Pensions newsletter

August 2019

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 2018 newsletter, bringing you the latest news from the Trustees of the Arqiva Defined Benefit Pension Plan

There have been further changes to the Trustee Board this year as Nathan Hodge formally resigned from his role as Company-nominated trustee with effect from 11 December 2018. The Trustee Board would like to thank Nathan for his valued contribution to the Board over many years and wish him well in his future endeavours.

Following Nathan's resignation, Edward Thomas was appointed to the Board as a Company-nominated Trustee. The Trustees would like to welcome Edward and look forward to working alongside him in the future.

Plan activity

It has been a busy year for the Trustees, with the triennial Valuation of the Plan taking place; discussions regarding the Plan's long-term investment strategy; and the introduction of the new General Data Protection Regulations.

The Plan's funding level is reviewed regularly by the Trustees with advice from the Scheme Actuary. Every three years, a formal valuation is carried out and a funding plan agreed with the Company which sets out the contributions that the Company will pay to fund any shortfall. Between these valuations, less detailed actuarial reports are prepared which monitor the funding position on an annual basis.

I'm pleased to confirm that we recently finalised the 30 June 2017 triennial valuation.

The result showed that the Plan's assets covered 93% of the value placed on the liabilities (i.e. the Plan was 93% funded). This compares to the last actuarial valuation as at 30 June 2014 when the Plan was 88% funded.

As part of the valuation, we have agreed a revised funding plan, which commits the Company to pay £7.5m into the Plan over the next two years, in addition to the contributions agreed as part of the 30 June 2014 valuation. We view this as a positive result, helping to increase the security of the Plan.

Since the formal valuation, a funding update was carried out as at 30 June 2018. This update showed that the funding level had deteriorated slightly to 92% as at 30 June 2018. This deterioration was mainly due to changes in market conditions, in particular, inflation expectations were higher than expected which increased the value placed on the Plan's liabilities.

Further details on the formal valuation and 30 June 2018 funding update can be found on page 3 of this newsletter.

Separately, you will also be able to find more detail about the Plan's assets on the following page, including how the funds are invested and how they have performed.

Whilst the overall return was a little behind target, we continually review the strategy and make changes that we think will help meet our objectives. For example we appointed Nordea Asset Management in July 2017 in order to further diversify the Plan's investment portfolio.

General Data Protection Regulations (GDPR)

As you may be aware, the EU General Data Protection Regulation (GDPR) took effect from 25 May 2018. GDPR regulates the use of personal data – how it is collected, processed, stored and transferred.

The Trustees of the Plan prioritise the security of your personal data and take advice to ensure we comply with the requirements of the GDPR.

Keeping you up-to-date

You will find a lot of information to browse through in this newsletter. I hope that you find it useful and it helps you stay informed about your pension and the Plan. If there are any matters that you would like to see covered in future issues, please do let us know.

Best regards

Investments

Eighteen Month Market Overview to 31 March 2019[1]

Over the 18-month period to 31 March 2019, growth assets generally performed well against a backdrop of a continued broad economic expansion, while defensive assets saw lower returns.

Over the first quarter of 2018, equity markets experienced a brief correction, followed by a period of higher volatility than markets have been used to in recent times. A recovery ensued over the next two quarters of 2018. The fourth quarter of 2018 also saw a downturn in equity markets, though this period was followed by a strong rebound in 2019 which saw markets generally return to their peaks of Q3 2018.

Global economic conditions generally improved over the 18-month period and remain reasonable, mainly due to solid growth in the US and, despite the moderate slowdown towards the second half of the period, in Japan, the UK and continental Europe. Investors have, however, faced a number of concerns over the period including the pace of rises in US interest rates and the effect of rising trade tensions between the US and China. These tensions escalated further during the second and third quarters of 2018, when the scope of tariffs was extended to a vast range of additional goods.

In the UK, concerns over Brexit continued to dominate investor's outlooks. Since the triggering of Article 50 in March 2017 by then Prime Minister Theresa May, agreement has been reached on some points such as the 'divorce bill' and the future of immigrants already in the country.

A transition period was also tentatively agreed that has pushed the cut-off date to October 2019 but a great deal of uncertainty prevails.

The UK economy has slowed over 2018 but remains fairly resilient, despite the continued political uncertainty about the future of trade and the Irish border. Real GDP growth in the UK for 2018 was 1.4% while the consensus forecast for 2019 is 1.3%

