



DeLaRue

PENSION SCHEME

MARCH 2024

# THOMAS

The pension magazine for Defined Benefit (DB) Scheme members

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# A review of the year

Welcome to THOMAS, the annual magazine for members of the De La Rue Pension Scheme (the Scheme), keeping you in the know about the Scheme's management, developments, and other pensions-related news.

## Trustee Update

In February 2023, the Scheme changed its trustee arrangements. We moved from a Trustee Board containing both Company and Member Nominated Directors to a Sole Professional Trustee appointed by the Company. You can find out more about this change on page 5.

De La Rue, the Scheme's sponsor, have made amendments to their banking arrangements to assist in operating the business going forward. Those arrangements included the Trustee agreeing to defer deficit contributions until July 2024. A recap of the measures in place to ensure the Scheme is protected can be viewed on page 5.

## The Scheme Valuation

The Scheme completed a further valuation as at 30 September 2023 which showed the deficit had reduced by around £40m since the previous valuation as at April 2021. This has led to the Trustee agreeing a revised contribution schedule with the Company but one which still targets full funding by the end of 2030. The Trustee is committed to improving the overall funding level of the Scheme's finances and reducing variability. You can find out more about the funding level changes and how the Trustee aims to reduce the deficit on page 3.

## Investment update

You will no doubt be aware that there is considerable movement in global financial markets at the moment. The Trustee, together with the Scheme's investment adviser, Hymans Robertson, regularly reviews the Scheme's investment performance. These reviews include evaluating the robustness and continued appropriateness of our long-term investment strategies.

## Connecting with your pension

We are always looking into ways to improve how you can control your pension. With this in mind we want to remind you about Prism, your dedicated pension website. Find out more on the back page. [secure.delaruepensions.co.uk](https://secure.delaruepensions.co.uk)

Also in this issue, we'd like to draw your attention to the risks of pension scams and how you can avoid them. You can find out more on the back page. [delaruepensions.co.uk](https://delaruepensions.co.uk)

We hope you enjoy this issue of Thomas. Remember, we'd love to hear your feedback, so get in touch using the contact details on the back page.



# Scheme update

## Key figures from the 2023 accounts

The key figures at 5 April 2023 are highlighted below. This is so you can get a good idea of how the Scheme membership and contributions are moving throughout the year. You can see a full version of the report by visiting [delaruepensions.co.uk](https://delaruepensions.co.uk) or by contacting the Scheme administrator using the contact details on the back page.

### Summary

The number of Scheme members	Contributions paid to the Scheme	The value of the pensions and lump sums paid to members	The decrease in the value of our investments	The value of the Scheme's assets at 5 April 2023
				
<b>6,338 members</b>	<b>£12.9 million</b>	<b>£53.4 million</b>	<b>£252.6 million</b>	<b>£722 million</b>

In May 2022, the Trustee completed a buy-in and benefits in respect of approximately 1,430 pensioner members were secured with Scottish Widows via a bulk purchase annuity policy in the Trustee's name. The policy is a Trustee investment, providing a monthly income to the Scheme, and removes a significant proportion of the Scheme's risks, helping to maintain the Scheme's good funding. In March 2024 Rothesay announced it is acquiring Scottish Widows' bulk annuity portfolio. This transaction, which is subject to regulatory approval, is being monitored by the Trustee and is likely to complete in 2025.

Rothesay are a large active insurer in the bulk annuity market and the Trustee doesn't anticipate any concerns with this change.

## Scheme investment performance

The table below shows how the Scheme investments have performed overall against the benchmark, one and three years, ending 31 March 2023.

