

# Simply Pensions

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## **Balfour Beatty Pension Fund Annual Newsletter**

For members of the Defined Benefit Section

# Pension terms explained



## Actuarial valuation

An in-depth look at the Balfour Beatty Pension Fund's (BBPF) finances, carried out by the actuary at least every three years.



## Actuary

The qualified, independent professional appointed by the Trustee to examine the BBPF's finances and assess its financial health.



## Annual actuarial review

An approximate update on the BBPF's financial position carried out by the actuary between formal actuarial valuations.



## Assets

The actual amount of money invested and held by the BBPF.



## Company

References to 'the Company' mean Balfour Beatty.



## Deficit

The difference between assets and liabilities, if liabilities exceed assets.



## Defined Benefit Section

This is the section of the BBPF where the value of a member's benefits is linked to earnings and service and is calculated by reference to a formula defined in the Rules.



## Defined Contribution Section

This is the section of the BBPF where the value of a member's benefits reflects the value of the investments purchased using the contributions paid in by the member and the Company.



## Funding level

The ratio of assets to liabilities.



## Liabilities

The amount of money estimated to be needed now to provide benefits earned by members.



## Surplus

The difference between liabilities and assets, if assets exceed liabilities.



## Trustee

The governing body of the BBPF. At present, it is made up of the Chairman, two company nominated trustee directors and three member nominated trustee directors.

# A message from the Chairman on behalf of the Trustee

Welcome to this year's edition of Simply Pensions. In this issue, you will find an update on the Balfour Beatty Pension Fund's (BBPF) funding and Defined Benefit Section investment strategy as well as some topical news items. A separate newsletter will be issued to members with Defined Contribution benefits in due course.

## Funding update

I am pleased to say that the annual actuarial review as at 31 March 2018 showed that the BBPF continues to have a small surplus, although this is slightly lower than that reported in 2017. Please see pages 4-5 for more details as well as an update on the BBPF's investments as at 31 March 2018.

## Actuarial valuation

We will be starting work soon on the 2019 actuarial valuation and we will send you a special edition of Simply Pensions next year to let you know the results as soon as they are available.

## Trustee Directors

After many years' service as a Company Nominated Trustee Director and past Chairman, Alistair Wivell retired from the Board of Trustees when his term of office ended in June. A new Company Nominated Trustee is expected to be appointed soon.

Andrew Gilpin's most recent term of office as a Member Nominated Trustee Director (MND) also comes to an end in November this year. The MND selection process has begun and we will notify you of the results in due course.

*A. Mathias*

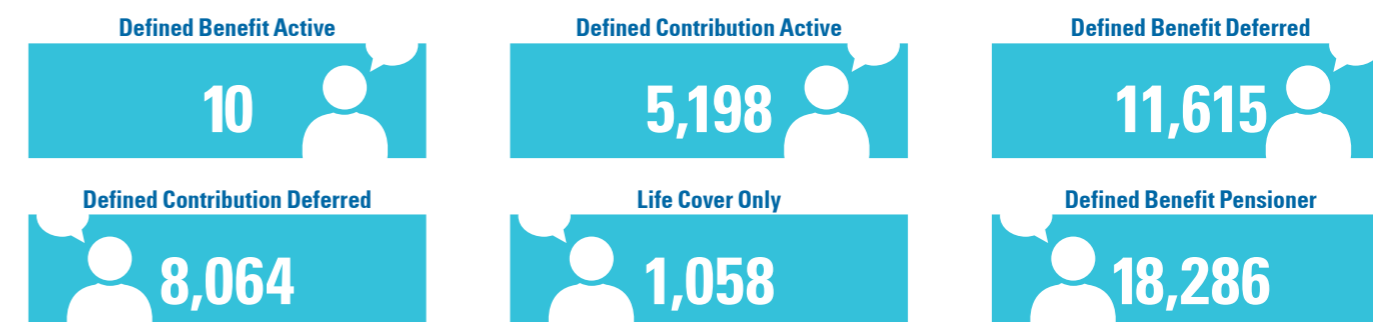
Adrian Mathias  
Chairman  
On behalf of the Trustee



## Your Trustee Directors

Adrian Mathias, Chairman (Company nominated)  
Paul Raby (Company nominated)  
Adam Walker (Company nominated)  
Vacancy (Company nominated)  
Heather Dervin (Member nominated – active members)  
Andrew Gilpin (Member nominated – active members)  
John Tansey (Member nominated – pensioners)

## Membership breakdown as at 31 March 2018



# The BBPF's summary funding statement

As part of managing the BBPF, the Trustee regularly reviews the BBPF's financial health. This is done by an actuary, who carries out an actuarial valuation every three years, with annual actuarial reviews taking place in the years in between.

