



FUTURE FOCUS

Looking towards your future.....

## WELCOME TO YOUR ANNUAL NEWSLETTER

### 1. Statement from the Chairman

Dear members, welcome to Future Focus 2020, the annual newsletter for members of the Thales UK Pension Scheme.

Firstly, and most importantly, I hope that you and your family are well during this difficult time. The arrival of Covid19 in early 2020 presented challenges for all of us in both our personal and work life. I am pleased to report that the pension scheme team rose to that challenge, the administration transitioned to a remote working team and we provided extra cash reserves to ensure the continuity of benefit payments. This working model is now well established and I am confident that we can continue to provide you with the service you expect throughout the rest of the crisis.

The economic impact of Covid19 has resulted in markedly higher levels of volatility in the financial markets during 2020 and as we prepare for the next actuarial valuation (31/12/20), we expect that the funding level will have deteriorated during 2020 and since the 2017 valuation. We have therefore already started discussions with the Company to secure future benefit payments.

During 2020 the scheme completed the reconciliation of our Guaranteed Minimum Pension (GMP) records with HMRC. This is a major step forward in improving our member records. As we move into 2021 the next step for the scheme is to address the equalisation of GMP benefits.

Due to the impact of Covid19 and the need to prioritise our resources on benefit delivery, the progress on member options and further benefit calculation automation has not progressed as planned this year. Although the pace may have slowed the Trustees are committed to continuing this work in 2021 and bringing it to a successful conclusion.

I hope as ever, that you find the information in this newsletter informative. I would encourage all members to visit the scheme web site ([thales.xpmemberservices.com](http://thales.xpmemberservices.com)), where you will find further information which is regularly updated throughout the year.

I wish all of our members a healthy and prosperous 2021

Yours Sincerely

Peter Rowley

## CONTENTS

- 1 Statement from the Chairman**
- 2 Funding Update**
- 3 Brexit and COVID-19**
- 4 An Update on GMP Equalisation**
- 5 ESG Considerations**
- 6 Beware Pension Scams**
- 7 Expression of Wish Form**
- 8 Change of Address**
- 9 Scheme Details**
- 10 Membership Details**
- 11 Scheme Accounts**
- 12 Who to contact**

## **2. Funding Update**

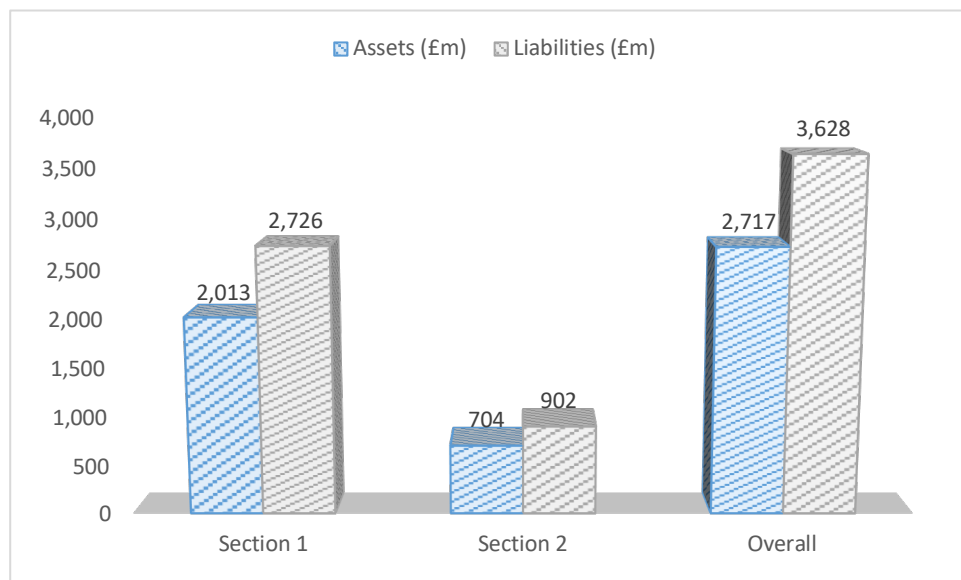
### ***The 31 December 2019 Funding Update***

The Trustees carry out an in-depth examination of the Scheme's finances at least every three years. This is called an actuarial valuation. The Trustees ask a qualified, independent professional, known as an actuary, to help to undertake this task.

