Sopra Steria Group Personal Pension Plan Governance Committee Report 2016

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Sopra Steria Group Personal Pension Plan – Governance Committee Report 2016

Welcome to the annual report of the Sopra Steria Group Personal Pension ('the GPP') Governance Committee.

The GPP is a valuable staff benefit which Sopra Steria UK makes available to the majority of its employees. In line with good practice the GPP Governance Committee was set up jointly by Sopra Steria and representatives of its employees to oversee the running of the GPP.

The purpose of this report is to keep you informed about the GPP's activities and to provide you with information on the current pension environment.

The Government introduced the current freedom and choices at retirement in April 2015. Since then we have seen continued adaptation to products in the market to allow members to use these flexibilities. Whilst these changes have been around for over a year now, many people are still unaware of the choices available to them at retirement. You can find details of the choices available in this newsletter.

April 2016 brought further changes in legislation meaning the abolition of active member discounts and the cessation of the payment of commissions by providers to advisors for services provided to their clients. We talk about the impact this has had.

Also on the horizon is the Government's plan for a Lifetime ISA and the uncertainty surrounding the EU referendum result. Over the coming months, the Committee will continue to monitor the uncertainty surrounding the so-called 'Brexit' and review how it might impact the Sopra Steria GPP members.

In full, this edition contains information relating to:

- The structure and members of the Governance Committee
- Some key facts and figures about the GPP
- Brexit
- Lifetime ISA (or LISA)
- Changes to the State Pension
- Changes in savings allowances
- A reminder of the freedom and choice at retirement flexibilities
- Impact of April 2016 legislative changes
- Pension scams: what are they and how to spot one?
- How to keep your beneficiaries up to date

Details of your own benefits are accessible through the Lifestyle online platform from any internet browser at https://orbit.orbitbenefits.com/login/login.html and following the link to the pensions section. Through this web address you will be able to access your personal pension record, a library of useful documents and your current pension value. You will also be able to switch funds or set up 'pensions tracking' (regular emails or texts that keep you up to date with the value of your pension), which I hope will help you in your retirement planning.

The annual report is held on the pension's website and incudes links through to other areas on the site regarding important issues that might affect you.

I hope that you find both this newsletter and the new website interesting and helpful.

Yours sincerely

David Woods
Chairman, Sopra Steria GPP Governance Committee

Governance Committee Report 2016

Governance Committee

The role of the GPP Governance Committee is to monitor aspects of the working of the scheme to ensure it is operating as intended and in line with best market practice. Some of the matters we monitor are:

- The range of Scottish Widows investment funds available to the GPP members, taking into account matters which may affect their differing needs and circumstances and are reported to the Committee (e.g. age and salary ranges);
- Important aspects such as the speed and accuracy with which contributions, once paid by the company and the employees, reach Scottish Widows and are invested in the members' chosen funds;
- The performance of those funds to ensure that the Scottish Widows investment activities remain market competitive;
- Major communications to members;
- The manner in which accurate and timely information is given, or made available to our employees;
- The processes by which members who reach retirement are able to set up, and begin to receive their pensions, and
- Whether the Plan is being governed in accordance with the Pension Regulator's best practice.

We also seek to stay abreast of what is happening elsewhere in the market so that we can be certain that the Scottish Widows product offering remains appropriate. Due to the contractual relationship described above, the Committee has no direct decision making powers, but through its monitoring activities we can provide assurance to the Company that the GPP is operating as intended or make proposals to take corrective action within the terms of its contractual arrangements. We can also alert both Capita and Scottish Widows to issues where things are not working as they should and monitor the result. The Committee was established by Steria in 2009 and meets four times a year.

Over the last year we primarily focussed on:

Service performance of Capita and Scottish Widows

Representatives of Capita attend and make regular reports to all our meetings. Representatives of Scottish Widows are also invited to attend from time to time. Capita provide specific reports on activity through the Lifestyle Helpdesk, whilst Scottish Widows can only report on overall service standards not those specific to the Sopra Steria GPP. The Sopra Steria HR Helpdesk and Reward team continue to monitor specific concerns raised by members and will make the Committee aware of any specific concerns. The number of employers now having to comply with the auto enrolment legislation is now growing very significantly indeed and so the Committee is keen to ensure that Scottish Widows continue to invest in systems and resources to meet this increase in demand so any impact on existing clients such as Sopra Steria is minimal.