## The results

The graphs show the results from this year's and last year's annual actuarial reviews compared with the last actuarial valuation as at 31 March 2016.

As you can see from the figures below, the BBPF had a surplus of £28 million as at 31 March 2018. There has been a slight decrease in the surplus over the 12 months to 31 March 2018, which is primarily due to investment experience and changes in financial market conditions during that period. This decrease has been partly offset by the deficit recovery contributions paid by the Company as part of the Recovery Plan.

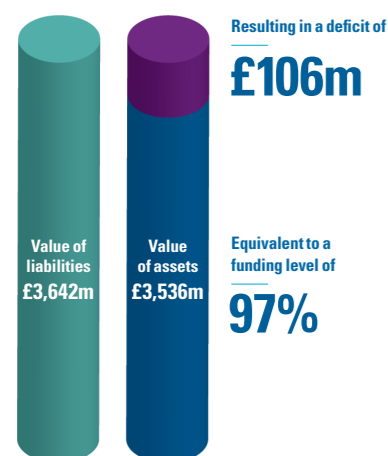
## The BBPF Recovery Plan

The Trustee and the Company agreed a recovery plan as part of the actuarial valuation in 2016 with the aim of removing the BBPF's deficit by the end of April 2023. This includes deficit recovery contributions from the Company totalling some £134 million until 2023. Although the annual actuarial review as at 31 March 2018 revealed a surplus, the Company will continue paying contributions to the BBPF as agreed under the current recovery plan until the position is reviewed again at the 2019 actuarial valuation.

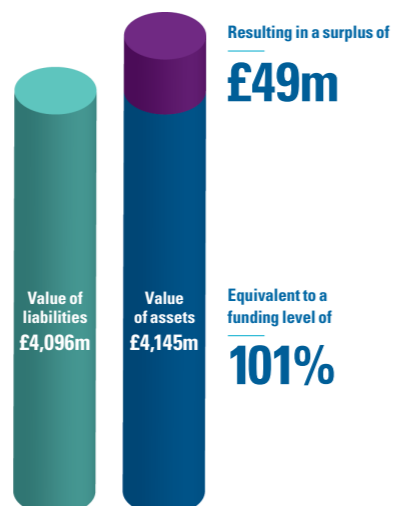
Please refer to the Valuation Special newsletter issued at the end of 2016 for more detail on the BBPF Recovery Plan and other key agreements between the Trustee and Company, including the 'Journey Plan' which sets out how the Trustee of the BBPF aims to move towards a lower risk self-sufficient position by 2027.

If you require a copy of the Valuation Special newsletter, please visit [www.balfourbeatty.com/pensions2016](http://www.balfourbeatty.com/pensions2016) or contact the Pensions Centre, using the contact details on the back page.

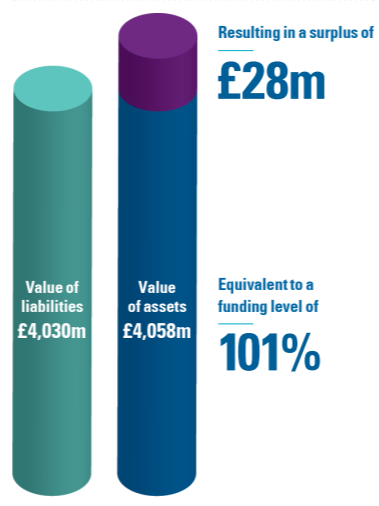
### Actuarial valuation as at 31 March 2016



### Annual actuarial review as at 31 March 2017



### Annual actuarial review as at 31 March 2018



# The Defined Benefit Section of the BBPF's investment performance

The Trustee regularly reviews how the BBPF's Defined Benefit (DB) assets are invested and aims to protect the financial position of the BBPF in the best interest of its members.

