Retail Trust Retirement & Death Benefits Scheme (the Scheme)

May 2020

Marshall Hall
Hammers Lane
London NW7 4DQ

Dear Member,

Summary Funding Statement and Outcome of the 30 June 2019 Actuarial Valuation of the Scheme

We hope you and your family are keeping safe and well during the current environment and, when the COVID-19 lockdown has passed and we are able to return to our offices, we will arrange for this update to be distributed to members, as is usually our practice; in the meantime, we are making the update available on our pensions web portal.

For the past couple of months, Scheme administration and related activities have been managed remotely. The Trustees are extremely pleased to report that service standards have been maintained during this period and all members benefits have been paid accurately and on time. We thank our colleagues and the team at First Actuarial for the sterling support they have delivered during these challenging times.

The 30 June 2019 triennial valuation of the Scheme has now been completed and the results are summarised below.

The purpose of the valuation exercise is to compare the value of benefits earned to the valuation date and which the Scheme will have to pay to members and beneficiaries in the future (the Scheme's liabilities), with the amount currently held in the Scheme (the Scheme's assets). The results help the pension Trustees and Retail Trust to agree what future contributions, if any, should be paid to the Scheme. Over time the 'funding position' (i.e. how the Scheme's assets compare with its liabilities) will vary.

The Scheme is a defined benefit scheme; its assets are held entirely separate from those of Retail Trust and these assets are invested until they are needed to pay members' benefits. There has never been any payment of pension Scheme assets to Retail Trust, other than the repatriation of monies paid by the Retail Trust on behalf of the Scheme.

Outcome of the June 2019 triennial valuation – and comparison with the findings of the 2016 valuation:

	30 June 2016	**30 June 2019**
	£ million	**£ million**
Value of the Scheme's assets	12.93	**14.31**
Cost of pensions and future benefits payable	(12.24)	**(13.20)**
Surplus	0.69	**1.11**
Funding ratio (Scheme assets divided by cost of benefits)	106%	**108%**

The Scheme benefitted from very good investment performance during the inter-valuation period and this is the main reason for the Scheme's improved funding position.

Future interest rate expectations, investment returns and anticipated rates of inflation continue to be critical to the valuation outcome, as well as views taken on how long people will live and continue to receive their pensions; changes to these future forecasts served to temper the very positive historical investment returns achieved.

In aggregate, the changes in assumptions which were agreed between the pension Trustees and Retail Trust for the purposes of the 2019 valuation resulted in a higher value being placed on the Scheme's liabilities, compared with the 2016 valuation.

Given the surplus disclosed by the June 2019 valuation, the pension Trustees agreed that Retail Trust could suspend paying contributions into the Scheme until the results of the next actuarial valuation due in June 2022.

Hypothetical Winding-up Position

Although there are no plans to do so, we need to tell you what would happen if the Scheme were to wind-up.

If a wind-up had started on 30 June 2019, the Actuary estimated that the Scheme's assets were 60% (48% in 2016) of the amount then needed to secure all members' benefits with an insurance company. Insurers are obliged to take a very cautious view of the future but need to allow for their expenses and to make a profit too, which is why these costs are so expensive. By contrast, the ongoing funding position assumes that Retail Trust will continue in operation to support the Scheme.

COVID 19 IMPACT

The pension Trustees wish to reassure you that, despite a dip in the value of our market assets as a consequence of the current crisis, we retain a healthy surplus of assets over our liabilities on our agreed funding basis.

Other information

The following documents provide further information about the Scheme and its management. If you would like copies of any of them, please contact Roger Buckley at Marshall Hall.

The Statement of Funding Principles explains the pension Trustees' funding plan for the Scheme.

The Statement of Investment Principles explains how the pension Trustees invest the money paid into the Scheme.

The Schedule of Contributions shows how much is being paid into the Scheme.

The Annual Report and Accounts of the Scheme shows the Scheme's income and expenditure over the year and the value of its investments.

The Actuarial Valuation as at 30 June 2019 reports on the financial position of the scheme.

The Retail Trust Retirement and Death Benefits Scheme Members' Handbook explains the benefits provided by the Scheme. (You should have been given a copy when you joined the Scheme, but you can ask for another copy.)

Some frequently asked questions are attached, but if you have any specific queries, please write to me at Marshall Hall.

Please keep in touch and let us know if your personal circumstances change or if you change your address.

Yours sincerely

Roger Buckley
Trustee

Retail Trust Retirement & Death Benefits Scheme

Some Frequently Asked Questions

How is my pension paid for?

Contribution payments and Scheme assets are invested until members' pensions become payable; these monies are held in a single fund and not in separate funds for individual members.

How is the amount the Scheme needs worked out?

The Trustees have agreed a funding plan with Retail Trust (the *Statement of Funding Principles)* which aims to ensure that there will be enough money in the Scheme to meet all benefit payments as they become due. This funding plan and the amount of money the Scheme needs is reviewed by the Scheme Actuary every three years.

