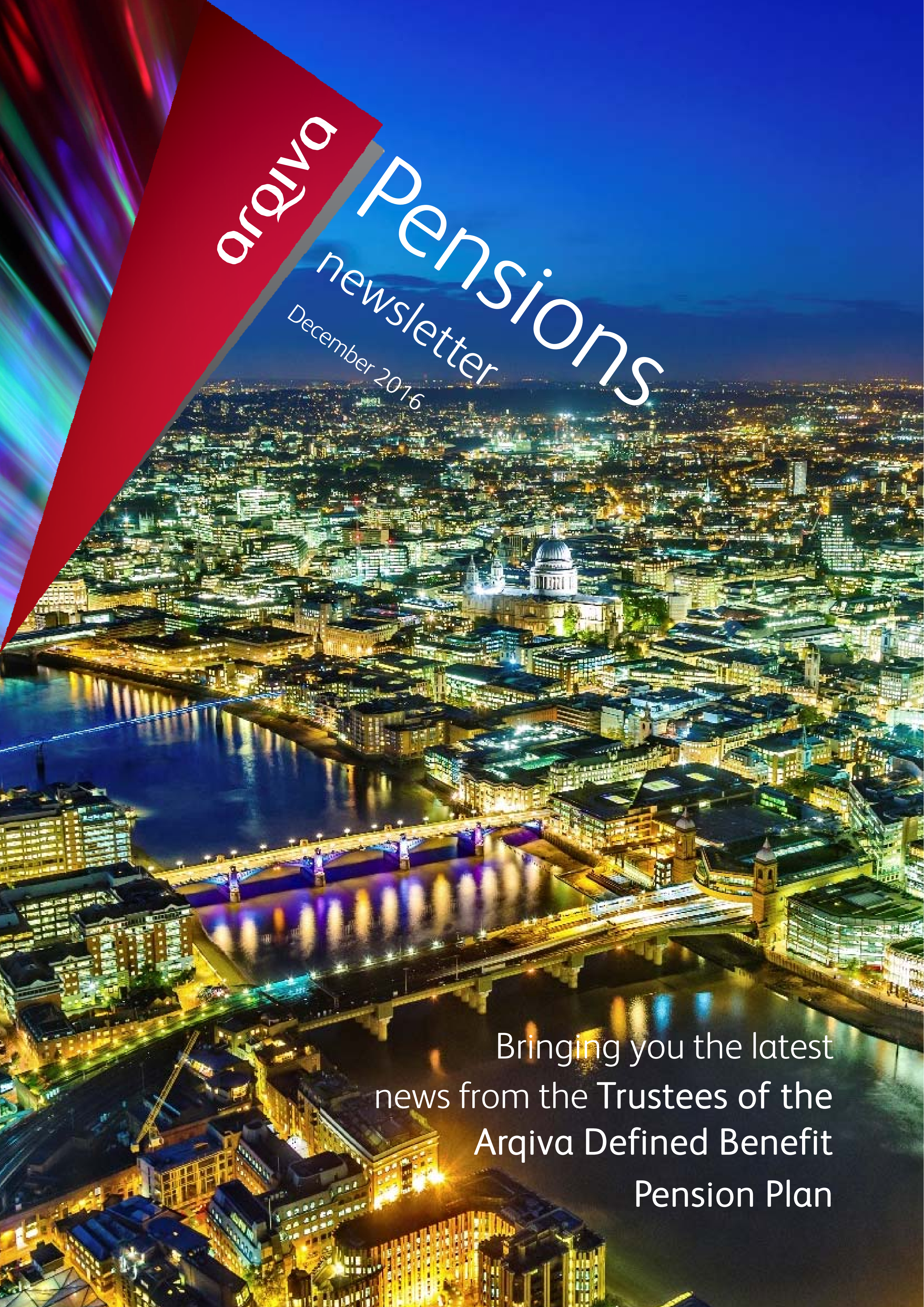
arqiva

Pensions newsletter

December 2016



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 2016 newsletter, bringing you the latest news from the Trustees of the Arqiva Defined Benefit Pension Plan

