



arqiva

Pensions Newsletter

SEPTEMBER 2021

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

Image courtesy of
Stephen Garnett Photographic

Message from Tom O'Connor

Chairman of the Trustees

Welcome to your 2021 newsletter, bringing you the latest news from the Trustees of the Arqiva Defined Benefit Pension Plan.

IMPACT OF COVID-19

As we all know, the Covid-19 pandemic has had unprecedented impacts on nearly every aspect of our lives and the Pension Plan is no exception. Whilst there seems to be welcomed light at the end of the tunnel with the recent lifting of restrictions and vaccinations, the Trustees hope you are all keeping well during these difficult times.

On the running of the Plan:

As Trustees of the Plan, we have been keeping a closer eye than normal on the Plan to make sure your benefits are as protected as possible during these uncertain times. Since the start of the pandemic, the Trustees have continued to meet (virtually) to assess the developing

situation with our advisors, with the primary focus on making sure your benefits continue to be secure and paid on time.

The administrators (Isio) have continued to function normally while working remotely and continue to deal with any requests or queries. The administrators thank you for your patience and understanding if responses have not been as immediate as you might expect under more ordinary circumstances. We would like to thank our administrators and our other advisers for all of their efforts during these challenging times.

Further information can be found at:

<https://www.fscs.org.uk/globalassets/pdfs/covid-19-and-your-pension.pdf>

On the funding of the Plan:

Since the last update which fell in the midst of the Covid-pandemic, with the recent lifting of restrictions and the successful vaccination programmes markets have begun to stabilise.

The value of the Plan's investments have improved since the last update. This is reflected in the improvement of the Plan's funding position, which is now being reviewed as part of the detailed valuation exercise that the Trustees undertake every 3 years.



On pension scams

We remind members to be extra vigilant about scammers after the Pensions Regulator has alerted the industry to an increase in scamming activity relating to pension transfers. See page 6 for more details.

SALE OF TOWERS BUSINESS

Following the sale of its Telecoms division to Cellnex, the Trustees have been in regular dialogue with the Company and its advisers over the impact that this transaction will have on the future business and the security it will be able to provide for the Plan. This assessment has been a key element of the valuation exercise mentioned earlier, to ensure that the funding approach taken reflects the new structure of the Company.

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

A handwritten signature in black ink, appearing to read 'TO'Connor'.



Investments

Twelve Investments Month Market Overview to 31 March 2021'

The period started with lockdowns across most large developed countries which led to an unprecedented collapse in quarterly GDP growth in Q2 2020. China, on the other hand saw a strong rebound in GDP growth as it began to reopen its economy following its lockdown earlier in the year. This mitigated the overall negative impact on global GDP growth to some extent. Late in the quarter, the sharp rebound previously seen in China became more global as western countries slowly started to reopen their economies. With economies largely open again, global GDP rebounded at record pace over Q3 2020.

Q4 2020 saw Covid-19 infections rising again sharply across western countries, leading to a gradual return of restrictions. The impact on quarterly GDP growth was less pronounced this time because GDP was at a lower level already than before the Covid-19 shock, whilst at the same time consumers and businesses were better prepared to function somewhat amid these restrictions. At the same time, the start of vaccines being rolled out late in the quarter led to optimism that fuller and more sustainable reopenings could be achieved in 2021.

The first quarter of 2021 began with lockdowns in numerous countries including the UK as much of the world

faced another wave of Covid-19. Nevertheless, gradual vaccine rollout in developed countries drove economic recovery optimism. Political risk declined as Joe Biden was sworn in as US President, despite the incident on Capitol Hill on 6 January, and the UK completed its transition out of the EU without major incidents. Economic data continued to point towards a global recovery but with wide regional dispersions.

HOW HAVE INVESTMENT MARKETS RESPONDED?

On a year-on-year basis to 31 March 2021, risk assets had exceptionally high returns as shown in the performance section. This has a lot to do with the base effect of comparing valuations just after four consecutive quarters of a bull run to valuations in the immediate aftermath of the worst market downturn since the Global Financial Crisis.

