

# Simply Pensions

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**Balfour Beatty Pension Fund  
Valuation Special**

# Pension terms explained



## Actuary

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



## Actuarial valuation

An in-depth look at the BBPF's finances, carried out by the Actuary at least every three years.



## Annual actuarial report

An approximate update on the BBPF's financial position carried out by the Actuary in 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 (DB) 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 (DC) 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.



## Journey Plan

A long-term funding and investment plan developed by the Trustee and the Company with the aim of reducing risk in the BBPF over time.



## 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 Chair, three Company nominated trustee Directors and three Member nominated trustee Directors.

# A message from the Chair of the Trustee Board



**Welcome to the 2020 Valuation Special newsletter from the Balfour Beatty Pension Fund (BBPF) Trustee Board. This newsletter is for members with benefits in the Defined Benefit (DB) Section of the BBPF. A separate newsletter will be issued to members with benefits in the Defined Contribution (DC) Section later this year.**

This newsletter is designed to help you understand more about the results of the most recent actuarial valuation that was undertaken as at 31 March 2019. Inside, you can find information about the key findings and the steps taken to undertake a valuation.

I am pleased to say that good progress is being made towards our aim of moving to a lower-risk self-sufficient position over the longer term. In fact, we have agreed with the Company to reduce investment and longevity risk, without extending the existing journey plan target date of 2027.

The recovery plan is also progressing well and is expected to meet its target of 100% funding by 2023.

For personal reasons, I will be stepping down as Chair of the Trustee Board later this year. I would like to say that it has been a great privilege to play a part in the successful stewardship of the BBPF. Plans are underway to find a successor and we will let you know further information in our next newsletter.

I hope you find this newsletter helpful.

*A. Mathias*

**Adrian Mathias**  
Chair  
on behalf of the Trustee Board

## Your Trustee Directors

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

## Membership as at 31 March 2019

### DEFINED BENEFIT ACTIVE

7

### DEFINED CONTRIBUTION ACTIVE

4,857

### DEFINED BENEFIT DEFERRED

10,986

### DEFINED CONTRIBUTION DEFERRED

8,419

### LIFE COVER ONLY

994

### DEFINED BENEFIT PENSIONER

18,033

# Actuarial valuation of the BBPF

## What is an Actuarial valuation and how often does it take place?

### Actuarial valuation of the BBPF

A valuation is a complex process, undertaken by an Actuary, who is an expert in this field.

Taking place every three years, it is an analysis of the financial condition of the BBPF and provides the Company, the Trustee and the members with key information about how the BBPF is performing financially.

The valuation looks at how much money (assets) the BBPF holds and compares this with the value of benefits (liabilities) built up by members. From this, the Actuary is able to work out the funding surplus or deficit. If there's a deficit, the Trustee must then put into action a plan for eliminating the deficit, often known as a Recovery Plan.

The valuation also aims to:

- Check that the BBPF's funding arrangements meet current legal requirements
- Help the Trustee and the Company agree an appropriate level of contributions that need to be paid into the BBPF

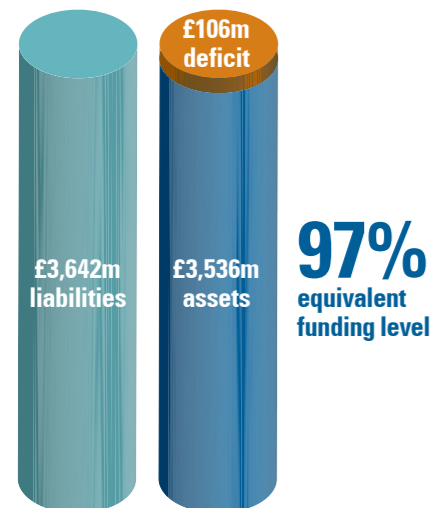
### Actuarial valuation as at 31 March 2019

The diagram below sets out the results from the latest actuarial valuation of the BBPF. To provide some context, we have also shown the results from the previous actuarial valuation as at 31 March 2016 and from the annual actuarial report as at March 2018.

