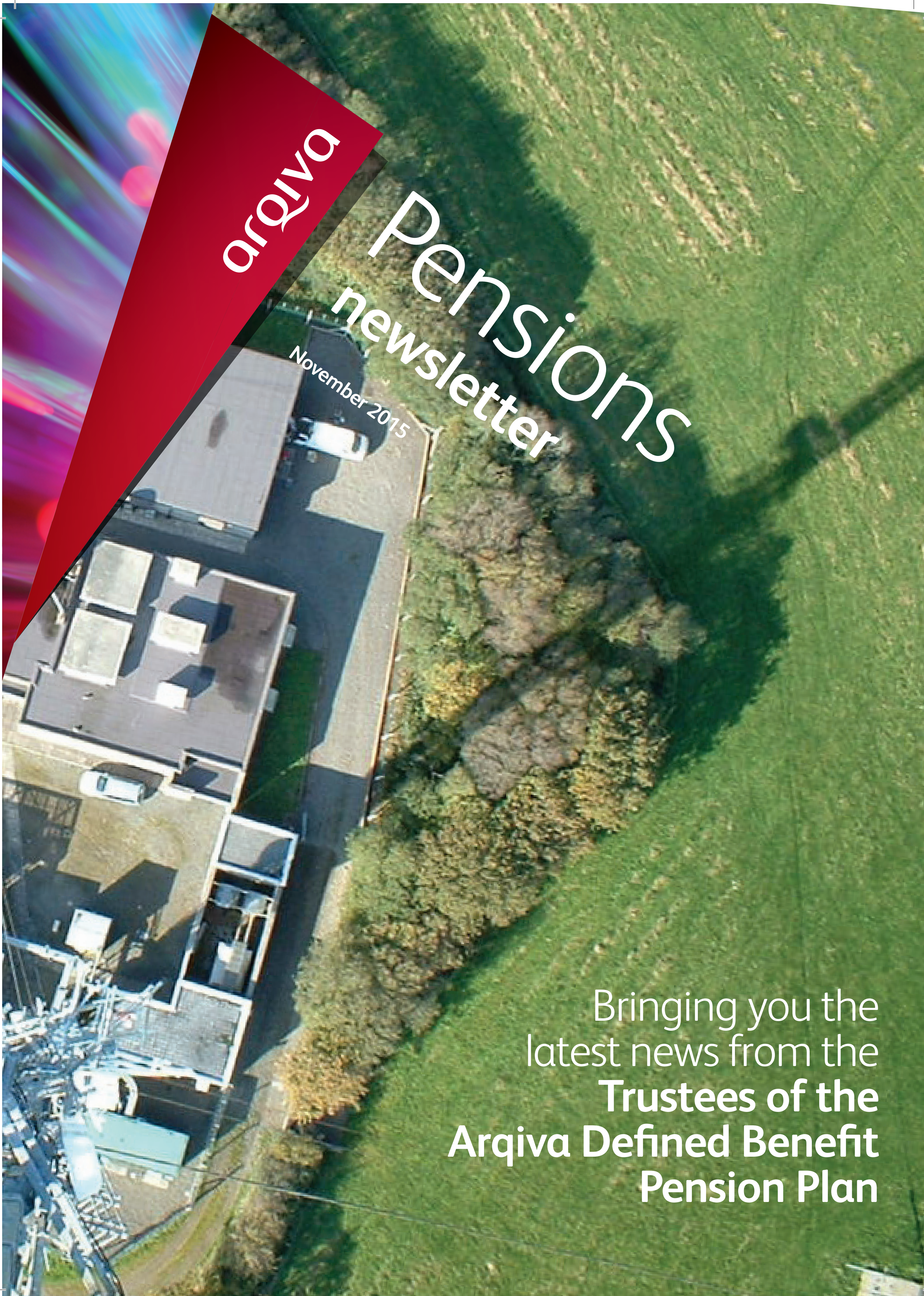
arqiva

Pensions newsletter

November 2015



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

Message from Tom O'Connor

Chairman of the Trustees

Welcome to your 2015 newsletter, bringing you the latest news from the Trustees of the Arqiva Defined Benefit Pension Plan.

It was with great sadness that we said farewell to Peter Douglas earlier this year. Peter had been ill for some time and due to the treatment he was receiving for cancer, Peter reluctantly resigned his role as Chairman of the Trustee Board just over a month before his death in August.