	Last 1 year (% p.a.)		Last 3 years (% p.a.)	
	Fund	Benchmark	Fund	Benchmark
Legal & General — Global Equities	-2.4	-2.4	14.6	14.8
Legal & General — UK Equities	3.0	3.0	13.9	13.8
Insight — Secured Finance	2.7	5.3	5.1	4.0
Insight — Buy and Maintain	-23.2	-23.2	-7.8	-7.8
Insight — LDI	-71.0	-71.0	-40.9	-40.9
Insight — Liquid ABS	1.5	2.8	1.7	1.3
Insight — Global ABS	-2.7	4.3	1.8	2.8
Insight — Liquidity Plus	0.0	2.2	0.4	0.8
Partners Group Multi-Asset Credit 2016 (III)*	3.5	N/A	3.5	N/A
Partners Group Multi-Asset Credit 2019 (V)*	4.8	N/A	4.8	N/A
<b>Total</b>	<b>-34.2</b>	<b>-33.3</b>	<b>-13.2</b>	<b>-13.6</b>

\*Performance is a "since inception" Internal Rate of Return, excluded from the total Scheme performance. The fund does not have a formal performance benchmark.

The overall value of the Scheme's investment portfolio has reduced significantly since 5 April 2022. This is primarily as a result of large increases in government bond (gilt) yields over the period. In September 2022, a change in the UK government's fiscal policy, and lower than expected Bank of England (BoE) interest rate increases (exacerbated by concerns over rising inflation), triggered significant increases and volatility in gilt yields. This led to

a significant fall in the Scheme's liability driven investment (LDI) and bond investments. This was a systemic issue affecting many defined benefits pension schemes across the UK. However, the value of the Scheme's liabilities fell by a similar amount, in line with the risk management approach using LDI, which means that the Scheme's estimated funding levels have remained broadly stable.



# Funding update

Every three years, the Scheme Actuary carries out a financial review of the Scheme.

This is known as a valuation, and we use Hymans Robertson to do this. The valuation is important because it gives us a picture of where the finances of the Scheme are today, as well as a projection of what things might look like in the future.

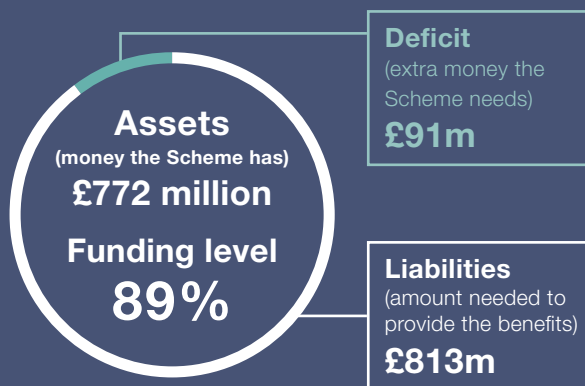
## The latest valuation

The previous full valuation was at 5 April 2021. The Scheme has completed a further valuation as at 30 September 2023 (brought forward from 5 April 2024) which we provide further information on page 4.

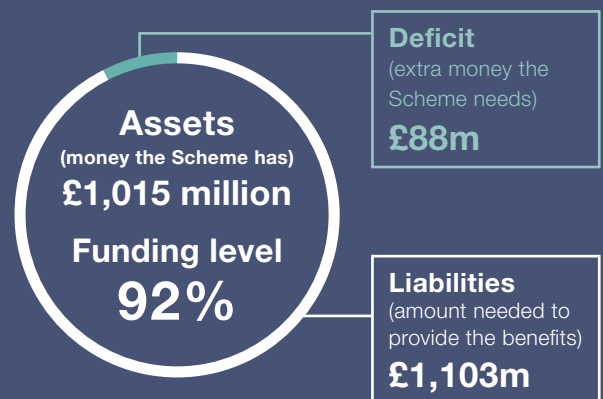
## An update of the funding position

The Actuary has provided an update to show the Scheme's funding position at 5 April 2023.

5 April 2023



5 April 2022



## What is De La Rue doing about the deficit?

The new schedule of contributions was signed on 18 December 2023. Under this schedule, the Company is required to pay annual deficit contributions of £8m each year from 5 April 2024 to 2027, increasing to £12m a year from 5 April 2027 and then to £15m a year from 5 April 2028 until the deficit is cleared (expected by 30 December 2030).