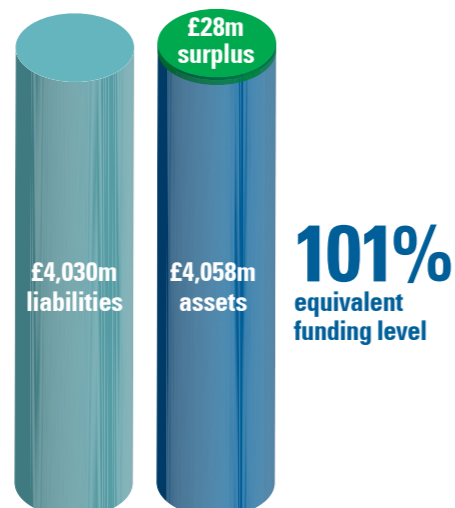
The deterioration in the funding position since March 2018 was, in part, because the Trustee and the Company agreed to adopt more cautious assumptions for future investment returns for the 2019 actuarial valuation – to reflect anticipated future moves into lower risk asset classes.

This deterioration has been partly offset by changes to the assumptions used for future life expectancy and deficit reduction contribution payments made by the Company.

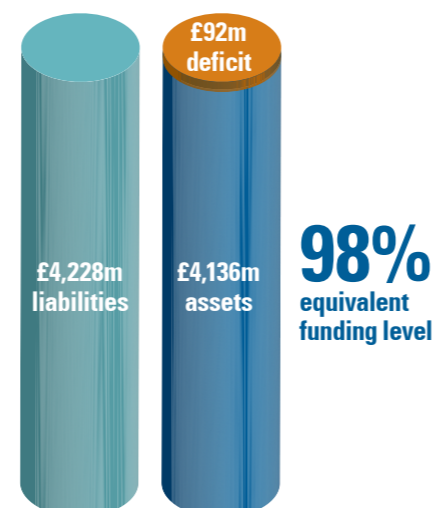
Actuarial valuation as at 31 March 2016



Annual actuarial report as at 31 March 2018



Actuarial valuation as at 31 March 2019



# Actuarial valuations: the steps we take

### Step one

The Trustee and the Company agree key assumptions such as future investment returns, inflation and life expectancy. These have to be estimated after taking advice from the Actuary.



### Step two

The Actuary uses the assumptions to place a value on the BBPF's DB Section liabilities.

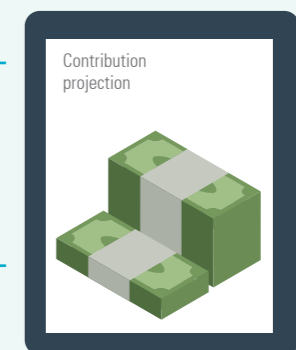


### Step three

The Actuary compares the value of the BBPF's DB Section liabilities with its assets to determine the size of any surplus or deficit.

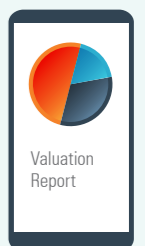
### Step four

With advice from the Actuary, the Trustee and the Company agree what contributions need to be made to meet any deficit so that the BBPF will have enough money in the future to pay benefits.



### Step five

The Trustee sends a copy of the valuation paperwork to the Pensions Regulator.



# Our Recovery Plan

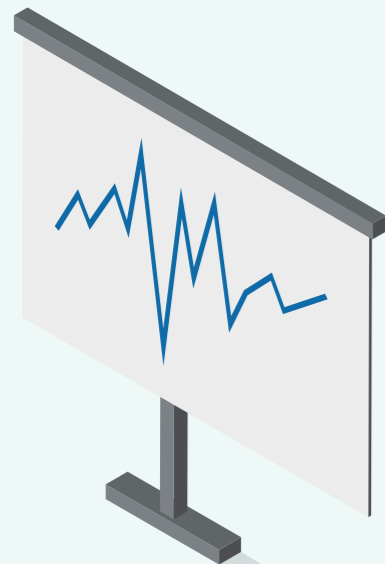
The Trustee and the Company have agreed a recovery plan with the aim of removing the BBPF's funding deficit by the end of April 2023.