Peter joined the IBA in 1974 and, when the engineering division was privatised as NTL in 1991, he became a member of NTL's senior management team. He served on the Boards of Arqiva and its predecessors and Peter was appointed Chairman of the Trustee Board when the Arqiva DB Pension Plan was created in 2005.

Peter brought his wide and detailed knowledge of the business to benefit the Plan. His meticulous attention to detail and determination ensured the Plan was professionally managed in the best interest of all its members and he commanded the respect of his Trustee Board, Plan advisors and the Company. On behalf of all members of the Plan, the Trustees were able to thank Peter for his significant contribution over many years. His knowledge, friendship and support will be greatly missed.

Following Peter's resignation as Chairman of the Trustee Board, the Company asked me to take on the role of Chairman and I am pleased to accept the appointment. My personal involvement in pensions began in 1996 when I was appointed a Trustee of the NTL Pension Plan and has continued until the present day. Following the acquisition of NTL Broadcasting in 2005 by a consortium led by Macquarie Communications Infrastructure Group I was appointed a Trustee of the Arqiva Pension Plan. I am currently a Trustee and pensioner member of both Plans.

Plan activity

It has been a busy year for the Trustees, with the triennial Valuation of the Plan taking place; the completion of a review of liability matched investments; and the Company's proposed closure of the Plan to future accrual for our current active members.

A full Plan valuation must be carried out at least every three years to assess the financial health of the Plan and is a 'snapshot' of the Plan's assets and liabilities at a specific date – 30 June 2014. The Valuation subsequently results in a future funding Plan agreed by the Trustees and the Company. I'm particularly pleased to confirm that we recently finalised the valuation and put in place a long term funding plan to secure lump sum payments into the Plan in future years. You'll find further commentary from our Plan actuary, Robert Bass of KPMG, in this newsletter.

You'll also be able to find more detail about the Plan's assets in this edition, including how the funds are invested and how they have performed. During the last Plan year, the investment return was 11% – with a net increase in the value of the Plan's assets from £175 million to £196 million. Last year the ISC (our Investment Sub-Committee) reviewed the extent to which the Plan's bonds might be invested in a way that better matches the liabilities, in order to reduce risk and volatility. This exercise has now been completed and our investment portfolio restructured. Our investment advisers, Mercer, have provided some more background for you in the investment section.

The Company started a consultation with active Plan members earlier this year with a view to closing the Plan to future accrual.

The Trustees wrote to all members in March when the Company first announced their proposal to explain our role in this exercise. The role of the Trustee Board is not to negotiate the terms of the changes requested by the Company, but to be satisfied that proper consultation has been carried out with those members (or their representatives) directly impacted by the proposed changes. The Company has been updating us throughout the process.

Keeping you up-to-date

The Government announced changes in their March Budget introducing greater flexibility and choice at retirement. There's a summary of the changes on page 6 which may be helpful for your retirement planning.

There's also important information about the new Annual Allowance and Lifetime Allowance with helpful details about where you can find out more if you think you are affected.

I hope you enjoy reading this 2015 newsletter and that it helps keep you up to date with arrangements relating to your pension and the Plan. If there are any matters that you would like to see covered in future issues, please let us know.

Best regards

Investments

Twelve Month Market Overview to 30 September 2015

Over the 12 month period to 30 September 2015, risk asset classes such as equities were significantly impacted by a sharp-sell off in August and September 2015, following concerns over the ongoing weakness in commodity prices, a slowdown in Chinese growth and a surprise devaluation of the Chinese Renminbi. Most defensive assets benefitted from the increased investor risk aversion and posted positive returns over the year in Sterling terms.

Monetary policies across the globe remained very supportive of asset prices over the year. While economic growth slowed somewhat in the third quarter of 2015, most macroeconomic indicators still point to positive growth, particularly in the developed markets.