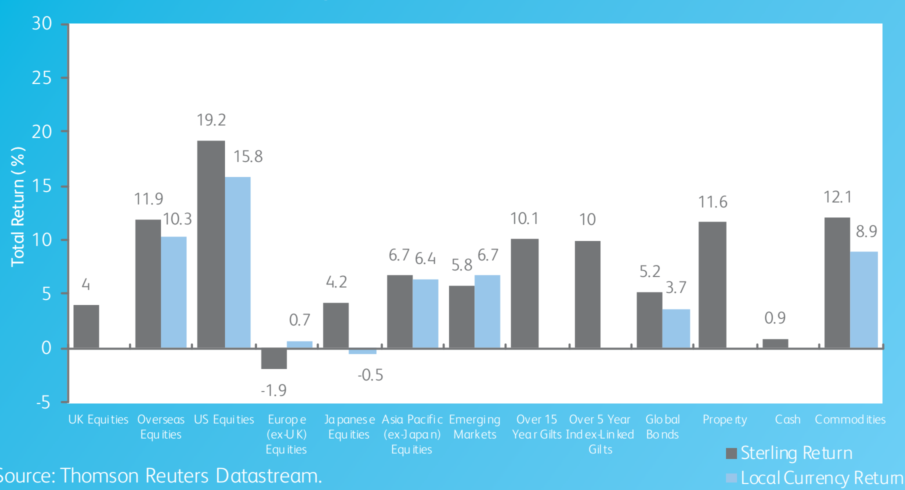
Emerging market equities underperformed developed markets over the 18-month period as they experienced instability over trade frictions, rising US interest rates, and deleveraging in China. Their performance also suffered from a strengthening US dollar, whose weakness had supported the region towards the end of 2017. At a regional level, considerable dispersion in the returns of emerging market economies persists.

Note: (1) Statistics sourced from Thompson Reuters Datastream unless otherwise specified
Note: (2) Statistics sourced from Consensus Economics

How have investment markets responded?

18 month performance to 31 March 2019

Over the eighteen-month period to 31 March 2019, all major equity markets posted positive sterling returns except for Europe ex-UK which lagged versus the broader market. US equities led the way, returning 19.2% in Sterling terms. Bond asset returns were largely flat over the period while Property and Commodities both performed strongly, returning 11.6% and 12.1% respectively in Sterling terms. Commodity returns were driven by a significant rebound in the oil price.



Source: Thomson Reuters Datastream.

How has the Plan's investment strategy performed?

The Plan's assets produced a positive investment return of **7.1%** over the eighteen-month period to 31 March 2019 however, underperformed slightly versus the benchmark return of **7.9%**. This divergence in performance was largely due to underperformance from the Plan's diversified growth managers over the period.

Jargon Buster: What is the "funding level" of a Scheme?

Confused by pensions jargon and terminology? Here's a guide to some of the pensions jargon and terms you may come across in this newsletter and elsewhere.

Assets

The value of the pooled funds invested to provide pension benefits to Plan members

Liabilities

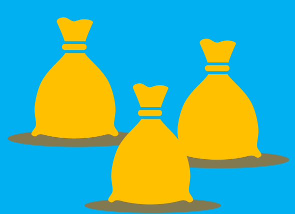
The estimated total amount required today to provide members of the Plan with their agreed benefits when they fall due

Funding deficit

The amount by which the value of the Plan's liabilities exceeds its assets

Funding level

The percentage of liabilities covered by the assets of the Plan



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.

Over the course of the year a number of discussions around potential refinements to the Plan's investment strategy have taken place. Much of the emphasis has been on ensuring that the investment strategy is consistent with the Plan's funding and long term journey plan. Work has also been undertaken to refresh the interest rate and inflation sensitivity of the Plan's matching asset portfolio in order to reflect the latest liability information from the triennial actuarial valuation.

The Investment Sub Committee (ISC), a sub-group of the Trustees, continually monitor the Plan's asset 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 2017 and completed in September 2018. The valuation showed a deficit in the Plan of approximately £18.3m, representing a funding level of 93%.

As part of the valuation process, the Trustees and Company formally agreed to put in place a new schedule of deficit contributions payable by the Company, details of which are given on the next page. This schedule will be reviewed again as part of the next formal actuarial valuation as at 30 June 2020.

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. Since the 30 June 2017 formal valuation, the Plan actuary has prepared an update at 30 June 2018. The results of this update are given in the table below, along with an approximate position as at 31 March 2019. The 30 June 2019 funding update is ongoing and will be communicated to you in next year's newsletter.

The funding level deteriorated slightly from 93% to 92% over the year to 30 June 2018. The main reason for this is the change in market conditions over the period and the effect that this has had on the value of the assets and the value placed on the liabilities. In particular, inflation over the year was higher than expected, which meant that the inflation-linked pension benefits were increased by higher levels than assumed.

Results (£m)	30 June 2017	30 June 2018	31 March 2019*
Assets	240.9	239.0	253.0
Liabilities	259.2	258.5	270.0
Funding (deficit)/surplus	(18.3)	(19.5)	(17.0)
Funding Level	93%	92%	94%

*Source: KPMG Fusion

Deficit payments

At the 30 June 2017 formal valuation, the Trustees and Company agreed a revised funding plan which includes £7.5 million of additional contributions payable by the Company from 31 July 2017 to 31 July 2020 (in addition to the remaining amount due under the previous agreement). The combined contributions due are detailed in the table below. It was expected that these contributions would help the Plan to become fully funded by 31 July 2020. This therefore provides more security to the Plan and will help to further improve the funding level in the future.

These payments are in addition to payments made by the Company to meet on-going costs incurred by running the Plan.