## The Recovery Plan

The Recovery Plan includes deficit funding contributions from the Company into the BBPF totalling some £93 million until 2023.

As part of the actuarial valuation process the Trustee and the Company agreed the following:

- The Company has extended its 'negative pledge' over the assets of the Group such that (subject to certain exceptions) it will not mortgage, pledge or grant security over any assets without giving a similar promise to the BBPF.
- The Trustee and the Company established a Scottish Limited Partnership ('SLP') arrangement in 2015, which is a vehicle that provides secured funding to the BBPF over time. As part of the valuation discussions, the Company agreed to maintain the support it provides to the BBPF through the SLP.
- The Company has agreed to retain the existing dividend sharing mechanism. If the Company returns capital to its shareholders in excess of an agreed level, an acceleration in deficit funding contributions will apply.



## The Journey Plan

The Trustee and the Company have established a 'Journey Plan' which sets out how the BBPF aims to move to a lower-risk self-sufficient position over the longer term.

Following discussions around the 2019 valuation, the Trustee and Company reviewed the Journey Plan and agreed changes which allow the BBPF to reduce investment and longevity risk, without extending the existing self-sufficient target date of 2027.

In the event that funding levels fall below a pre-defined level, the Trustee and Company have agreed to set a protocol to discuss potential corrective actions so that the BBPF does not fall too far behind its funding targets. These are positive steps towards enhancing the security of benefits in the BBPF.

# The DB Section of the BBPF's investment performance

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

## DB Section investment strategy

The Trustee and its investment adviser, Willis Towers Watson, work closely to ensure the overall investment strategy remains aligned to achieving the Trustee's objectives.

There were no changes to the strategy during 2019. However, over the course of 2020, the Trustee and Willis Towers Watson will determine what changes to the investment strategy are required to gradually reduce investment risk, as agreed as part of the updated Journey Plan.



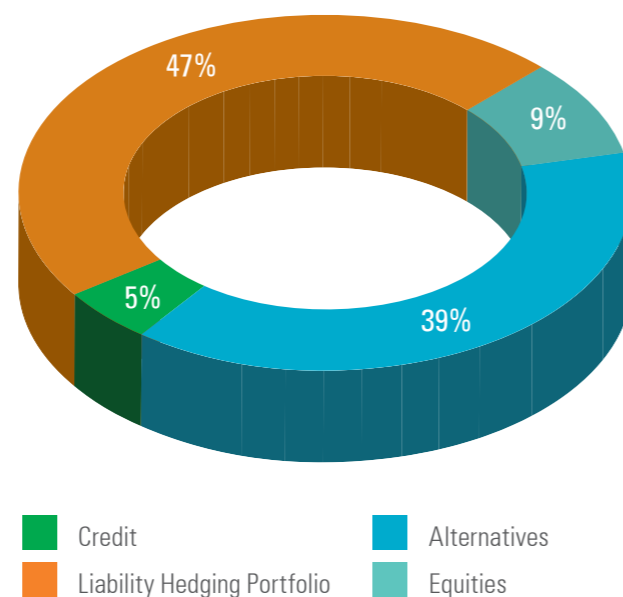
# How the DB Section of the BBPF is invested

## DB Section assets

A key aim of the Trustee is to ensure that the BBPF's assets are managed efficiently. That means seeking to generate good returns consistent with the level of investment risk the Trustee has agreed to take.

The chart opposite shows how the DB assets of the BBPF were invested on 31 March 2019. The largest proportion of the assets were 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. Since September 2016, Willis Towers Watson has been responsible for managing this portfolio. They ensure the portfolio has well-balanced exposure to a wide range of different investments, to avoid risk being concentrated in any one investment. This portfolio performed well in 2019, helping to keep the BBPF on track to achieve the Trustee's objectives.



■ Credit
 ■ Alternatives  
■ Liability Hedging Portfolio
 ■ Equities

## 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

## Are my benefits secure?

Because the BBPF has a deficit, the Company is paying additional contributions to remove this deficit over a period of time. This is known as the Recovery Plan, see page 6.