The security package which the Trustee has negotiated and which the Scheme benefits from (i.e. fixed and floating security across group assets ranking equally with the Company's lenders) helps support the Trustee's work in seeking full funding for members' benefits over time.

The Trustee, supported by its advisers, is confident that the new Scheme valuation protects members' interests whilst allowing the Company to generate the income needed to pay contributions into the future.

## How we aim to keep your pension secure

The Trustee aims to have enough money in the Scheme to pay pensions and other benefits to members. With the Company's continued support of the Scheme and the investments delivering the expected returns, your benefits will be paid in full when they become due.

The Actuary works out how much money the Scheme would need if the Company could no longer support it, the Scheme was wound up and the Trustee secured members' benefits by buying an insurance policy. At the time of valuation, the amount needed to secure members was £113.7m.

Securing benefits in this way is expensive because the insurance company pays members' benefits in full in exchange for a one-off payment.

Over the year from 5 April 2022 to 5 April 2023, the funding deficit was estimated to have increased slightly (although was still around £30m better than at the previous valuation). Whilst the Scheme's liabilities decreased over the year due to increasing gilt yields, this was offset by a reduction in the Scheme's assets. The first half of the year was challenging for investment markets, with economic momentum slowing and geopolitical events and inflation concerns dominating the headlines.

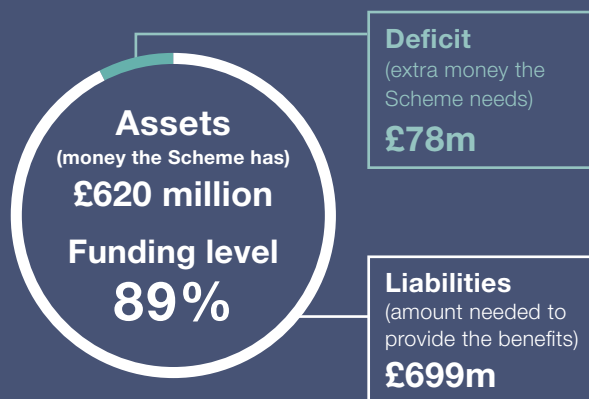
A robust start to the third quarter soon turned as the war in Russia-Ukraine intensified and inflation remained high, the latter in particular prompting a succession of interest rate increases. The volatility and uncertainty continued into the fourth quarter of the year with the fallout from the UK's mini budget driving sterling weakness and a rapid increase in gilt yields. The impact was keenly felt in the UK Government bond market with valuations experiencing significant declines; however, the uncertainty and concerns also had a ripple effect on other asset classes, including corporate bonds and asset backed securities, with overall investment performance experiencing strong headwinds.

## Since 5 April 2023, the Scheme has completed a valuation as at 30 September 2023

This was brought forward from 5 April 2024 to review the funding package in light of changes since the last valuation. Whilst discussions were ongoing the five quarterly contributions due to be paid over the period to 5 April 2024 were deferred.

The Actuary has provided an update to show the Scheme's funding position at 30 September 2023.

30 September 2023



The valuation on the left showed that the deficit had decreased to £78m as at 30 September 2023, a reduction of around £40m since the previous valuation as at April 2021. This has led to the Trustee agreeing a revised contribution schedule with the Company but one which still targets full funding by the end of 2030.

## Now for the legal bits

If there was not enough money in the Scheme to buy out all the benefits with an insurance policy, the Company would have to make up the shortfall. For cases where a company goes out of business and doesn't have the money to pay the benefits promised the Government has set up the Pension Protection Fund (PPF) which can pay compensation to members. You can find out more about the PPF on its website: [ppf.co.uk](http://ppf.co.uk)

### Important:

There are no plans to wind the Scheme up, but we are required to tell you about the PPF. It's been a difficult year, with some uncertainty, but we want to reassure you that the latest funding check showed the Scheme at present has more than sufficient assets to ensure that if De La Rue was to stop supporting the Scheme, benefits over the PPF level would be secured for you, though this is unlikely to be the full level of promised benefits.