It has been another busy year for the Trustees and I take this opportunity to thank my fellow Trustees for their contribution and support. The term of office for three of the Member Nominated Trustee Directors (MNDs), Dick Buckle, Jack FitzSimons and Alan Taylor has come to an end this year and you have been invited to participate in nominations and an independent ballot to appoint two on-going MNDs. The result of the ballot is given on page 6. This result means that Alan Taylor is stepping down from the role of Trustee at this time and I would like to formally record my appreciation for all his work and support over the past 7 years. The role of a Trustee is wide ranging and requires considerable commitment to maintain an awareness of the ever changing legal and financial landscape of pensions as well as understanding the detail of the Plan itself. A Trustee is required to devote time for study, preparation and attendance at meetings. We are very fortunate to have an extremely professional and dedicated group of Trustees, and this newsletter provides the opportunity to thank them all on behalf of the membership. My thanks are also due to our advisors, the administration team at KPMG and Carol Wood, Secretary to the Plan.

Plan closure

At the time of the last newsletter, the Company was in consultation with members with a view to closing the Plan to future accrual. The role of the Trustee Board at this time was to be satisfied that proper consultation had been carried out and throughout the process legal advice was taken to ensure that this was the case before the closure finally took effect on 31 January 2016. Regardless of the closure to future accrual our role as Trustee has remained broadly unchanged. The ultimate responsibility for managing the Plan rests with the Trustee Board rather than Arqiva Limited, the sponsoring employer, and we have and will continue to meet our legal obligations and act in the best interests of all our members.

Plan investments

The Trustee Investment Sub Committee regularly review investment performance and have reviewed the investment strategy following the closure. You can read more from Mercer, our advisers, about the management of the Plan's assets, how they are invested and how they have performed on page 3. I am pleased to report that there has been a net increase in the Plan's assets from the £196.7m figure reported last year to £223.4m at 30 June 2016. This included a single lump sum contribution of £2.5m paid into the Plan by Arqiva under the current funding agreement. Whilst the Plan's assets have performed well, the value of the liabilities has also risen. These changes will be assessed in detail next year when a full valuation of the Plan takes place. We continue to have open and constructive conversations with the Company about the Plan performance. This positive relationship is especially important in light of the very volatile market conditions and we maintain a collaborative approach in addressing the issues that face the Plan. A future long term funding plan will, as always, be part of the formal valuation discussions next year.

Brexit

On 23 June 2016 the electorate voted in a referendum to leave the European Union leading to short-term volatility in asset markets, and, in particular, leading to further falls in long-term interest rates. This increased the value of pension scheme liabilities, as mentioned above. The Trustees are continuing to work with advisers to ensure that the investment strategy includes an appropriate level of protection against these movements to help the Fund avoid the worst impact of any future unexpected movements in interest rates.

Keeping you up to date

As outlined in our last newsletter, the Government announced changes introducing greater freedom and choice at retirement for pension savers. These changes may have an impact on the options you might want to consider, either when you take your benefits from the Plan at retirement or if you are considering a transfer of your benefits to a different arrangement. In addition there are some new options for members who have a small pension in the Plan or for those receiving a small dependant's pension. To help you understand what the new freedoms might mean for you, we've included a feature article this year on page 5 with further information to guide you through the changes and options as well as providing contact details of organisations that can provide more help and advice.

Your feedback is important to us

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

Best regards

Investments

Twelve Month Market Overview to 30 September 2016

Over the 12 month period to 30 September 2016, both risk and defensive asset classes generally posted positive returns as the ultra-accommodative monetary policy measures adopted by the world's major central banks continued to support financial markets. The strong returns posted by most asset classes came despite bouts of significant volatility following a sell-off in risk assets in January 2016 and the surprise result of the UK's referendum in June 2016, where the electorate voted to leave the European Union.

Over the year, Sterling depreciated sharply against its major counterparts following the 'Brexit' vote, ending the period weaker by over 14% against the US Dollar compared to the prior year. This has led to material gains for unhedged Sterling investors in foreign assets. Meanwhile, subdued growth expectations in the UK culminated in further loosening of monetary policy by the Bank of England in August 2016, and led to a downward shift in government bond yields. This augmented strong returns for defensive assets, notably index-linked bonds, where returns were further amplified by increased inflation expectations in the UK in light of the depreciation in Sterling.