## Defined Benefit Section investment strategy

A key aim of the Trustee is to ensure the BBPF's assets are managed efficiently. That means generating good returns consistent with the risk associated with any particular investment. Over time, this has meant gradually investing more in a diverse range of asset classes, beyond traditional equities and corporate bonds, in order to have a well-balanced exposure to different risks within the portfolio.

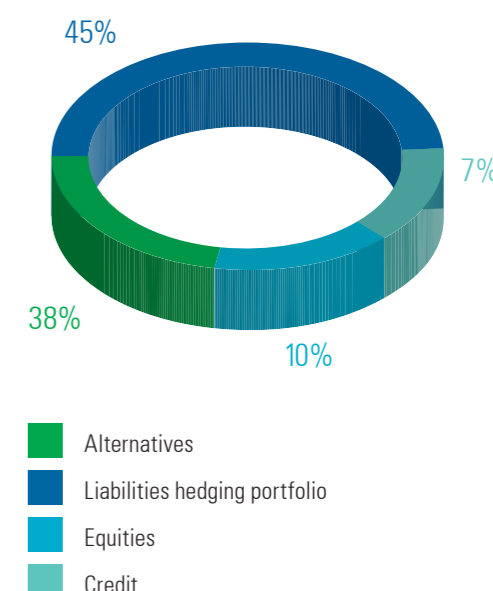
The BBPF's return-seeking portfolio, which has been managed by Willis Towers Watson since September 2016, continues to perform well resulting in a slightly better funding level than anticipated. The Trustee and Willis Towers Watson work closely to ensure the overall investment strategy remains aligned to achieving the Trustee's objectives.

## Defined Benefit Section assets

The pie chart below shows how the Defined Benefit assets of the BBPF were invested on 31 March 2018. The largest proportion was invested in the liability hedging portfolio. This portfolio invests in UK government bonds and other investments which protect the BBPF from the impact of changes in interest rates and inflation.

The rest of the assets are held to generate the returns needed by the BBPF to meet its liabilities. These assets are spread across a wide range of different investments, to avoid risk being concentrated in any one investment.

Asset types explained	
Alternatives	These are investments whose value is driven by different factors from traditional equity and credit investments, e.g. hedge funds and reinsurance.
Credit	This is typically bonds issued by public companies. However, it may also include other forms of debt.
Equities	These are stocks or shares in a company.
Liability hedging portfolio	This portfolio mainly contains UK government bonds, however it also has exposure to other instruments which mimic the broad movement of the BBPF's liabilities.



# Your questions answered

## How are the BBPF's finances measured?

The figures on page 4 are produced by an actuary who compares the value of the BBPF's liabilities with its assets.

The liabilities are the estimated cost of providing the benefits earned by all members.

The assets represent the total value of money available to the BBPF at any point in time to pay the benefits. It includes the money collected from contributing members and the Company.

The BBPF's assets are held in a trust fund, completely separate from the Company's assets. The BBPF's assets are invested to provide the benefits that need to be paid out.

## Are my benefits secure?

There are regular reviews in place to ensure that the impact of any change in the funding level is recognised and addressed.

Although the BBPF is now in surplus the Company has agreed to continue paying additional contributions until the position is reviewed again at the 2019 actuarial valuation. This is in accordance with the Recovery Plan, which we described on page 4.

The Trustee also reviews the ability of the Company to maintain its contributions by obtaining regular reports from a specialist external adviser. The latest assessment from its adviser is that the Company continues to be able to maintain its support for the BBPF.

## Has there been any payments to the Company?

We confirm that since our previous newsletter, no payments have been made from the BBPF to the Company.

## Has the Pensions Regulator intervened in the running of the BBPF?

The Pensions Regulator has powers under the Pensions Act 2004 to intervene in the funding of a pension scheme. The Regulator has not applied any of these powers with regard to the BBPF. In particular, the BBPF has not been modified by the Regulator, is not subject to any direction from the Regulator and it is not bound by a schedule of contributions imposed by the Regulator.