Legally, we have to confirm that the Company has not taken any surplus payments out of the Scheme in the last 12 months. We can also confirm that The Pensions Regulator has not intervened to change the way that benefits build up, the way valuations are calculated, or the way the funding shortfall is met.



# Scheme news

## Moving to a Sole Professional Trustee model

As communicated in February 2023, the Scheme has moved from a Trustee Board containing both Company and Member Nominated Directors to a Sole Professional Trustee appointed by the Company.

### Why change?

It is increasingly common for large occupational pension schemes to have professional trustee company as the sole trustee. Having a sole professional trustee model allows informed decisions to be made with pace without needing to wait for trustee meeting cycles and trustee training, whilst maintaining a detailed technical understanding across a broad range of pensions topics.

Routine member communications and the annual newsletter will continue, however, if you have any questions, please contact the Scheme's administrator using the details at the end of this newsletter.

## Deferral of contributions reminder

As communicated last July, De La Rue, the Scheme's sponsor, have made amendments to their banking arrangements to assist in operating the business going forward. Those arrangements included the Trustee agreeing to defer deficit contributions until July 2024. As noted above a new schedule of contributions was signed on 18 December 2023 which will recommence annual deficit contributions from this date.

To ensure the best outcome for the Scheme and its members, we will continue to work with the Company and want to reassure you that the Trustee will continue to oversee the Scheme so that the members' benefits are paid when they are due. A recap of the measures in place to ensure the Scheme is protected is detailed below:

- Security over De La Rue Group's assets (equivalent to the security the banks have);
- Stronger representation in future discussions on Company strategy.

## Climate Disclosure Report

You can read about the steps we're taking to ensure we are investing the Scheme's assets in environmentally sustainable ways in our Taskforce on Climate Related Financial Disclosures Report.

We've published our report in an online format to help you get to the heart of the information it contains. Go to [delaruepensions.co.uk/resources](https://delaruepensions.co.uk/resources) to read more.

## Your data

The Trustee holds and processes personal data about you and (if applicable) your spouse/civil partner and dependants. Your personal data is held so that the Trustee can operate and administer your benefits under the Scheme in accordance with its legal obligations. This means that the Trustee is a 'data controller' under data protection legislation. The Trustee's privacy notice for the Scheme can be accessed at [delaruepensions.co.uk/resources](https://delaruepensions.co.uk/resources)

As the Scheme's Professional Trustee, PAN Trustees UK LLP may continue to hold personal data collected through its role as a Trustee even when it is no longer a Trustee of the Scheme. Information about PAN's approach in this situation to data security as a firm can be found at [pantrustees.co.uk/Scheme-GDPR](https://pantrustees.co.uk/Scheme-GDPR)



# Pensions news

## Changes to pension taxation

The budget announcement in March last year included the removal of the Lifetime Allowance tax charge and an increase in the Annual Allowance. These changes became law in July 2023 when the Finance (No. 2) Act 2023 received Royal Assent.

The Lifetime Allowance sets the total value of all the pension savings you can build up before having to pay additional tax. It had been expected to remain at its previous level of £1,073,100 until 2026 but following the Finance (No. 2) Act 2023, the tax charge for exceeding the Lifetime Allowance has been removed with effect from 6 April 2023. Further details on the Lifetime Allowance can be found on the HMRC website: [gov.uk/tax-on-your-private-pension/lifetime-allowance](https://gov.uk/tax-on-your-private-pension/lifetime-allowance)