For equities, the first quarter of 2021 was marked by higher volatility. Streams of retail investor activity in January led to short squeezes, followed by a sharp rise in bond yields in the back end of the quarter placing pressure on equity markets. In spite of this, equities ended the quarter with strong returns supported by ongoing stimulus as investors looked towards

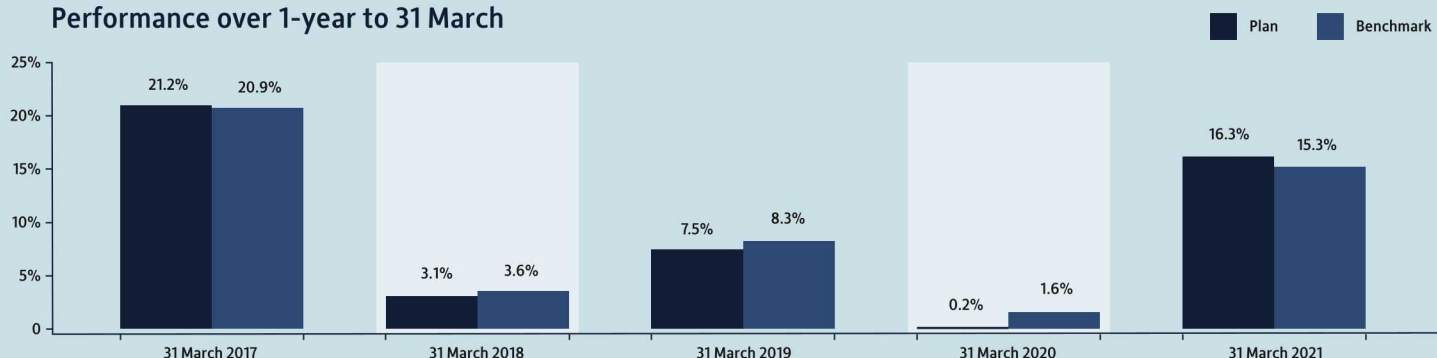
the anticipated economic recovery and rebound in corporate earnings.

For bonds, the Covid-19 crisis led to swift and unprecedented fiscal and monetary policy responses to support economies and markets across the globe, starting at the end of Q1 2020. This led to a government bond rally over 2020 as nominal yields fell to the lowest level in history for many countries, including the UK. The UK 10-year gilt yield, reached an all-time low just above 0% in August before partially retracing to just above 0.2% by the end of 2020. In Q1 2021, however, UK gilt yields rose sharply in line with global yields as investors priced in the strong recovery and increasing inflation risk. The UK 10-year gilt yield ended the quarter at 0.85%, having recovered all of the lost ground in 2020.

A consultation on the future of RPI, launched in March 2020, led to the decision to converge RPI to CPIH from 2030 without any spread adjustment being applied to compensate index-linked gilt holders or other recipients of RPI-linked payments, such as many pensioners. In spite of the consultation outcome being deemed unfavourable for holders of index-linked gilts, the decision had been widely anticipated and the reduction in long-dated breakeven inflation rates implied in index-linked gilts was modest over the year.

After a sharp increase in credit spreads in March 2020, credit spreads tightened subsequently as market optimism returned. Credit spreads ended the year at slightly lower levels than in late 2019 and remained broadly unchanged over Q1 2021. This led to strong returns for UK credit, as demand for spread assets remained strong over the year and out performance of credit relative to government bonds on a duration-adjusted basis.

Performance over 1-year to 31 March



Note: (1) Statistics sourced from Thompson Reuters Datastream unless otherwise specified.

How has the Plan's investment strategy performed?

The Plan's assets produced an investment return of 16.3% over the twelve-month period to 31 March 2021 versus the benchmark return of 15.3%, with outperformance driven by strong relative returns from the Plan's multi-asset funds. Over the past three years, the Plan's assets have returned 7.8% p.a. against a backdrop of strong equity market returns.

JARGON BUSTER:

What is the "funding level" of a scheme?

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.

CREDIT SPREADS

The difference between the yield/return of two different debt instruments with the same maturity but different credit ratings e.g. the difference between corporate bond yields and gilts.

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.

The Trustees, continually monitor the Plan's assets and investment managers with advice from Mercer. This includes reviewing the existing strategy and performance of its managers at quarterly meetings.

Over the course of the year there have been no strategic changes to the investment strategy of the Arqiva Defined Benefit Pension Plan, although the Trustees have taken opportunities to re-balance the asset allocation back towards the strategic benchmark where appropriate. The Trustees will be discussing the Plan's investment strategy as part of the 2020 triennial actuarial valuation.

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. We can confirm that we have received all of the payments promised by the Company under this schedule.

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 and 30 June 2019. The results of these updates are given in the table below.

The next formal actuarial valuation as at 30 June 2020 is still in progress, where a new methodology to funding the Plan and a new schedule of deficit contributions will be agreed with the Company to meet the new target. Whilst this is due to be finalised, we have shown the approximate position as at 30 April 2020 and 30 June 2020 below on the methodology agreed at the 30 June 2017 valuation (which is subject to change following the 2020 valuation exercise).