## What if the BBPF were to be discontinued?

It is a legal requirement that we provide you with an update on what the funding position would be if the BBPF were to be wound up. We would like to emphasise there is no plan to wind up the BBPF – this is for information only.

In the event that the BBPF were to be wound up, the Company would be required to pay enough money to the BBPF so that the Trustee could secure all the members' benefits with an insurance company. Members would no longer be able to contribute to the BBPF or build up further benefits.

As part of this year's annual actuarial review, the actuary carried out an approximate, hypothetical assessment of the financial position of the BBPF if it were to be wound up. If the BBPF had been wound up at 31 March 2018, the actuary estimated the assets of the DB Section would have been around 73% of the amount needed to secure all of the DB liabilities with an insurance company. This is an improvement since the actuarial valuation (as at 31 March 2016) when this figure was around 62%.

If there were insufficient Company assets available to top up the assets in the DB Section to 100% then, depending on circumstances, the Trustee would either:

- Run the BBPF as a closed fund (which means the BBPF would be closed to new entrants, all pensionable service would cease and no further contributions will be paid in respect of any member), or
- Use the assets of the DB Section to secure as much of the DB members' benefits as possible with an insurance company

Alternatively, the BBPF might enter the Pension Protection Fund (PPF) and members of the DB Section would be provided with PPF benefits. A pension provided by the PPF would be a substantial proportion of your benefits built up in the DB Section of the BBPF, although there may be reductions depending on your age and when your benefits were earned.

You can find out more at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) or by writing to: The Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

# The latest news

## Pension Tax Allowances

There are two pension tax allowances – called the Annual Allowance and the Lifetime Allowance. Details of the allowances for the 2018/19 tax years are below.

### The Annual Allowance

The Annual Allowance (AA), which for most people is currently £40,000, is the total amount of benefits you can build up in any one year from all your UK registered pension savings without incurring a tax charge.

### The Lifetime Allowance

The Lifetime Allowance (LTA) is the total amount of pension savings that you can build up in UK registered pension arrangements over your lifetime without incurring a tax charge. The LTA is £1.03 million for the current tax year, and is expected to rise each tax year in line with the Consumer Prices Index.

Find out more about the AA, and LTA at <https://www.gov.uk/tax-on-your-private-pension>

## Signs of a scam

According to the Pensions Regulator, "Thousands of people have lost their life savings to scammers". Make sure you protect yourself and look for the signs of a scam. For example, an offer from an 'unregulated' provider suggesting you transfer your pension benefits in exchange for seemingly tempting investment opportunities and/or cash. This type of offer could be a scam.

You should also look out for:

- Unsolicited calls, text messages or emails about pension offers (Government-backed bodies would never contact you for a pension review)
- Phrases like 'one-off investment opportunity' and 'legal loopholes'
- 'Time limited offers' that pressure you into making a quick decision
- Financial advisers who aren't registered on the FCA website – check <https://www.fca.org.uk/firms/financial-services-register>

This is not a complete list, but if you spot any of these signs, or think you might have been targeted or scammed, call Action Fraud on **0300 123 2040** to report it. You can also find out more about pension scams by visiting <http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx> or by clicking on the 'individuals' button at: [www.pension-scams.com](http://www.pension-scams.com).

## State Pension Age (SPA) equalises

SPA is the age at which the State Pension can start to be paid. From November 2018, SPA will be the same (age 65) for both men and women. It then gradually rises for everyone to age 68 by 2046. The table below is a summary of your expected SPA as at August 2018:

Your date of birth	State pension age
After 6 April 1978	68
6 April 1970 to 5 April 1978	67 yrs 1 m to 68 yrs*
6 April 1960 to 5 April 1970	66 yrs 1 m to 67 yrs*
6 December 1953 to 5 April 1960	65 yrs 3 m to 66 yrs*

\*Depends on exact date of birth

You can check your own SPA by visiting [www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)

## Nomination forms

If you haven't yet drawn your benefits or are in the first five years of drawing your pension (other than a spouse's or dependant's pension), there may be a cash lump sum payable in the event of your death. Although the recipient(s) of any lump sum is at the discretion of the Trustee, you can help decide who should receive it by keeping your nomination form up-to-date.