The Annual Allowance limits the amount you can pay into your pension savings in a tax year without having to pay an additional tax charge. The standard Annual Allowance has been increased from £40,000 to £60,000 with effect from 6 April 2023. There have also been increases in the special annual allowances which apply for certain high earners and individuals who have already accessed some of their pension savings in a particular way. Further details on the Annual Allowance can be found on the HMRC website: [gov.uk/tax-on-your-private-pension/annual-allowance](https://gov.uk/tax-on-your-private-pension/annual-allowance)

## Triple lock and Lifetime Allowance removal confirmed

The State Pension is increased each year by an amount determined by either the rate of inflation, the annual rise in national average earnings, or 2.5%, whichever is the highest. This so-called “triple lock” was confirmed in the Autumn Statement. From April 2024, State Pensions will therefore increase by 8.5%, the figure taken from the earnings index to the previous September.

## Pension updates from the Autumn Statement

As you are likely aware, Chancellor Jeremy Hunt delivered the Autumn Statement on 22 November 2023, in which he outlined key economic commitments for the Government. We recap some of the measures in the announcement that could affect your retirement planning.

### National Insurance contributions reduced

One of the headline measures was the reduction in the main rate of employee National Insurance contributions, from 12% to 10%. This potentially means millions of people getting more money in their pocket each payday, which might enable some to save more for their retirement.

On 6 March 2024, the Chancellor delivered his Spring Budget, confirming a further reduction in National Insurance contributions to 8%.

## Be aware of pension scams

Pension scam activity continues to rise as fraudsters look to prey on people's concerns. Signs of a scam include:

- **Unsolicited contact.** A genuine financial adviser or institution won't call, email or write to you out of the blue.
- **Unrealistic promises.** Be wary of any investment that offers guaranteed high returns — these are unlikely to be true.
- **Unreasonable pressure.** Scammers will often try to force you into a quick decision or rash commitment with a “limited time offer”.

Don't let a scammer enjoy your retirement. Find out how pension scams work, how to avoid them, and what to do if you suspect a scam by visiting the ScamSmart page on the FCA website: [fca.org.uk/scamsmart](https://fca.org.uk/scamsmart)



# Stay in touch

If you have any questions about your benefits or the Scheme, you can contact the Scheme administrators, Hymans Robertson:

**Email:** [delaruepension@hymans.co.uk](mailto:delaruepension@hymans.co.uk)

**Phone:** 0141 566 7642

**Write to:** De La Rue Pension Scheme  
Hymans Robertson LLP  
20 Waterloo Street  
Glasgow  
G2 6DB

To view Scheme documents such as the annual report and accounts, the statements of investment and funding principles, and the most recent report from the Scheme actuary, go to the 'Resources' page of the Scheme website: [delaruepensions.co.uk/resources](https://delaruepensions.co.uk/resources)



## It's important to update your Expression of Wish

As a member of the Scheme, you build up valuable benefits which you are able to access once you retire from the Plan. However, what would happen if you were to die before taking your benefits? Where would that money go?

No one likes to think or talk about death, but it's really important that you complete an Expression of Wish form. This form allows you to tell the Trustee who you would like to receive your pension benefits in the event of your death.

If you've already completed an Expression of Wish, you should also make sure that the details are up to date to reflect your current circumstances.

You can check and update your Expression of Wish through Prism. This is the most secure and efficient way to tell the Trustee your wishes, but if you would prefer to complete a paper form, you can request one from the administrators.

## Take control of your pension online

Prism is your dedicated pension site which provides you with quick and simple online access to your pension held within the Scheme. Once registered, you'll be able to log in anytime on a desktop computer, smartphone, or tablet.

To register, go to: [secure.delaruepensions.co.uk](https://secure.delaruepensions.co.uk)

## Not accessed Prism previously?

If you're yet to register, simply visit [secure.delaruepensions.co.uk](https://secure.delaruepensions.co.uk) and click 'Don't have an account? Register' then follow the onscreen instructions.