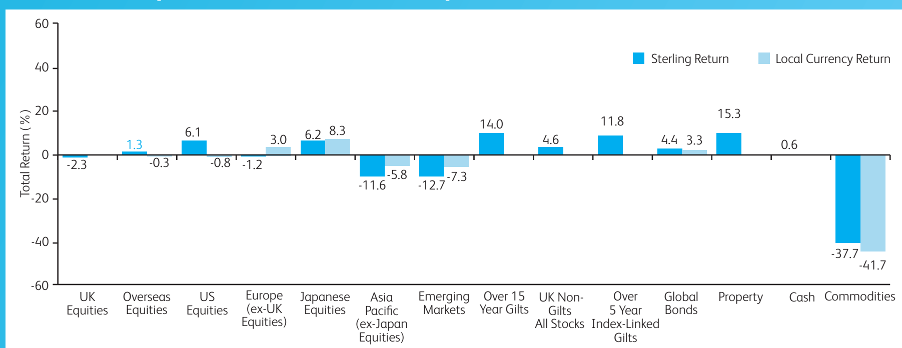
In the United Kingdom, the Office for National Statistics estimated that the economy grew by an annualised rate of 2.4% for the year to 30 June 2015. This was slightly lower than the growth rate of the United States of c. 2.7% over the same period. Despite positive growth, low inflation readings remain a concern across the global economy. In the US, the world's largest economy, consumer prices declined by -0.1% year-over-year in August (source: Bureau of Labor Statistics) whereas the United Kingdom Consumer Price Index remained unchanged over the same period (Source: Office for National Statistics).

Strong economic growth in the US led to a rally in the US Dollar against most other currencies, including Sterling. Sterling appreciated against the Euro and the Japanese Yen over the period.

How have investment markets responded?

Equity returns over the twelve month period to 30 September 2015 varied considerably by region, with Japanese and US equity markets achieving positive returns, while Asia Pacific (ex-Japan) and UK equities generated negative returns in Sterling terms. The negative sentiment surrounding commodities and emerging markets has been reflected in their returns. In bond markets, corporate bonds (shown as 'Non-Gilts' in the chart) underperformed both conventional and index-linked gilts.

12 month performance to 30 September 2015

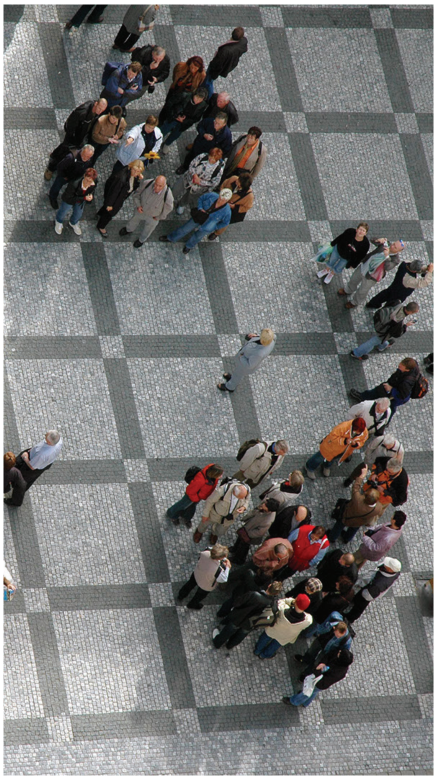


Source: Thomson Reuters Datastream

How has the Plan's investment strategy performed?

Recent conditions for investors have been difficult, with risk asset classes continuing their downward trend as market volatility has spiked. Despite this challenging environment, the Plan's assets produced a positive investment return of 11.1% over the twelve month period to 30 June 2015, outperforming the benchmark return of 10.5%. The strong positive performance over the year was largely driven by the Plan's exposure to inflation linked government bonds and corporate bonds.

The ISC will continue to monitor the ongoing performance of Plan assets and how this compares to changes in Plan liabilities.



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

The Trustees' primary objective in managing Plan assets is to ensure that they are sufficient to pay your pension 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.

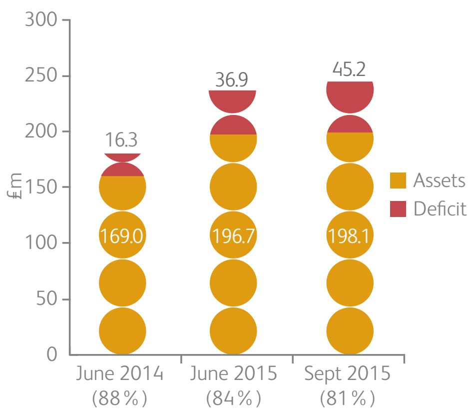
This year the focus of the Investment Sub Committee (ISC), a sub-group of the Trustee, has been in the following areas:

- **Implementation of the de-risking strategy.** 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 is in excess of the 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).
- **Reduction in interest and inflation risk.** The ISC have recognised that the Plan's funding level is impacted by changes in both interest rates and inflation expectations, and that these changes can impact the funding level materially. To reduce the interest and inflation risk for the Plan, the Trustees (in consultation with the Company) have evolved the existing de-risking framework managed by Legal & General. Legal & General, on behalf of the Trustees, will gradually reduce the interest and inflation risk for the Plan, until a pre-defined threshold is reached.
- The ISC continually monitors the Plan's assets and investment managers with advice from Mercer. An update is provided to the full Trustee board at every quarterly meeting.

Scheme funding

The formal actuarial valuation of the Plan as at 30 June 2014 was completed in October 2015. This showed that the Plan has assets of £174.7m, liabilities of £191.0m, and a deficit of £16.3m. 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 chart shows the results of the 2014 formal valuation and funding updates as at 30 June 2015 and 30 September 2015. 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.



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 Arqiva. 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 2014 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, was £261.0m (i.e. a shortfall of £92.0m)

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

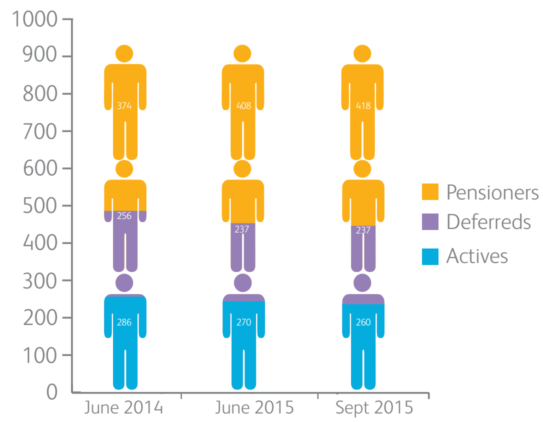
Deficit payments

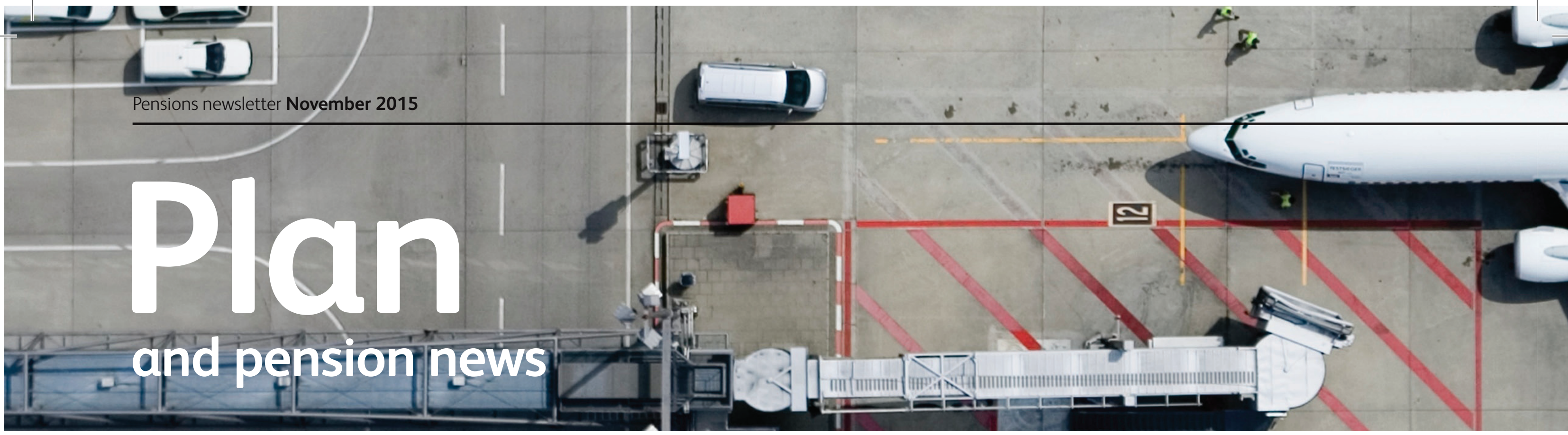
It was agreed that the Company would pay the following contributions to correct the deficit identified at the 2014 valuation:

£000s	Total
Paid on 30 June 2014	5,700
Paid on 8 January 2015	487
Paid on 1 July 2015	4,139
Due by 31 July 2016	2,500
Due by 31 July 2017	2,500
Due by 31 July 2018	2,500
Due by 31 July 2019	3,300
Due by 31 July 2020	3,300

Membership of the Plan

The chart below shows the membership of the Plan, and how it has changed since the valuation in June 2014.