Financial markets continue to be sensitive to the actions of the world's major central banks. In the US, notwithstanding an initial rate hike in December 2015, the Federal Reserve Bank (the "Fed") has since left its target rate unchanged, although hawkish comments from within the Federal Open Market Committee (the "FOMC") towards the end of the period have fuelled investor expectations for a further rate hike before the end of 2016. Elsewhere, the European Central Bank ("ECB") expanded its monthly asset purchase programme in March 2016 whereas the Bank of Japan announced an explicit shift to yield curve targeting in September 2016.

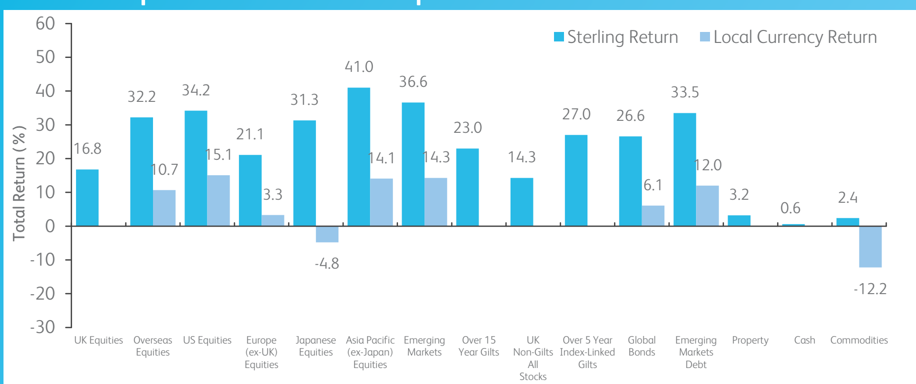
While significant political and economic uncertainty remains following the referendum vote, economists now forecast UK GDP growth for 2017 to be 0.9% (a reduction from 2.1% from a forecast before the vote) whereas inflation, as measured by the change in the Consumer Price Index, is expected to increase to 2.3% (from 1.6% before the vote) reflecting the depreciation of Sterling(1).

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

How have investment markets responded?

Equity returns over the twelve month period to 30 September 2016 were strongly positive with Asia Pacific (ex-Japan) and Emerging Markets equities performing strongest, whilst UK equities lagged. In bond markets, returns for both government and corporate bonds (shown as "Non-Gilts" in the chart) were strongly positive for the period due to the continuing fall in yields. The difference between Sterling and Local Currency returns for overseas assets was significant over the period, due to the depreciation in Sterling.

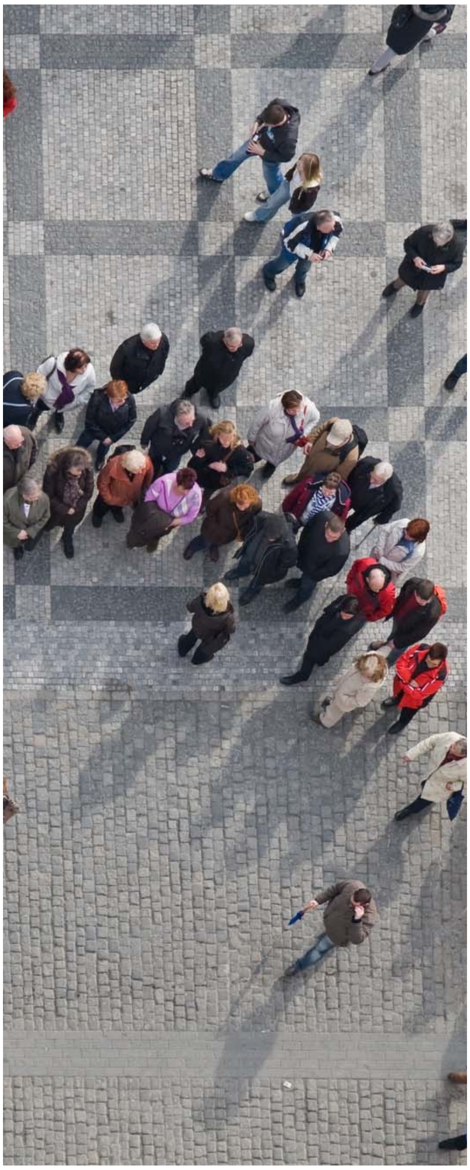
12 month performance to 30 September 2016



Source: Thomson Reuters Datastream.