As your pension benefits don't form part of your estate, they aren't covered by any provisions you make in your will. The Trustee will consider the provisions of any will alongside your nomination form when making its decision, but updating your nomination form gives the Trustee a clear indication of when you last thought about who you would like to receive any lump sums due from the BBPF.

It's worth considering sending in a new form every time your family circumstances change, for example on marriage or divorce, the birth of a child or when you draw your DB benefits, so that the Trustee can be confident that the nomination form it holds reflects your up-to-date wishes.

You can request a nomination form from the Pensions Centre using the contact details on the back page.

## Pension pay dates for pensioners

- 31 October 2018
- 30 November 2018
- 21 December 2018
- 31 January 2019
- 28 February 2019
- 29 March 2019
- 30 April 2019
- 31 May 2019
- 28 June 2019
- 31 July 2019
- 30 August 2019
- 30 September 2019
- 31 October 2019
- 29 November 2019
- December tbc

## Contacting the Balfour Beatty Pensions Centre

If you would like to receive this newsletter in large text format, give us feedback, ask for a nomination form, would like to request an estimate of your benefits or ask a question, you can contact the Pensions Helpdesk by:

📞 **Calling 0151 482 4664**

✉️ **Emailing [bbpensionshelpdesk@balfourbeatty.com](mailto:bbpensionshelpdesk@balfourbeatty.com)**

✍️ **Writing to Balfour Beatty Plc Pensions Centre, Kings Business Park, Kings Drive, Prescot, Merseyside L34 1PJ**

Please note: any request to change your personal details (e.g. your address) must be made in writing.

When contacting the Pensions Centre please provide your full name and date of birth to help us identify you.

## Need more information?

There are a number of documents available about the BBPF which you may find of interest:

### Statement of Investment Principles

An explanation of how the Trustee invests the money paid into the BBPF.

### Statement of Funding Principles

An explanation of how the Trustee determines the BBPF's liabilities and its strategy for dealing with any deficit.

### Recovery Plan

This shows the contributions which the Trustee and the Company agreed should be paid to eliminate the BBPF's deficit.

### Schedule of Contributions

This shows all of the contributions that are being paid into the BBPF by the Company and active members, and the due dates for these contributions.

### Annual BBPF Report and Financial Statements

This shows the BBPF's income and expenditure over the year to 31 March each year (2018 version expected to be available in October).

### Report on the latest formal Actuarial Valuation

This contains details of the actuary's check on the BBPF's finances as at 31 March 2016.

### The latest annual Actuarial Report

This contains details of the actuary's review of the BBPF's finances as at 31 March 2018.

**To receive a copy of any of the above documents, or if you have any questions, please contact the Pensions Centre using the contact details above.**

## Need financial advice?

By law, neither the Trustee nor the Company can give you financial advice. If you need more help, you should consider speaking to an FCA regulated financial adviser. You can find details of a local financial adviser at [www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk)

## Protecting your personal data

New regulation effective from 25 May 2018 has broadened the rights you have to manage the way your personal information is used. The new EU General Data Protection Regulation (GDPR), alongside the UK Data Protection Law, regulates how your personal data is collected, processed, stored and transferred. The Trustee remains committed to safeguarding your personal information and protecting your rights under the new regulation. We only hold such personal information as is necessary for the effective management and payment of members' pensions.

In the last edition of Simply Pensions, we told you where to find a copy of our Privacy Notice. We have recently updated the Privacy Notice, and if you are still employed by Balfour Beatty, you can find the updated version on 360 in [My World > HR > UK Pensions](#). You can also find it online by visiting [www.balfourbeatty.com/pensions2018](http://www.balfourbeatty.com/pensions2018), or you can obtain a copy from the Pensions Centre by emailing [bbpensionshelpdesk@balfourbeatty.com](mailto:bbpensionshelpdesk@balfourbeatty.com).

### Please note

This newsletter is produced for information only. If there is any conflict between the information here and the Rules of the Balfour Beatty Pension Fund, the Rules take precedence.

### The Privacy Notice outlines:

- How we use and disclose your personal information
- The protections we apply
- The legal basis for our use of your information
- How long this information is kept for
- Your rights under the GDPR
- Contact details if you have questions