Plan
and pension news

Changes to the Minimum Pension Age

Generally the earliest age from which you can currently access your pension savings (known as the 'Minimum Pension Age') is 55. The Minimum Pension Age will increase from 55 to 57 from 2028, when the State Pension Age goes up to 67. It will then be set at 10 years below the State Pension Age, so the Minimum Pension Age is likely to go up again after 2028. This applies to both defined contribution plans and defined benefit plans.

If you are interested in taking your pension early, please get in touch with KPMG for more information.

Freedom and Choice in Pensions

Radical changes affecting pension savings announced in the March 2014 Budget came into effect on 6 April 2015. The majority of the changes apply to members with Defined Contribution pension savings, however there are some changes for members with Defined Benefit pension rights too.

The Arqiva Defined Benefit Pension Plan is a defined benefit plan and the Arqiva Group Personal Pension Plan is a Defined Contribution plan.

Changes from April 2015

Defined Contribution plans

If you have paid money purchase Additional Voluntary Contributions to the Plan then these are defined contribution savings (note this is different to AVCs on an Added Years basis, which are paid on a defined benefits basis). You may also have other savings in a defined contribution plan, or make them in the future. You also have the option at any time before retirement to transfer your benefits in the Arqiva Defined Benefit Pension Plan into a defined contribution plan, although you should take independent financial advice before doing so.

In a defined contribution plan, you now have more freedom in what you do with any pension savings when you draw your benefits. You can still normally take 25% of your pension pot as a tax-free cash sum, but you no longer have to buy a pension with the rest. You are still able to buy a pension if you wish, but instead you can choose to take all of your pension savings as a cash sum or withdraw money from your pension savings over time (known as drawdown). Normal income tax rules generally apply to any money taken out above the 25% tax-free amount.

For people who prefer the certainty of income offered by an annuity contract, the new rules allow pension providers to offer more flexible pension products. For example, you may be able to buy a pension that provides a variable or decreasing income amount over time, rather than an increasing or level amount each year (as presently). The options available will depend on the products that are developed by pension providers.

For people who choose to take all of their pension savings as cash or drawdown from their pension savings over time, there is a limit of £10,000 on the amount they can pay into any defined contribution pension plans in any future year (without having to pay a tax charge). This is to stop people exploiting the tax system. Note that this limit will not apply if the value of your pension savings in a pension plan is worth less than £10,000.

If you take defined contribution savings as a single payment, 25% is usually tax free with the balance subject to income tax.

If you choose to drawdown defined contribution savings over time, the tax on any lump sum death benefit paid has reduced to nil if death occurs before age 75 or 45% (or marginal income tax rate from 2016/17 if government plans go ahead) on deaths after age 75.

If you have paid money purchase Additional Voluntary Contributions ('AVCs') to the Plan

The changes from April 2015 generally give you more flexibility over the form in which you can take your AVC benefits, which may affect your retirement planning and your investment choices. You will be able to find out where your funds are invested on your latest AVC statement or you can contact KPMG for confirmation. It is important that you consider carefully whether your current investment options remain appropriate, and seek financial advice if you are unsure.

Within the Plan you have the option to take 25% of your AVC fund as tax-free cash at retirement, and the remaining AVC fund taken as pension. To avoid increasing the complexity of administering the Plan the Trustees have agreed to continue this approach going forward. However, if you do wish to take your entire AVC fund as a single cash payment or you wish to drawdown your benefits over time you do have the option of transferring your AVC fund without also transferring your main Plan benefits, before you retire to an external provider offering this service. You can get further information about this option from the administrators, KPMG.

Pension Wise

Pension Wise is new free and impartial Government guidance which aims to explain the retirement options for taking defined contribution plan pension savings including AVC's.