How has the Plan's investment strategy performed?

The Plan's assets produced a positive investment return of **11.4%** over the one year period to 30 June 2016, marginally outperforming the benchmark return of **11.3%,** mainly due to outperformance in the emerging markets equity portfolio. This was partially offset by underperformance in the Plan's diversified growth fund over the year.



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 between these different types of investments and the returns on them that the Trustees closely monitor and manage through their investment strategy.

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

- **Investment objectives and strategic changes**
  To consider whether the existing arrangements remain appropriate for the Plan, a high level review of the current investment objectives and investment strategy was conducted over the year. In conjunction with the Company, the ISC have discussed potential refinements that could be made to the Plan's investment strategy which may include appointing an additional diversified growth fund manager and introducing an allocation to illiquid assets such as private debt or infrastructure. These discussions remain ongoing.

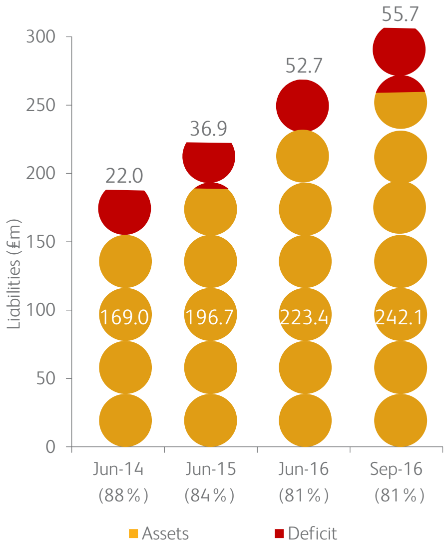
- **Reduction in interest and inflation risk**
  The Trustees of the Plan recognise that the funding level is impacted by changes in both interest rates and inflation expectations (as discussed in the next section), and that these changes can impact the funding level materially. To reduce the interest and inflation risk for the Plan, the Trustees previously implemented a framework with Legal & General to gradually reduce these risks for the Plan. This framework was reviewed by the ISC during the year.

- **Ongoing monitoring**
  In a volatile year for investments, the ISC has continued to monitor 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 and the results were communicated to you in last year's newsletter. In the years where there is not a formal valuation, the Plan actuary produces an update of the funding position so that we can keep track of whether or not the valuation objectives are being met.

The chart shows the progression of the funding level since the 2014 formal valuation. The deficit is calculated as the difference between the asset value and the liability value. The funding level is shown underneath the bars in brackets.



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 2011 valuation

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

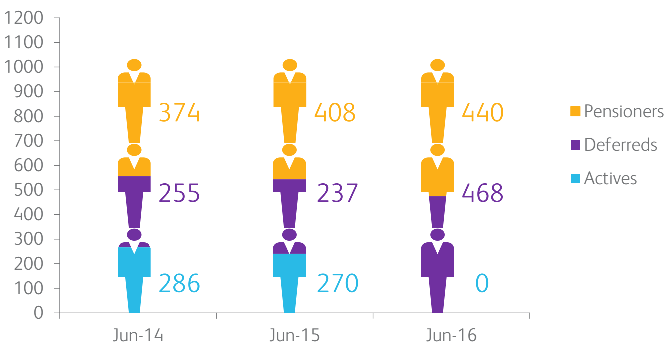
It was agreed that the Company would pay the following contributions to correct the deficit identified at the 2014 valuation:

	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 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

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

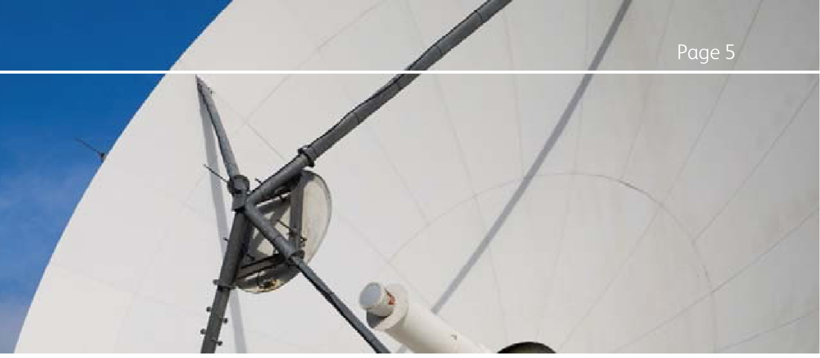
Membership of the Plan

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



New pensions options available at retirement from defined contribution (DC) plans:

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 your AVC fund as part of your tax-free cash sum at retirement. If your AVC fund exceeds the maximum tax-free cash sum allowed then the excess 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

Results of the Trustee Member Nominated Director (MND) election

MNDs have a specified term of office and cannot automatically remain as Trustee at the end of this period.

