



argiva

Pensions

newsletter

February 2018

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



Message from Tom O'Connor Chairman of the Trustees

Welcome to your 2017 newsletter, bringing you the latest news from the Trustees of the Arqiva Defined Benefit Pension Plan

There have been a couple of changes to the Trustee Board over the year as Mark Jacobs formally resigned from his role as BECTU-nominated trustee with effect from 5 April 2017. The Trustee Board would like to thank Mark for his valued contribution to the Board.

Following Mark's resignation, there was a BECTU selection process which resulted in Alan Taylor being re-elected to the Board in April 2017. The Trustees would like to welcome back Alan and look forward to working alongside him in the future.

Carol Wood also stepped down from her role as Secretary to the Trustees at the end of April 2017. The Trustees would like to thank Carol for all her hard work in supporting the Trustees over many years in her role and wish her all the best in her future endeavours.

Plan activity

The ISC (Investment Sub Committee) continually monitors the Plan's assets and investment managers with advice from Mercer. Regular meetings are held throughout the year and over the last 12 months, the ISC have made a number of changes to the Plan's investment strategy. The principal aim of these changes is to help reduce the likelihood of unfavourable movements in market conditions having a substantial adverse effect on the Plan's funding position. You can read more about the management of the Plan's assets, how they are invested and how they have performed on page 3.

Over the one year period to 30 September 2017, the value of the Plan's assets moved from £242.5m as at 30 September 2016 to £241.6m as at 30 September 2017. As the Company is no longer paying regular contributions to cover the cost of additional benefits building up in the Plan since it closed, it is expected that the asset base will reduce each year to cover the benefit payments that are due. Allowing for this, the Plan's investments actually performed positively over the year, growing by 2.5%. In addition, the Plan received the annual contribution of £2.5 million from Arqiva, in line with the existing funding plan.

Whilst the Plan's assets have grown over the period, the value of the Plan liabilities has also risen due to the expected cost of providing benefits increasing. The Trustees are currently working hard on the 30 June 2017 actuarial valuation with the Plan Actuary and have begun discussing the results with the Company in order to agree a new funding plan which will eliminate the current shortfall in the Plan. Details of the outcome of the actuarial valuation will be communicated to you in next year's newsletter.

Corporate activity

You may be aware of the recent commercial activity the Company is undergoing regarding the future ownership structure of the business. The Trustees have been monitoring this situation closely and will continue to liaise with the Company to understand how any future change may impact the funding of the Plan. This will be considered as part of the funding plan to be agreed with the Company for the formal actuarial valuation as at 30 June 2017.

General Data Protection Regulations (GDPR)

You may have also heard about the new GDPR coming into force on 25 May 2018. This introduces a number of detailed and complex requirements, which many organisations (including the Plan) must comply with. Further details can be found on page 6 of the newsletter.

Investments

Twelve Month Market Overview to 30 September 2017



Over the 12 month period to 30 September 2017, growth assets posted strong returns with equities in particular experiencing an upswing in performance against a backdrop of global growth. The momentum of this surge shifted towards Europe over the latter half of the period, as macroeconomic data improved and uncertainty surrounding election outcomes in France and Germany diminished. Meanwhile, geopolitical concerns remain including tensions between North Korea and the US and increased consolidation of power by President Xi in China. Market volatility remained low.

Defensive assets did not experience the same level of positive returns across the board. Indications from some of the world's major central banks that they are looking to tighten monetary policy led to yield rises in some regions and negative returns for some fixed income assets.

In the UK, Brexit has been at the forefront of investors' minds over the year. Despite the triggering of Article 50 in March 2017 by Prime Minister Theresa May, the nature of the UK's exit from the European Union is still uncertain as negotiations between the UK and the European Union continue.