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

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 the Pensions Regulator intervened in the running of the BBPF?

The Pensions Regulator has powers under the 2004 Pensions Act to intervene in the running 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.

## Have 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.

## 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 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 the latest valuation, 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 2019, the Actuary estimated that its assets would have been around 77% of the amount needed to secure benefits with an insurance company. This is an improvement since the previous actuarial valuation (as at 31 March 2016) when this figure was around 61%.

If there were insufficient Company assets available to top up the BBPF's assets to 100% then, depending on the 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 contributions will be paid in respect of any member), or
- Use the BBPF's assets to secure as much of the 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.

Defined Contribution (DC) savings are not covered by the PPF. If the BBPF were discontinued, the DC benefits would be secured separately, either by transferring them to an insurance company or to another pensions arrangement.



# News at a glance

## New administrators for the DC Section

In December 2019, XPS Administration took over administration of the DC Section of the BBPF. If you have pension savings in the DC Section as well as your DB benefits, you will have received a letter from XPS giving you their contact details and log-in details for their online portal [www.mypension.com](http://www.mypension.com).

If you have pension savings in the DC Section and haven't received a letter or have misplaced it, please email: [bbpf@xpsgroup.com](mailto:bbpf@xpsgroup.com) or call the administration team on 0118 214 2852.

Whilst XPS is now your point of contact for any DC benefits, your DB benefits continue to be administered by the Balfour Beatty Pensions Centre. You should continue to contact the Pensions Centre as set out on the back page with any enquiries or changes in respect of your DB benefits.

## Pensions Centre news

The Pensions Centre has responded to over 39,000 individual contacts about members' benefits this year by a combination of post, email or telephone.

The Pensions Centre aims to provide a customer focused, high quality, efficient and cost-effective service. For this reason we prefer to deal with queries by email wherever possible.

If you have a question for the Pensions Centre please use the Pensions Helpdesk contact details on the back page.

## Guaranteed Minimum Pension equalisation

You may have seen or heard recent articles regarding the 'equalisation' of pension benefits. This relates to Guaranteed Minimum Pension (GMP) which was a small part of the pension benefits you earned in the BBPF as an alternative to building up an earnings related top up to your State Pension.

Historically, different rules were applied to GMPs for men and women, but a High Court ruling in October 2018 determined that these rules were discriminatory and that GMPs must be 'equalised'. However, the exact method to be used to equalise benefits has yet to be finalised and we are awaiting further decisions from the Court and HMRC on certain unresolved aspects.

Only members with benefits in the BBPF between 1990 and 1997 will be affected by GMP equalisation, and where any adjustment is found to be necessary, it is expected to be minimal.

It will take some time to make any changes to benefits for affected members as we cannot begin until the equalisation method is clarified and the required calculations will be complex. Affected members will be contacted in due course.

## Pension payment dates

Please see below for the pension payment dates for the balance of 2020:

- 31 March 2020
- 30 April 2020
- 29 May 2020
- 30 June 2020
- 31 July 2020
- 28 August 2020
- 30 September 2020
- 30 October 2020
- 30 November 2020
- 22 December 2020

## Pension Tax Allowances

There are two pension tax allowances - called the Annual Allowance and the Lifetime Allowance. Details of the allowances for the 2020/21 tax year 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.

Reductions to the allowance will continue to apply for a very small number of members whose income (not just earnings) and pension contributions total more than £240,000 in the 2020/21 tax year.

The Pensions Centre monitors the BBPF benefits for current employees who are known to be affected by this. If you think you may be affected, we recommend that you seek advice from an independent financial adviser regulated by the Financial Conduct Authority (FCA).

You can use the Money Advice Service's online adviser directory to find an independent financial adviser (IFA) at [www.moneyadviceservice.org/directory](http://www.moneyadviceservice.org/directory)

If you have any DC pension savings and access them flexibly (e.g. by taking them as a lump sum or income drawdown), this will affect your AA. Broadly, it limits the amount that you and your employer can pay into a DC arrangement in a tax efficient manner to £4,000 a year. This is known as the Money Purchase Annual Allowance (MPAA).