With the term of office for Dick Buckle, Jack FitzSimons and Alan Taylor coming to an end, all our Plan members were contacted in October this year and invited to put forward nominations for two on-going MND positions.

All three outgoing MNDs were nominated and a ballot of all members, managed independently by the Electoral Reform Services, has resulted in the election of Dick Buckle and Jack FitzSimons. The turnout of the membership for the election was 25 %

The Trustee Board would like to express their sincere thanks on behalf of all members to Alan Taylor for his significant contribution to the Plan whilst acting as MND for the past 7 years. Alan brought a great deal of experience and knowledge to the Plan and his contribution and dedication has been widely appreciated.

Dick Buckle and Jack FitzSimons will now be appointed to continue as MNDs for a forthcoming five year term of office.

The additional Trustee Board members are:

Tom O'Connor (Chair): Company Nominated Director

Peter Heslop: Company Nominated Director

Nathan Hodge: Company Nominated Director

Mark Jacobs: Bectu Member Nominated Director

New! Online Plan information

A new online area which hosts key Plan information for all members to view, has been developed by Arqiva at the request of Trustees and in conjunction with the help of Trustee Dick Buckle.

It aims to improve communication with the wider membership, particularly for those no longer working for Arqiva, and gives you access 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.

Brexit from a pension members' perspective

Following the UK's vote to leave the European Union, we have seen volatility in financial markets, which has impacted the funding level of the Plan (as discussed earlier). However, your pension benefits in the Plan are defined by the Plan Rules and are not subject to how the investment markets perform.

The Trustees view the Plan as a long-term investment that will be in place for as long as the Plan has pension benefits to pay to its members. Therefore, we will not be making any 'knee-jerk' reactions to the Brexit announcement and maintain a long-term view of what investments are best suited to the overall membership of the Plan and considering the financial support provided by Arqiva.

The funding position of the Plan is regularly monitored and will be covered in detail with the Company next year as part of the next formal actuarial valuation.

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.

You can find more at www.thepensionsregulator.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

Trustee report and accounts

This year's report and accounts for the Plan will incorporate additional information in a number of areas as required by the new accounting regulations. Auditors independently confirm that, in their opinion, the full financial statements provide a true and fair reflection of the Plan's assets and transactions over the year. Copies of the Plan's report and accounts can be found on the new member site and are available for you to view on request.

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.)

NTL Pension Association

Earlier this year the Trustees were approached by the committee of the NTL Pension Association (NTLPA) on the subject of member representation.

The NTLPA is a voluntary body that seeks to represent members of the NTL (Virgin Media) Plan and it acts as a forum for retired and deferred members to keep in touch with each other and provide news items about ex-colleagues and pensions in general. It also represents views of NTL (Virgin Media) members to the NTL Trustees and exchanges views with them, meeting them twice a year.

The NTLPA would like to gauge whether there is interest in having them set up a similar organisation for the Arqiva Defined Benefit Plan members.

Any such organisation would be entirely separate from the Plan Trustee Board and the running of the Plan, although the Arqiva DB Plan Trustee is open to exchanging views and information with a similar, appropriate, body. As such, it was agreed that the enclosed correspondence to you could be included with this newsletter rather than the NTLPA having to meet the cost of sending every member this information. If you have any comments or feedback on this subject please contact the NTLPA Chair, John Fuller, directly at the address shown.

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 Trustee Directors	Tom O'Connor (Chair) Peter Heslop Nathan Hodge
Member Nominated Trustee Directors	Dick Buckle Jack FitzSimons Alan Taylor (until end of 2016)
BECTU Nominated Trustee Director	Mark Jacobs

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
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