Over the 12 month period, financial markets have continued to be sensitive to the actions of the world's major central banks. In the US, in addition to the expectation that the US target rate will be increased by 0.25% at the Federal Reserve Bank's (the "Fed") December meeting⁽¹⁾, the Fed announced the start of its balance sheet reduction process. Elsewhere, in Europe confidence continued to grow following the European Central Bank's ("ECB") extension of its Quantitative Easing programme through to December 2017, however, it is expected that further stimulus is unlikely to be needed in the near term and markets expect the ECB to taper its purchases in 2018. In Japan, the economy has seen a slight pickup in inflation towards the end of the period as President Abe called for and won a snap general election, however, inflation continues to remain well below the Bank of Japan's target.

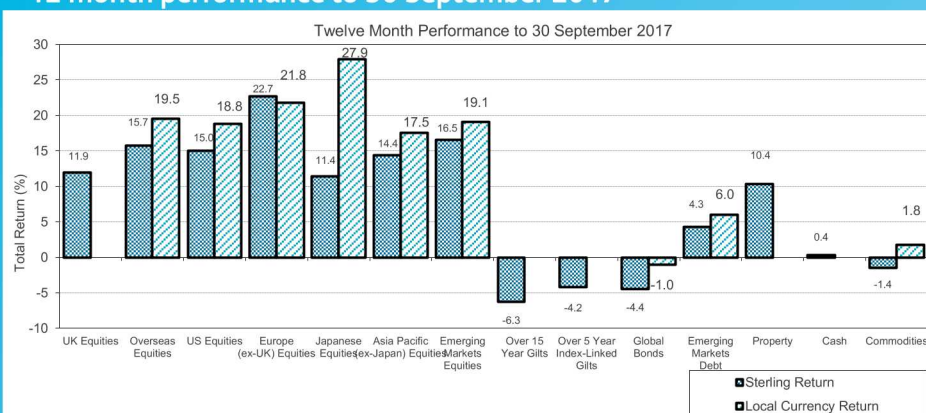
Despite volatility around the appointment of President Trump in late 2016, overall, emerging market returns were positive over the period as fears surrounding President Trump's proposed protectionist trade policies subsided. Improved economic data from many emerging economies have driven earnings growth. However, at a regional level, dispersion in the returns of emerging market economies persists.

Note: (1) Statistics sourced from US Federal Reserve

How have investment markets responded?

Over the one year period to 30 September 2017, all major equity markets posted strong positive returns in both sterling and local currency terms. Bond assets posted negative returns, with over 15 year gilts delivering a negative return of 6.3% in sterling terms. Commodities posted negative returns of 1.4% in sterling terms while they delivered a positive performance of 1.8% in local currency terms.

12 month performance to 30 September 2017



Source: Thomson Reuters Datastream.

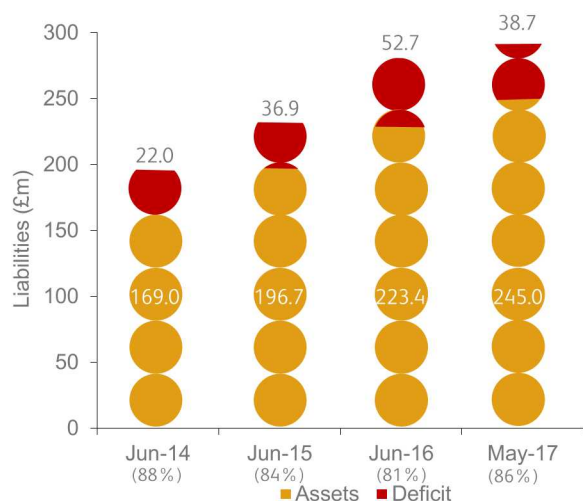
How has the Plan's investment strategy performed?

Overall, the Plan's assets (including growth and defensive investments) produced a positive investment return of **2.5%** over the one year period to 30 September 2017, marginally underperforming the benchmark return of **3.2%**. This performance was largely due to the underperformance relative to the benchmark of the emerging markets equity portfolio, but was partially offset by outperformance from the Plan's investment grade corporate bonds mandate.