The estimated cost of providing the benefits you and other members have earned to date is known as the Scheme's "liabilities". To check the Scheme's (and each Section's) financial position we compare the value of its liabilities to its assets. If the Scheme/Section has fewer assets than liabilities, it is said to have a "deficit".

The last actuarial valuation was carried out with an effective date of 31 December 2017 and details of the outcome were set out in Future Focus 2019. The next actuarial valuation will be carried out with an effective date of 31 December 2020.

The financial position of the Scheme at 31 December 2019 was as follows:



	Section 1	Section 2	Overall
Assets (£m)	2,013	704	2,717
Liabilities (£m)	2,726	902	3,628
Deficit (£m)	713	198	911
Funding Level (%)	74	78	75

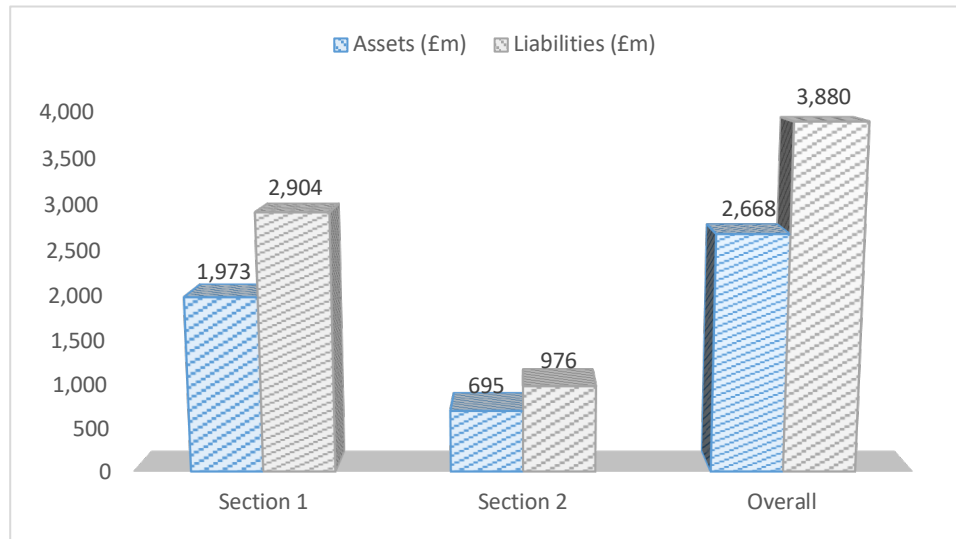
The above information formed part of your "Summary Funding Statement" which you should have received separately.

### 3. Brexit and COVID-19

There is still a lot of uncertainty around Brexit and what the implications of leaving the European Union will be. However, once the hot topic filling the headlines, Brexit has now been superseded by concerns over the coronavirus pandemic and its economic impact.

#### ***The 30 June 2020 Funding Update***

Since the 2019 update shown on the prior page, the coronavirus pandemic has had a significant impact on the global economy. The Scheme Actuary has provided the Trustees with an update of the Scheme's financial position as at 30 June 2020 which is shown below:



	Section 1	Section 2	Overall
Assets (£m)	1,973	695	2,668
Liabilities (£m)	2,904	976	3,880
Deficit (£m)	931	281	1,212
Funding Level (%)	68	71	69

The funding position has deteriorated over the first half of 2020 primarily due to an increase in the value of the liabilities due to a reduction in the future expected returns that might be achieved on the assets of the Scheme. Over the same period the assets have not increased by as much as expected due to the challenging investment conditions. Both of these factors have led to a fall in the funding position of c. £300 m.

During this period, the Trustees have been working closely with the Company to review the funding position and consider how the recent market volatility will impact on the recovery plan and future funding of the Scheme ahead of the formal valuation due to commence as at 31 December 2020. Whilst the Schemes' experience this year has been unfavourable, this is not unexpected in light of the impact the coronavirus pandemic has had on the global economy; many DB schemes have experienced similar effects.

The Company has continued to pay the deficit recovery contributions into the Scheme and the Scheme continues to benefit from a parental company guarantee from Thales SA.