## The Lifetime Allowance

The Lifetime Allowance (LTA) is the total amount of pension savings you can build up over your lifetime without incurring a tax charge. The LTA for the 2020/21 tax year is £1,073,100.

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

## Keeping your pension safe

New ways to use your pension savings have brought new opportunities for scammers - unscrupulous people who want to swindle you out of your pension savings. You should look out for:

- Unsolicited calls, texts, emails and web pop-ups about 'pension offers' (Government-backed pension 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
- Companies/individuals offering financial advice but who aren't regulated by the FCA

Cold calling about pensions is now illegal in the UK, but that hasn't stopped scammers trying to trap you with them.

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 the individuals pages of the Pensions Regulator's website [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk), [www.pension-scams.com](http://www.pension-scams.com), and can visit [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart) to see whether what you are being offered is a known scam, or has the signs of a scam.

See the back page for how to check the registration and authorisation of:

- A company offering financial advice using the Financial Services Register
- An individual IFA using the Money Advice Services directory.

## 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. Whilst the Trustee will consider any will you leave alongside your nomination form when making its decision, updating your nomination form gives a clear indication of who you would like to receive any lump sums due from the BBPF in the event of your death.

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. This will mean the Trustee can be confident that the nomination form it holds reflects your up-to-date wishes.

Please note that if you also have benefits in the DC Section, you will need to submit a separate nomination form in respect of those benefits.

## Mid-life MOT

The mid-life MOT is free online support to encourage more active planning in the key areas of work, wellbeing and finances. It can help you to make decisions that will ensure the future that you want.

There's a link to the mid-life MOT on the homepage of UK Pensions on 360 if you have access. You can also access it online at [www.yourpension.gov.uk/mid-life-mot](http://www.yourpension.gov.uk/mid-life-mot).



## Contacting the Balfour Beatty Pensions Centre

If you would like to receive this newsletter in large text format, have questions about your benefits in the BBPF or would like an estimate of your benefits, please contact the Pensions Helpdesk by:

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

 **Calling 0151 482 4664**

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

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

If you'd like to send us feedback on this newsletter, we'd love to hear from you. Send your comments to the Pensions Centre using the contact details above.

## Changes to your personal details

If you no longer work for Balfour Beatty, we need you to let us know in writing about any changes to your personal details, e.g. change of address or change of name. If you still work for Balfour Beatty, please let Employee Services know of any changes and they will pass this information to the Pensions Centre.

## Need more information?

### UK Pensions on 360

If you're still employed by Balfour Beatty, you will have access to UK Pensions on 360. Here you can access a range of information and download selected scheme documents and forms to help you manage your pension benefits. You can find the UK Pensions homepage under Group Functions in My World or Our World.

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 the Trustee and Company have 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, and includes the Chair's statement setting out the steps taken by the Trustee to meet DC governance standards in a number of key areas.

### Report on the latest formal Actuarial Valuation

This contains details of the Actuary's check on the BBPF's finances as at 31 March 2019.

To request a printed copy of any of the above documents, or if you have any questions, please contact the Pensions Centre.

## 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/directory](http://www.moneyadvice.service.org.uk/directory). If you want to check that a Company offering financial advice is regulated by the FCA, the Financial Services Register is a good place to start. You can find it at [www.register.fca.org.uk](http://www.register.fca.org.uk).

## PROTECTING YOUR PERSONAL DATA

New regulations effective from 25 May 2018 have broadened the rights you have to manage the way your personal information is used. The EU General Data Protection Regulation (GDPR), alongside the UK's Data Protection Act 2018 (the Data Protection Laws), regulate how your personal data is collected, processed, stored and transferred. The Trustee remains committed to safeguarding your information and protecting your rights under the Data Protection Laws. We only hold such personal information as is necessary for the effective management of the BBPF.

You can find a copy of our latest Privacy Notice on [www.balfourbeatty.com/pensions2020](http://www.balfourbeatty.com/pensions2020), download one from UK Pensions on 360 (if you have access) or you can obtain a copy from the Pensions Centre using the contact details set out above.

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.