Responsible Investment and Corporate Governance

The Trustees believe that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on investment returns. The Trustees have given the investment managers full discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Plan's investments.

Similarly, the Plan's voting rights are exercised by its investment managers in accordance with their own corporate governance policies, and taking account of current best practices including the UK Corporate Governance Code and the UK Stewardship Code.



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:

- ▶ **Investment objectives and strategic changes**
Over the course of the year a number of changes and discussions around potential refinements to the Plan's investment strategy have taken place.
- ▶ As a consequence of the uncertainty around Brexit, the Trustees have introduced some defence measures. Earlier in the year it was agreed to accelerate the Plan's liability hedging programme to reduce risk within the Plan's investment strategy. It was also agreed to reduce the bias to UK equities and move to a more globally diversified equity portfolio. An additional diversified growth manager was also appointed for the Plan's multi-asset investments to reduce investment manager concentration risk. Looking forward, projects may include exploring an allocation to illiquid assets, consideration of cashflow and income generation and revisiting the Plan's de-risking framework.
- ▶ **Ongoing monitoring**
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 last formal actuarial valuation of the Plan was at 30 June 2014 and completed in October 2015. The results were communicated to you in prior newsletters. 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 progression of the funding level since the 2014 formal valuation (with an approximate update as at 31 May 2017). 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.

The next formal actuarial valuation as at 30 June 2017 is currently being undertaken by the Plan actuary. As part of this process, the Trustees consider the strength of the Company in supporting the Plan before a new funding plan is agreed with the Company.

In next year's newsletter, we will provide details of the results of the 2017 valuation, including the revised schedule of contributions that will be made to the Plan.

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 to 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

The deficit has increased since the last formal valuation, primarily due to significant falls in the yield on UK government bonds, which reflects long-term projections of UK interest rates. This has served to increase the value of the Plan’s liabilities by a larger amount than the returns achieved by the Plan’s assets described earlier, thus leading to a greater deficit.

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

The current schedule of contributions that the Company agreed to make in order to correct the deficit identified at the 2014 valuation is shown below:

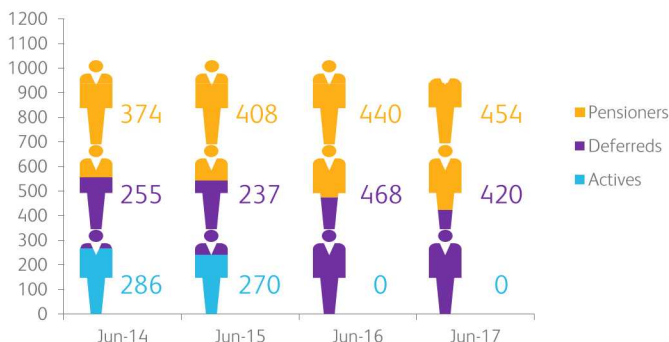
	Amount (£000's)
Paid on 30 June 2014	5,700
Paid on 8 January 2015	487
Paid on 1 July 2015	4,139
Paid on 30 June 2016	2,500
Paid on 31 July 2017	2,500
Due by 31 July 2018	2,500
Due by 31 July 2019	3,300
Due by 31 July 2020	3,300

No payments have been made from the Plan to the Company over the last year.



Membership of the Plan

All active members became deferred members following the Plan closure on 31 January 2016, and ceased to accrue further benefits within the Plan. The charts below show the combined membership of the Plan, and how the numbers have changed since the valuation in June 2014.



Freedom and Choice in Pensions

You will have read in previous years' newsletters about the new pensions options available at retirement from defined contribution (DC) plans. We include a summary again to remind you of these options.