***What does this mean for my pension?***

Your pension is not dependent on the investment returns of individual funds (as is the case with a defined contribution/money purchase pension arrangement). Instead, the Trustees work with the Schemes' advisers to make investment decisions with the aim of ensuring the Scheme is funded for the long term and that there are sufficient assets to cover the liabilities. The Trustees and their advisers are working to understand the impact that Brexit and the coronavirus pandemic could have on the Scheme. The objective of the Trustees remains the same: ensuring that members receive the full amount of benefits to which they are entitled.

***However, if you have Additional Voluntary Contributions (AVCs)...***

Then the value of your AVC fund will be directly linked to the investment performance of the individual funds you have chosen. You have the responsibility of choosing the funds in which these savings are invested. The value of your AVCs is dependent upon the amount contributed and investment returns achieved. If you see changes in the value of these investments, it is worth remembering that investing for retirement is a long-term process and short-term changes in the market happen regularly. This may not reflect the longer-term performance of the investments. It is recommended that you review your investments regularly to ensure that you are happy with your current choices.

#### **4. An Update on GMP Equalisation**

Guaranteed minimum pensions ("**GMPs**") are paid from contracted-out, occupational pension schemes, like the Scheme and are, in effect, a substitute for part of the state pension. Many of the legacy final salary schemes which were transferred into the Scheme provided such GMPs and so, as a result of the merger of those schemes to form the Scheme, GMPs are provided through the Scheme for some members.

In 2018 the High Court handed down an important judgment on GMPs in the case of *Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank Plc and others* ("**the 2018 Lloyds case**"). The Court ruled that pension schemes with GMPs are under a legal obligation to remove the inequality in the way that GMPs treat men and women. This is referred to as "**GMP equalisation**".

Certain legal issues were left unresolved following the 2018 Lloyds case. For example the trustees are considering the impact of a very recent court judgment on the question of what duties trustees have in respect of GMPs that accrued in their schemes but have been transferred out.

In response to the 2018 Lloyds case, the Trustees have undertaken a project to ensure that the Scheme's data is available for GMP equalisation to be carried out accurately. This includes checking that the GMP data held by the Scheme is the same as the data which HMRC holds in relation to Scheme members – this is known as "**GMP reconciliation**".

As the GMP reconciliation project work draws to an end, the Trustees intend to move forward on GMP equalisation during the remainder of 2020 and into 2021. The Trustees have noted the further guidance which has been issued on this from HMRC, the DWP, PASA (Pension Administration Standards Association) and the most recent judgement in the Lloyds case relating to transfer values. The Operations Sub-committee of the Trustee Board have commenced a project to implement the changes required to comply with the requirements on GMP equalisation.

## **5. Environment, Social & Governance (“ESG”) Considerations**

ESG is the term used to describe certain risks: environmental, social and governance, which can be incorporated into investment decision making and strategies. Examples of ESG risks include:

**Environmental** – climate change, carbon emissions, water depletion and waste management.

**Social** – human rights, working conditions, workforce diversity and health and safety.

**Governance** – bribery and corruption, board structure and executive remuneration.

In recent years, ESG issues have come under increased focus in a pension scheme context from the DWP and the Pensions Regulator.

The Trustees had a training session in September 2020 with their legal and investment advisers on the developing obligations and opportunities relating to ESG as they seek to ensure that those are embedded appropriately into the Trustees' investment decision-making.

Further amendments were made to the Statement of Investment Principles to meet the new requirements effective from 1 October 2020. A copy of the Statement of Investment Principles can be provided on request (see section 12 "Who to Contact)". The Trustees' investment sub-committee will continue to take ESG-related matters forward as the law and regulatory environment continues to evolve in this area.

## **6. Beware Pension Scams**

You should always be wary of potential pension scams, and more so than ever during the current pandemic. According to the Financial Times, the City of London Police reported a 400% increase in Covid-19 related fraud within a month, and as of April, Action Fraud had recorded total losses of nearly £970,000 to Covid-19 fraud since the start of February 2020.