It's accessible online at www.pensionwise.gov.uk or alternatively in person or over the phone from the Citizens Advice Bureau and the Pensions Advisory Service. The guidance will be tailored and personalised, but will not recommend specific steps, products or providers.

Defined Benefit Plans

As a member of the Arqiva Defined Benefit Pension Plan, you are able to access the same freedom in drawing your pension savings but, as things currently stand, you first need to transfer your savings to a defined contribution pension plan.

If you are eligible to draw your benefits and either:

- the value of your pension in a plan is worth no more than £10,000; or
- your total pension savings from all sources (excluding State pensions) are worth no more than £30,000 you may be able to take your entire benefit as a cash sum, without having to transfer out. 25% of the payment is normally tax free and income tax is payable on the balance.

Note: if you are receiving a dependant's pension in respect of pension savings built up by someone else, for example a deceased partner or spouse, these pensions are not counted towards the £30,000 limit above. Dependant's pensions can also be paid as a single, taxed, lump sum if they are worth less than £30,000. For further information on whether this applies to you and how you can consider this option contact the Plan administrators, KPMG.

If you are thinking of taking your defined benefit plan pension savings and would like to have access to the full cash or drawdown options, you have to transfer your defined benefit pension savings into a defined contribution pension arrangement. Note that if your defined benefit transfer value is more than £30,000 you will be required to take independent financial advice before a transfer to an alternative defined contribution arrangement can take place. Note that the Trustees of the Arqiva Defined Benefit Pension Plan, your employer, and their advisors are all unable to advise you on this decision. If you do not have an adviser, you can find one at www.unbiased.co.uk

Find out more about the pension reforms at:

www.gov.uk/government/news/pension-reforms-eight-things-you-should-know

Pension scams

We included a feature on pension scams in last year's newsletter but with even more pension options and flexibility for everyone, it's well worth reminding yourself of what to look out for.

Scammers' tactics can take many forms. 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.

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.

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 373 1354 or email daniel.bell@kpmg.co.uk

Contracting out changes in 2016

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. For active members of Defined Benefit pension plans after this date it could mean an increase in NI contributions and a potentially more valuable State Pension in retirement.

If the Company's proposed closure to future accrual goes ahead this change will not impact our Plan members. The changes to National Insurance only apply where there are on-going contributions to a defined benefit plan and do not apply to defined contributions plans such as the Arqiva's Group Personal Pension Plan, which are not 'contracted-out'.

Is your nomination for death benefits up to date?

If your circumstances change in the future or if you just want to make sure the Trustees have a recently dated document, just request a 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.

Trustee Directors

Our thanks go to Kevin Moroney for his contribution to the Trustee board over many years. Kevin resigned his position as company nominated Trustee Director before leaving the business in October. He had held a Trustee role both within National Grid Wireless scheme and subsequently within the Plan after the merger of the schemes at the end of 2009. At the time of writing there have been no replacement company Trustee Director appointments.

Three of our member nominated Trustee (MNT) Directors – Dick Buckle, Jack FitzSimons and Alan Taylor will have served their three year term in the Spring of 2016. We'll be contacting you with further information on the MNT election process nearer the time.

Trustee report and accounts (year to 30 June 2014)

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.

The Virgin Media Pension Scheme

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.

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

Daniel Bell
KPMG Pensions,
Arlington Business Park,
Theale, Reading, RG7 4SD

Tel: 0118 373 1354
Fax: 0118 373 1373
Email: daniel.bell@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**
	Standard Life Investments Ltd
	Insight
AVC Managers	**Legal & General Investment Management**
Bankers	**Lloyds**

Other help with your pension

State Pension information can be found at www.gov.uk/browse/working/state-pension

Need financial advice? Call 0300 500 5000 for more information or visit www.moneyadviceservice.org.uk/en/categories/financial-help-and-advice

The Money Advice Service gives independent information on personal finance, including pensions at www.moneyadviceservice.org.uk

The Pensions Advisory Service can help with free and impartial guidance on pensions, visit www.pensionsadvisoryservice.org.uk or call 0300 123 1047.

Tax advice cannot be given by the Trustee or our advisors. If you need further tax information please contact HMRC by visiting www.hmrc.gov.uk or calling 0300 200 3300.

Pension wise can help with free and impartial Government guidance on retirement options, for more information visit www.pensionwise.gov.uk

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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