How does Retail Trust support the Scheme?

When there is a funding shortfall, Retail Trust will usually pay extra into the Scheme to meet the shortfall. In addition, Retail Trust pays the Scheme's regulatory costs and Pension Protection Fund levies.

What would happen if the Scheme were wound up?

If the Scheme were wound up, you might not get the full amount of pension you have built up – even if the Scheme were fully funded on our funding plan. However, while the Scheme remains ongoing, even though funding may temporarily fall below target, pensions will continue to be paid in full.

If the Scheme were to be wound up, Retail Trust would be required to pay enough money into the Scheme to enable all members' benefits to be fully secured with an insurance company. If Retail Trust were unable to meet this cost because, for example, it had become insolvent, the Pension Protection Fund could take over the Scheme and pay some compensation to members. You might not get the full amount of pension you had built up, but you and your dependants would receive regular future income.

The Pension Protection Fund was set up in 2005 to provide compensation to the members of underfunded pension schemes of insolvent employers. Further information and guidance is available on its website: www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at 12 Dingwall Road, Croydon, CR0 2NA.

Where are the Scheme's assets invested?

The pension Trustees delegate day-to-day responsibility for managing the lion's share of the Scheme's assets to Baillie Gifford, an external, professional investment manager. Baillie Gifford invests those assets in a range of actively managed, pooled investment funds, in the following sectors:

Worldwide Equities	40%	Diversified Growth	30%
Corporate Bonds	20%	Government gilt stocks	10% (but see below)

The performance of the Scheme's assets is closely monitored to ensure they are meeting the pension Trustees' return objectives. Following the valuation date, the Trustees agreed to move the 10% Government gilts investment into a liability driven investment with Legal and General, which will provide a better match to the way our liabilities move in line with inflation and interest rate changes.

Who are the pension Scheme's Trustees?

The current Trustees are:

Roger Buckley (former Group Pensions Manager of Argos//Homebase)

Caroline Robinson (Retail Trust HR Manager)

Alan Connolly (Retail Trust Pensioner)

Margaret Hannell (Group Pensions Manager of Arcadia)

David Kaye (Company Secretary to Retail Trust) is also the Secretary to the pension Scheme Trustees.

The pension Trustees meet as a board approximately every three months, with the Chair being Margaret Hannell.

What other advisers are involved with the Scheme?

The pension Trustees have appointed a range of professionals to assist them in managing the Scheme:

Actuary – Peter Shelswell of First Actuarial LLP

Administrators – First Actuarial LLP

Auditor – Hays Macintyre LLP

Bankers – National Westminster Bank Plc

Investment Advisers – Barnett Waddingham Actuaries & Consultants Ltd

Investment Manager – Baillie Gifford & Co and Legal & General Investment Management

Solicitors – Gowlings LLP

Some further information:

Transfer Value

Any time up to twelve months before your Normal Retirement Date and provided your Scheme benefits have not already come into payment, you may elect to transfer the capital value of your deferred pension to another registered pension arrangement.

The pension Trustees always recommend that members seek independent financial advice before making any changes to their pension benefits and the Law now requires that those considering a transfer and who have a transfer value greater than £30,000 must take independent financial advice.

You should always ensure that your financial advisers are appropriately registered by the Financial Conduct Authority (FCA); you can find information on appropriate advisers in your area via the website www.unbiased.co.uk.

Pension Scams or "liberation" – BEWARE: protect yourself from becoming a victim!

Pension "liberation" promises the early release of pension savings which are not normally accessible, without tax consequences, until the age of 55 at the earliest. Despite the Government and other concerned bodies constantly monitoring the situation, there is scammers and other fraudsters continue to target the more vulnerable – particularly now, during the current COVID crisis.

Some liberation schemes are actually fraudulent: a member may receive an incentive payment when their transfer value is paid, but the rest of their pension savings may disappear, with the member receiving little or no pension benefit in the future. Added to this, the Tax authorities may become aware and decide that such a transfer is "unauthorised" – as a result of which the member can be served with a tax demand.

Be wary of emails, cold calls and incentives, requesting personal information from you, claiming to help you "liberate", "unfreeze" or otherwise free-up your valuable pension savings. If something appears too good to be true, it is generally the case that is what it is.

Pensions Flexibility

As an alternative to having pension savings paid in the form of a pension or annuity, those with "defined contribution" or "money purchase" pension savings can take their entire pension pot in cash if they are aged 55 years or over. 25% of the pension pot can be paid tax-free and the balance will be taxed at the individual's marginal or highest tax rate.

The Scheme is a "defined benefit" arrangement, so this option does not apply – except where a member transfers the value of their Scheme benefits to an appropriate "defined contribution" or "money purchase" pension arrangement.

Once again, you are reminded of the importance of taking independent, professional advice before exploring these options and you can find information on appropriate advisers in your area via the website www.unbiased.co.uk.