Criminals are taking advantage of more people staying at home, and the result is an increase in cold calls and online scams. Former Pensions Minister Ros Altman warned of the risks at the first meeting of the All-Party Parliamentary Group on Pension Scams:

*'The tactics used by these firms are geared to persuading people to transfer their money into 'once-in-a-lifetime' investment opportunities, or high-return special pension funds, which sound bona fide and attractive. Unregulated firms often pretend to be regulated or pass on names to other firms who entice unsuspecting members of the public into transferring to bogus investments.'*

The ScamSmart website operated by the Financial Conduct Authority suggests four ways to protect yourself from fraud:

1. Reject unexpected pension offers whether made online, on social media or over the phone.
2. Check who you're dealing with before changing your pension arrangements – check the FCA Register or call the FCA helpline on **0800 111 6768** to see if the firm you are dealing with is authorised by the FCA.
3. Don't be rushed or pressured into making any decision about your pension.
4. Consider getting impartial information and advice.

The website (<https://www.fca.org.uk/scamsmart>) has quizzes and resources to help you spot a scam and a warning list of companies to watch out for. If you suspect you have been targeted by a scammer, you can report it on the ScamSmart website as well.

Please also visit The Pensions Regulator's website [www.thepensionsregulator.gov.uk/pension-scams](http://www.thepensionsregulator.gov.uk/pension-scams) for more information.



Scammers can target anyone.  
Think before you transfer.

Be ScamSmart with your pension.

Money & Pensions Service FCA FINANCIAL CONDUCT AUTHORITY The Pensions Regulator



## **7. Expression of Wish Form – a reminder**

A completed Expression of Wish form indicates to whom you wish any lump sum death benefit to be paid in the event of your death.

If you are unsure if you have completed an Expression of Wish form in the past, or if you think a previously completed form may no longer reflect your current circumstances, you should complete and submit a current form which would supersede any previously completed form. A blank form for completion is available to print from the Scheme website (under “Member Info” then “Member Forms”) at <http://thales.xpmemberservices.com/Member-Info/Member-Forms>. Alternatively, a form can be supplied on request by Equiniti, the Scheme administrator, whose contact details are shown at the end of this Newsletter. The original signed form should be submitted to Equiniti by post (e-mailed copies are not accepted).

## **8. Changes of Address**

Do our administrators hold your correct address?

If you have moved since you last notified us of your address, please contact our administrators, Equiniti, using the contact details at the end of this newsletter.

## 9. Scheme Details

### List of Trustees

Peter Rowley (Chairman)

Helen Depree (OSC – Section 2 Trustee)

John Twigg (OSC – Section 2 Member-nominated Trustee)

Joelle Dumetz (GSC – Section 2 Member-nominated Trustee)

Phil Naybour (GSC – Section 1 Trustee)

Ken McSweeney (ISC – Section 2 Trustee)

Nigel Baldwin (ISC – Section 2 Trustee)

Niall Mitchell (ISC – Section 2 Member-nominated Trustee)

Steve Murray (OSC – Section 1 Trustee)

Robert Preston (GSC – Section 1 Member-nominated Trustee)

Ronald Fardell (OSC – Section 1 Trustee Member-nominated Trustee)

Alison Hexter (GSC – Section 1 Trustee Member-nominated Trustee)