Option	How benefits are accessed	Tax treatment
Full withdrawal	Taking the entire value of a DC pot as a one-off cash lump sum.	25 % of the lump sum can be taken tax free, the remainder is taxed.
Partial withdrawals	Taking a series of lump sum payments from a DC pot (regular and/or one-off). At a subsequent time, the remaining pot can be accessed via any of the other options.	25 % of each lump sum withdrawal can be taken tax free, the remainder is taxed.
Flexible access income drawdown	Withdrawing varying amounts out of a DC pension pot as and when required while keeping the remaining pot invested (i.e. like a savings account).	Up to 25 % of DC pot can be taken as tax-free lump sum only at retirement. Withdrawn amounts are taxed.
Annuity purchase – traditional option	Using a DC pot to purchase an annuity with a provider in the open market, which will give a regular income guaranteed for life and can be tailored to suit the needs of an individual.	Up to 25 % of DC pot can be taken as tax-free lump sum only at retirement. Regular income is taxed.

How can you access the new pension freedoms?

► If you have Defined Benefit (DB) Plan savings

If you would like to have access to the options shown above at retirement, you will have to transfer your DB pension savings into a DC arrangement first. Should you wish to request a quotation of the value of your benefits (known as a 'transfer value'), please contact the Plan administrators, KPMG. You are entitled to one free quotation each year.

Note that if your transfer value is above £30,000 you will be required to take independent financial advice before a transfer to an alternative DC arrangement can take place. Neither the Trustees of the Plan nor your employer can advise you on this decision. If you do not have an adviser, you can find one at www.unbiased.co.uk

► If you have a Dependant's Pension

If you are receiving a dependant's pension from the Plan, for example in respect of a deceased partner or spouse, these 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.

► From an existing DC arrangement

If at retirement you have any savings built up in a DC pot, such as the Arqiva Group Personal Pension Plan, and would like to have access to the options shown above, you will need to speak to your relevant DC provider. Some DC plans may not offer all of these options, but you have a right to transfer a DC pot to an arrangement that does.

Find out more about the pension reforms at: www.gov.uk/government/news/pension-reforms-eight-things-you-should-know

► If you have a small DB pension ('small pots' and 'trivial commutation')

If your DB pension is valued at less than £10,000 or if the total value of all your pension pots is less than £30,000 then, subject to certain conditions, you can take it as a lump sum from age 55. Please note that such a lump sum will subject to income tax (although 25 % may be tax-free if you have yet to start drawing your pension). You can check if this option applies to you by contacting the Plan administrators, KPMG.

You should be aware that taking such a lump sum would remove all your entitlements in the Plan, i.e. no other benefits would be payable and as such we recommend taking independent financial advice if you are unsure about this option.

► If you have Additional Voluntary Contributions ('AVCs')

If you paid AVCs within the Plan, you have the option to take up to 25 % of your AVC fund as part of your tax-free cash sum at retirement. The remaining portion of your AVC fund must be used to purchase a pension (called an "annuity").

However, if you do wish to access the new options shown above, you have the option of transferring your AVC fund (with or without also transferring your main Plan benefits), before you retire to an external provider offering these options. You can get further information about this option from the administrators, KPMG.



Pension wise is a free and impartial Government guidance which aims to explain the retirement options for taking DC pension savings including AVCs. It's accessible online at <https://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.



Plan

and pension news

Online Plan information

The online Plan information platform can be used in order find out to everything you need to know about the Plan. You can find, amongst other things, a copy of the Plan Member Booklets as well as the latest Trustee Report and Accounts, Plan Valuation and this Newsletter. In addition, there are links to other sites where you can find helpful pension information and advice.

Access to the online area is through the main Arqiva business website. Just go to <https://www.arqiva.com/> and enter 'pension' into the 'I'm looking for...' search function at the top right of the page. This will take you to some listed results where you can click on a link to Plan information.

We are always interested to hear your feedback, so please let us know what you think of the site and if any additional information would be helpful.

Early/late retirement factors

We have had a number of queries recently from members regarding the reduction/uplift factors applied to your pension upon early/late retirement respectively.