Paid on 31 July 2017	£2.50 million
Paid on 31 July 2018	£2.50 million
Paid on 4 October 2018	£3.43 million
Due on 31 July 2019	£5.35 million
Due by 31 July 2020	£5.35 million

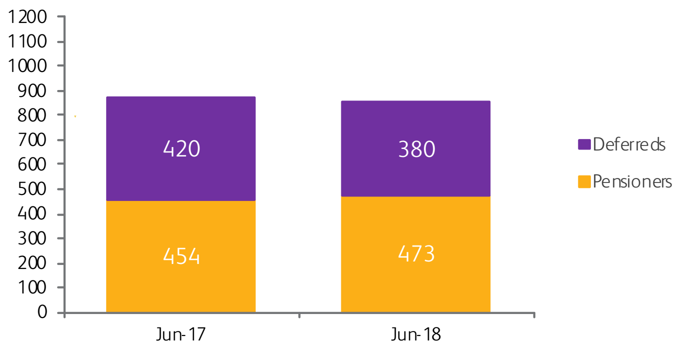
Other disclosure information from the 2017 valuation

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 £350.7m (i.e. a shortfall of £109.7m).

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

Membership of the Plan

The charts below show the combined membership of the Plan, and how the numbers have changed since the valuation in June 2017.



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

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 to find out extra information 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.

Early / late retirement factors

The Trustee of the Plan regularly consider the suitability of the actuarial factors used to adjust pension benefits under different retirement options. Following the completion of the recent actuarial valuation, we took advice from the Scheme Actuary in this regard.

In order to make sure that members are well-informed and can make adequate plans for their retirement, we are communicating the changes to the actuarial factors in advance of their implementation. The new factors will come into force for all retirement quotations received from 1 December 2019. Further details, including a breakdown of the current and revised factors) can be found on the Pensions section of the Company website.

Pensions tax

In the Chancellor's Autumn Budget 2018, it was announced that the Lifetime Allowance will increase from £1,030,000 to £1,055,000 for the 2019/20 tax year. This increase is in line with CPI inflation.

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 out 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 do not need to do anything in respect of GDPR; this section is just for information.

As you may be aware, the EU General Data Protection Regulation (GDPR) took effect from 25 May 2018. GDPR regulates the use of personal data –how it is collected, processed, stored and transferred. It is designed to bring EU Data Protection Regulations up to date with new technologies and to harmonise Data Protection Law across EU Member States.

You should have received a privacy notice recently from the Trustee which tells you how we use your data in the Plan. If you have not received this notice, a copy is available on the Plan website or from the Plan administrators.

The Trustee of the Plan is committed to continually working with our advisors to make sure that your data is kept secure and that we comply with GDPR

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, simply 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.

GMP Equalisation

On 26 October, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes which contracted out of the State Earnings Related Pension Scheme (the second tier of the old State Pension) will need to be amended to equalise benefits for men and women. This relates to guaranteed minimum pension (GMP) benefits accrued between 1990 and 1997.

Although the Plan was only established in 2005, a number of members of Arqiva Services transferred GMP benefits into the Plan, and so may be affected by this ruling. Impacted individuals **may** receive a small increase to their pension as a result.

The Trustees and advisers are investigating the implications for members of the Plan. However, due to the complexities involved it is likely that this will be a lengthy process.

Further information will be provided with all benefit quotations.

Pensions White Paper

The government has published its 'White paper' on DB pension schemes.

The paper takes the view that the current system works well for most schemes and employers but that a tougher approach is needed for those failing to act responsibly.

The main focuses of the paper were:

- Strengthening the Pensions Regulator's powers, to include heavier fines, a stronger regime for notifying the Regulator of key corporate and scheme events, and stronger inspection powers for the Regulator.
- Improving the scheme funding regime. The DB Funding Code of Practice will be revised in order to provide more direction and strengthen funding for schemes that don't meet the Regulator's standard.
- Consolidation of smaller pension schemes, justified by better governance, lower costs and better investment returns.

Single Financial Guidance Body

A new single financial guidance body has been set up to replace Money Advice Service, The Pensions Advisory Service and Pension Wise. It is responsible for providing pensions guidance, debt advice, money guidance and consumer protection and has a strategic function relating to the development of financial capability.

It will work with others in the financial services industry, the devolved administrations, and the public and voluntary sectors to support the coordination and development of a national strategy to improve:

- people's financial capability
- the ability of members of the public to manage debt
- the provision of financial education to children and young people

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
email: ukfmarqiva@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 Edward Thomas
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 UK 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 company enabling a vibrant digital economy. We are behind the scenes and central to millions of vital connections. We are pioneers in an always on, always connected world. Every day our infrastructure and associated services enable millions of people and machines to connect wherever they are through TV, radio, mobile and the Internet of Things (IoT). We are an independent provider of telecom towers, with around 8,000 active licensed sites, and the only national provider of terrestrial television and radio broadcasting.

Our technology enables us to work with everyone from mobile network operators, such as BT-EE, Vodafone, O2 and Three to independent radio groups and major broadcasters, such as the BBC, ITV, Sky, Turner and CANAL+ to utility companies such as Thames Water.

We provide digital and satellite services and distribution for international clients in Europe, the U.S., the Far East and Australia, including Turner and Canal+ and the Al Jazeera Network.

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