After the deterioration in early 2020 resulting from the market reaction to the Covid-19 pandemic, the Plan's funding level has improved over the last year, as markets have recovered substantially (as discussed on the previous page).

We will be able to share a more meaningful update on the results of the 30 June 2020 actuarial valuation in next year's newsletter.

Results (£m)	30 June 2017	30 June 2018	30 June 2019	30 April 2020	30 June 2020*
Assets	240.9	239.0	259.4	261.0	282.9
Liabilities	259.2	258.5	268.5	286.0	300.2
Funding (deficit)/surplus	(18.3)	(19.5)	(9.1)	(25.0)	(17.3)
Funding Level	93%	92%	97%	91%	94%

*Source: Isio Fusion

Deficit payments

At the 30 June 2017 formal valuation, the Trustees and Company agreed a revised funding plan which included £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). It was expected that these contributions would help the Plan to become fully funded on a Technical Provisions basis by 31 July 2020. As these payments detailed below have all now been received by the Plan, a new schedule of Company contributions will be agreed as part of the next valuation as at 30 June 2020. These payments were 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
Paid on 31 July 2019	£5.35 million
Paid on 31 July 2020	£5.35 million



Other disclosure information from the 2017 valuation

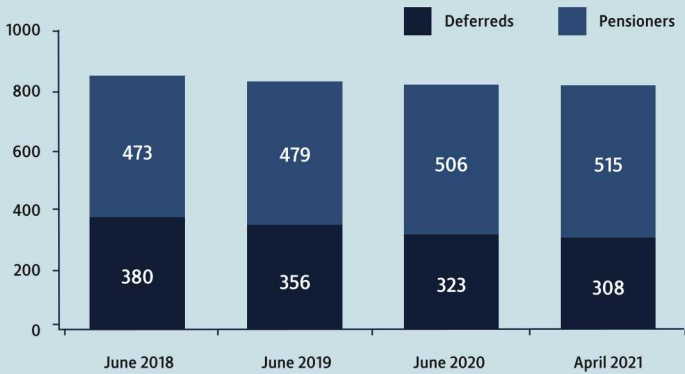
At the valuation date the estimated amount required so that all members’ benefits could have been paid in full if the Plan had started winding up and benefits were to be bought out with an insurance company, was £350.7m (i.e. a shortfall of £109.7m).

In the unlikely event that the Company becomes insolvent and there is not enough money to buy all the benefits with an insurance company, members may be protected by the Pension Protection Fund (known as the PPF). The latest estimate shows that the Plan has a funding level of approximately 103% on a PPF basis.

Inclusion of this information does not imply that the Company is considering winding up the Plan, or that the Plan would be expected to enter the PPF.

Membership of the Plan

The charts below show the combined membership of the Plan, and how the numbers have changed since June 2018.



Freedom

and choice in pensions

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

Please note that all members should read the news item on the following page entitled "pensions transfer scams" before making any retirement decisions regarding their DC benefits.

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 these pension options?

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. You should think carefully before transferring to a scheme where you are not guaranteed an income for life. Should you wish to request a quotation of the value of your benefits (known as a 'transfer value'), please contact the Plan administrators, Isio. 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, Isio.

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, Isio.

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, Isio.



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



Pension transfer scams

Due to the exceptional circumstances we are currently experiencing as a result of the Covid-19 situation, the Pensions Regulator has recognised that there has been a significant increase in pension scam activities. We advise members to be extra vigilant about scammers during the ongoing Covid-19 pandemic.

Scammers use a variety of methods to get their hands on people's savings. Often they will convince members to transfer the benefits they have built up to a new scheme offering 'incentives' and 'loopholes' which in reality don't exist. Examples include claims that members will be able to access their money before age 55, or to offer guaranteed investment returns. These claims are not true.

To help us to protect your interests, the Plan's administrators, Isio, will initially direct you to the guidance and information available at the ScamSmart website which has specific information relating to Covid-19:

<https://www.fca.org.uk/scamsmart>

Please also consider the advice from the money and advice service, available here:

<https://www.fscs.org.uk/globalassets/pdfs/covid-19-and-your-pension.pdf>

Should you still require a quotation after having considered the guidance, please confirm you have read the information concerning pension scams and are satisfied that you are not at risk when requesting a quotation with Isio. Only then will Isio process your request. Should you wish to transfer your benefits out the Plan, you will still be required to take independent financial advice.