As a reminder, the factor that is applied will depend on your age at retirement, which section of the Plan you are in and the type of retirement.

Typically, the factors used are set such that neither members or the Plan are explicitly advantaged or disadvantaged. The Company can consent to using more generous factors for members in certain situations, but their standard policy is not to provide such consent.

The early retirement reduction factors typically range between 3% and 5% for each year that retirement is taken early.

The standard late retirement uplift factor is 9% for each year that retirement is taken late.

If you would like more information about the factors or are interested in receiving a retirement quotation, please contact the Plan administrators (details overleaf).

Pensions tax

In the Chancellor's November Budget, it was confirmed that the Lifetime Allowance will increase from £1 million to £1.03 million from April 2018.

Pension scams

The number of cases of pension fraud has been on the increase in the UK. Typically, these scams involve using 'pension loans' or cash incentives to entice savers below the age of 55

into transferring benefits out of their pension scheme.

You should be wary of being approached out of the blue over the phone or via text message and you should never give out financial or personal information to a cold caller. If you do receive pension incentives, then you should speak to an independent adviser who can provide you with unbiased advice (details overleaf).

Every transfer value quotation will also be sent out with the Pensions Regulator's guide on the warning signs to look out for when transferring benefits to an alternative arrangement.

You can find more at www.thepensionsregulator.gov.uk or if you are in doubt or have any concerns at all call KPMG (details overleaf).

General Data Protection Regulation ("GDPR")

You may have also heard about the new GDPR coming into force on 25 May 2018. This introduces a number of detailed and complex requirements.

Principles of GDPR

- Personal data should be processed lawfully, fairly and in a transparent way.
- Data should be collected and processed only for specified, explicit and legitimate purposes.
- Use of personal data should be kept to a minimum.
- Data should be accurate and where necessary, kept up-to-date. Every reasonable step must be taken to ensure any inaccurate personal data is erased or rectified without delay.
- Data should not be retained for longer than is necessary
- Data should be processed in a manner that ensures appropriate security including protection against unauthorised or unlawful processing, and accidental loss, destruction, or damage; using appropriate technical or organisational measures.

We continue to work with our advisors, KPMG and Baker McKenzie, to prepare for this change in legislation, and to ensure we are compliant with its requirements. We will write to you soon to provide more details on how your data may be used when processing your pension benefits.

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.

Current Arqiva employees are covered for life assurance benefits outside of the Plan. Further details can be found on the new member site.

(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.)

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 977 2277.

Need more information?

Current active Arqiva employees 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, or take a look at the online Plan information.

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

People and Organisation helpdesk

Tel: 01962 822424
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

Company Appointed

Tom O'Connor (Chair)

Trustee Directors

Peter Heslop
Nathan Hodge

Member Nominated

Dick Buckle

Trustee Directors

Jack FitzSimons

BECTU Nominated Trustee Director

Alan Taylor

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; Vontobel Asset
Managements; Nordea Asset Management

AVC managers:

Legal & General Investment Management

Bankers:

Lloyds Bank Plc

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.

About Arqiva

Arqiva is a leading UK communications infrastructure and media services provider dedicated to connecting people wherever they are through the delivery of TV, radio, mobile and the Internet of Things (IoT). We are an independent provider of telecom towers, with circa 8,000 active sites across Great Britain, and are also the only supplier of national terrestrial television and radio broadcasting services in the UK. Our advanced networks support the exponential growth of connected devices and the ever-increasing demand for data from smartphones to tablets, connected TVs, smart meters, cars and medical devices.

Customers include major UK and international broadcasters such as the BBC, ITV, Sky Plc., Turner Broadcasting, the independent radio groups, major telco providers – including the UK's four mobile network operators – and retail, leisure, energy and water companies.

For more information, news and insights from Arqiva, please visit the website at: www.arqiva.com