OSC – Operations Sub-committee

GSC – Governance Sub-committee

ISC – Investment Sub-committee

### Service Providers

**EQUINITI PENSION SOLUTIONS** – Scheme Administrator  
– based in Crawley

**GOWLING WLG (UK) LLP** – act as the legal adviser to the  
Scheme – based in London

**MERCER LIMITED** – Actuaries and Consultants (Christian  
Hardy – Scheme Actuary) – based in Birmingham

**MOMENTUM INVESTMENT SOLUTIONS & CONSULTING**  
– Investment Advisers – based in Windsor

**DELOITTE LLP** – Scheme Auditor – based in Crawley

### Pensions Department

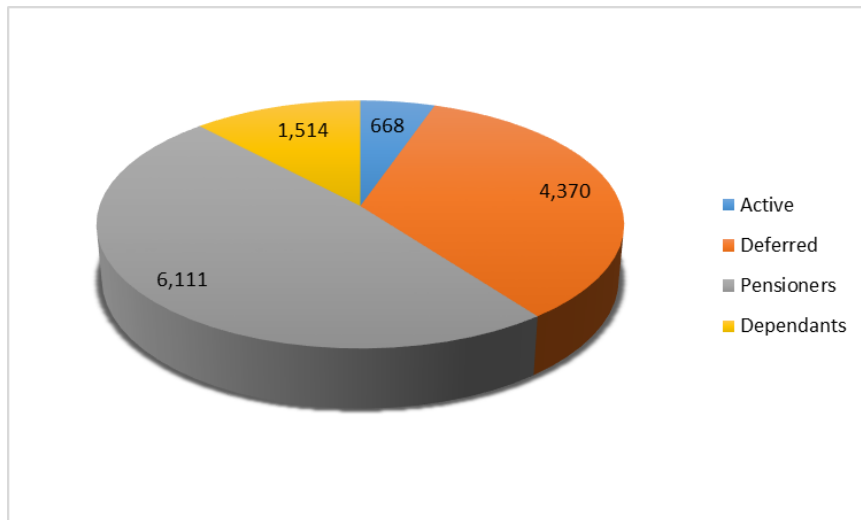
Philip Cameron – Secretary to the Trustees

James Carrell – UK Pensions Manager

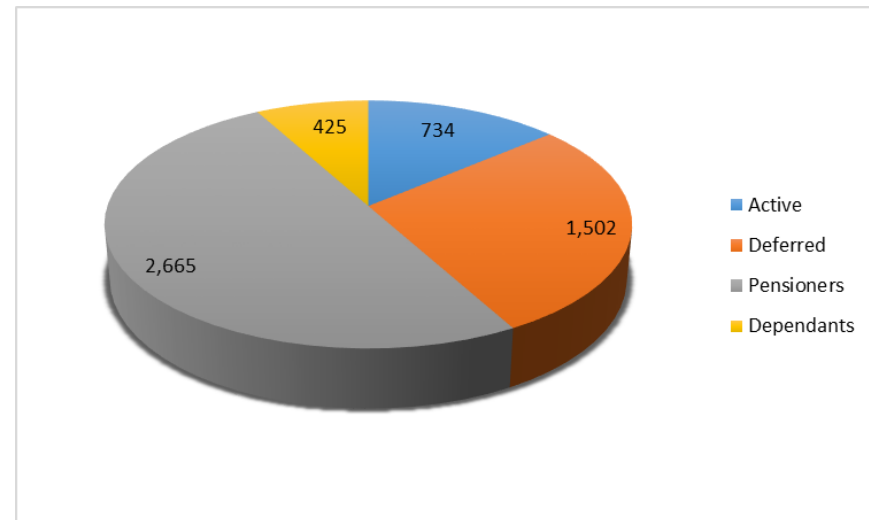
These two employees of Thales provide in-house support for the Trustees.

**10. Membership Details as at 31 December 2019**

**Section 1**



**Section 2**



**11. Scheme Accounts as at 31 December 2019**

	(£'000)	(£'000)	(£'000)
	<b>Section 1</b>	<b>Section 2</b>	<b>Total</b>
Net assets at 31 December 2018	1,840,063	655,382	2,495,445
Contributions & Other Income	75,259	28,842	104,101
Benefits and expenses	104,215	32,952	137,167
Net additions (reductions) from dealings with members	(28,956)	(4,110)	(33,066)
Net returns on investments	192,417	66,733	259,150
Net increase in the fund during the period	163,461	62,623	226,084
Net assets at 31 December 2019	2,003,524	718,005	2,721,529

These asset values differ slightly from those used for the funding update as they include AVC and defined contributions investments and exclude the value of certain insurance policies.

## 12. WHO TO CONTACT

In the event of a query regarding your benefits please contact Equiniti in the first case. You can access Member Web directly via <http://thales.xpmemberservices.com>, or alternatively contact the helpline on 01293 603060, or by email at [thales@equiniti.com](mailto:thales@equiniti.com). If you would prefer to contact them by post then please write to:

Thales UK Pension Scheme  
C/o Equiniti  
Sutherland House  
Russell Way  
Crawley  
West Sussex  
RH10 1UH

If Equiniti are unable to answer your query, or you are in any way dissatisfied with the service you have received, please contact the Secretary to the Trustees at:-

Thales UK Pension Scheme  
C/o Philip Cameron  
350 Longwater Avenue  
Green Park  
Reading  
Berkshire  
RG2 6GF