Recent changes in Plan rules

The Trustees have recently signed two Deeds of Amendments to the rules of the Plan, along with the help of our legal advisers. These changes have clarified some rules around early and late retirement provisions in the Plan, in particular the late retirement provision for members.

The main and most important change is that everyone, regardless of which section you are a member of or whether you continue working for Arqiva, is entitled to defer taking your pension benefits up to when you reach age 75, with appropriate consent.

For further details, please contact Isio using the contact details on the next page.

Future changes to RPI

Following last year's newsletter, the Chancellor announced in November 2020 that from 2030, RPI (Retail Price Index) will be aligned to CPIH (the Consumer Price Index allowing for housing costs).

As many of the benefits in the Plan are increased each year in line with RPI, this change will mean that from 2030, these benefits are expected to increase in line with CPIH instead. This is therefore likely to impact on how your pension will increase in future.

GMP equalisation

A High Court judgment in the Lloyds Banking Group case was announced on 26 October 2018, which may impact the benefits for a small number of members in the Plan.

The Trustees have started to analyse the potential impact of equalising benefits for the Plan, and are aiming to write out to affected members over the next year.

Brexit and overseas bank accounts

We are aware that due to Brexit, some members living overseas may have been forced by their banking provider to move their UK banks accounts to overseas accounts. This can result in payment and landing charges when paying pensions. Please let us know (using the contact details on the next page) if this has impacted you.

Pensions tax

In the Chancellor's Budget 2021, it was announced that the Lifetime Allowance will be frozen at £1,073,100 for the 2021/22 tax year, and up until 2026.

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/about/arqiva-defined-benefit-pension-plan/>.

This will take you to some listed results where you can click on a link to Plan information.

Is your nomination for death benefits up to date?

If your circumstances change in the future, such as a change of address, or if you just want to make sure the Trustees have a recently dated document, simply request a form from Isio at any time.

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

If you have benefits within the Virgin Media/NTL Plan, our own administrators Isio 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 XPS Pensions Group on 0118 313 0700.

Member-nominated Trustee elections

Dick Buckle and Jack FitzSimons' terms as Member-nominated Trustees end later this year. Both Dick and Jack are looking to reapply however we will be running a nomination process for candidates to put themselves forward for the forthcoming vacancies. Further details will be provided to you later this year. Please ensure Isio have your latest details if you wish to be considered.



Need more information?

If you have any questions on your pension or any other related matters, please contact the Plan's administrators Isio using the details below, or take a look at the online Plan information

Your contacts

Isio administrators

Daniel Bell
Isio, Isio c/o SPS, PO Box 721, Salford, M5 0QT
Tel: 0118 338 4442
email: ukfmarqiva@isio.com

Arqiva

People and Organisation helpdesk
Tel: 01962 822424
email: P&O.helpdesk@arqiva.com

Your Trustees

(no changes from last year):

Company Appointed Trustee Directors

Tom O'Connor (Chair)
Peter Heslop
Edward Thomas

Member Nominated Trustee Directors

Dick Buckle
Jack FitzSimons

BECTU Nominated Trustee Director

Alan Taylor

Our professional advisers

We are supported by a number of professional advisers:

Actuary and administrators

Isio Group Limited

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; Barings

AVC managers

Legal & General Investment Management

Bankers

Lloyds Bank Plc

Plan website

<https://www.arqiva.com/about/arqiva-defined-benefit-pension-plan/>

Your personal data

Please help us maintain our high standards of member data. Contact Isio 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.

Other help with your pension

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

If you would like any information relating to pensions guidance, debt advice, money guidance or consumer protection, a new single financial guidance body called the Money and Pensions Service was set up in 2019. This financial body replaces the Money Advice Service, The Pensions Advisory Service and Pensions Wise. Further information can be found at www.moneyandpensionservice.org.uk

Tax advice cannot be given by the Trustees 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 at the heart of the broadcast and utilities sectors in the UK and beyond, providing critical communications infrastructure and media services.

We are the only supplier of national terrestrial television and radio broadcasting services in the UK, consistently delivering digital TV, analogue and digital radio to people in all four corners of the country. We distribute over 1,000 channels internationally using our fibre and satellite infrastructure. Our advanced, secure and dedicated networks are also supporting the management of critical data for a range of smart metering networks in the energy and water sectors.

Our teams are behind the scenes, delivering millions of vital connections every day for our customers - major UK and international broadcasters, independent radio groups as well as major utility companies and networks. They include leading brands such as the BBC, ITV, Sky, Global, Bauer, Thames Water and Anglian Water.