Governance

The Pensions Regulator has introduced six guiding principles in establishing a governance framework which is now a legal requirement for occupational (trust based) money purchases schemes to abide by. It is not a legal requirement for Personal Pensions Plans such as the Sopra Steria GPP at this time, but good Governance has always been a priority for the Committee and therefore we have broadly adopted the framework used by occupational schemes. More information about the Committee can be found within the 'Pensions' section under 'Pay and Benefits' on the Human Resource pages of 'Face2Face'. The members who served on the Committee during the year were as follows:

Company Nominated

David Woods (Chairman)
Bryan Kelly (Head of Employee Relations)
(until 31st March 2016)
Byron Taylor (Head of Employee Relations
(from 1st April 2016)
Chris Greenhalgh (Reward Manager)
Jon Taylor (Head of Tax and Pensions)
Peter Cashmore (Legal Director and Company Secretary)

Employee Nominated

Rosemary Cook (Senior Business Analyst)
- until 30th September 2016
Brian Terry (NATO LOGFS Configuration Manager)
- until 14th February 2016

As a result of the Rosemary Cook and Brian Terry leaving the committee nominations are currently being sought for replacements.

The Sopra Steria GPP – at a glance

As at 1st September 2016, active membership stood at 3,680 employees (2,993 at 30th June 2015 as reported in the 2015 newsletter). Total funds invested increased this year to £127.2m at 13th October 2016 from £98.3m at 30th June 2015.

The top funds by total fund value at 13th October were:

Fund	Total Fund Value	%	No of Members invested in Fund
Consensus Fund*	£95,406,637.96	75.01	1,943
Pension Protector Fund*	£6,810,284.38	5.35	226
SW SSgA 50:50 Global Equity Index Fund**	£5,406,665.70	4.25	1,746
SW SSgA Index Linked Gilts Over 5 Years Index Fund**	£2,411,665.84	1.90	1,755
SW SSgA Non Gilts Stirling Corporate Bond All Stocks Index Fund**	£1,794,213.57	1.41	1,739
Cash Fund***	£988,436.59	0.78	141
SW SSgA UK Conventional Gilts Over 15 Year Index Fund**	£913,695.27	0.72	190
SW BlackRock Smaller Companies Fund	£871,041.31	0.68	30
SW Invesco Perpetual High Income Fund	£716,387.01	0.56	33
North American	£692,396.97	0.54	36
Other	£11,181,570.82	8.79	703
Total	£127,192,995.42	100.00	

*funds used in the 6 year Lifestyle Investment Approach
**fund used by the default 10 year Lifestyle Investment Approach
***fund used by both Lifestyle Investment Approaches

The Sopra Steria GPP – at a glance

If you log on to Orbit you can access details of your individual fund value and the fund(s) you are invested in.

Fund performance figures as at 1st October 2016 for the two Lifestyle Investment Approaches, including the 10 Year Lifestyle Default:

10 Year Default Lifestyle Investment Approach Funds*	Performance Change over period %			Annualised Compound Return %			
	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years	10 Years
SSgA 50:50 Global Equity Index Fund	24.8	26.3	72.8	24.8	8.1	11.6	6.2
SSgA Non Gilts Sterling Bond All Stocks Index Fund	13.9	25.6	44.9	13.9	7.9	7.7	N/A
SSgA Index Linked Gilts Over 5 Years Index Fund	28.3	55.9	71.9	28.3	16.0	11.4	N/A
SSgA UK Conventional Gilts Over 15 Years Index Fund	23.3	54.8	66.1	23.3	15.7	10.7	N/A
Cash Fund	-0.5	-1.4	-2.1	-0.5	-0.5	-0.4	0.7

*The 10 Year Default Lifestyle Investment Approach has only been available to members from 1st January 2014

6 Year Lifestyle Investment Approach Funds	Performance Change over period %			Annualised Compound Return %			
	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years	10 Years
Consensus Fund	22.3	26.7	59.3	22.3	8.5	9.8	5.6
Pension Protector Fund	27.5	42.9	58.0	27.5	12.6	9.6	6.8
Cash Fund	-0.5	-1.4	-2.1	-0.5	-0.5	-0.4	0.7

The Sopra Steria GPP – at a glance

Continually updated performance information is available for all funds offered by Scottish Widows by logging onto the Orbit online platform (https://orbit.orbitbenefits.com/login/login.html) and choosing the 'Find fund information' link on the 'Knowledge Centre' page. The 'Library' Section on Orbit contains fact sheets on both the 10 Year default and 6 Year Investment Approaches.

If you wish to change the investment funds you are invested in this can be done through Orbit. If you are at all unsure as to how to access or use Orbit you can contact the Helpdesk at lifestyle@orbitbenefits.com. As past performance is no guarantee to future performance it is strongly recommended that you seek independent professional advice if you are thinking of changing your investments.

You may also elect to receive investment alerts from the Orbit site to advise you, either by text or email, when your selected investment funds increase or decrease by a percentage, which you can select. Further details can be found under in the pensions section under 'Pension Tracking'. You may select and cancel investment alerts at any time.

Brexit

On Thursday 23rd June 2016, the UK voted in favour of leaving the EU; with 51.9% voting to leave and 48.1% voting to remain. However, it is important to remember that this result does not automatically trigger the UK's exit (or Brexit) from the European Union. Rather, it will be the responsibility of the UK government to invoke Article 50 under the Treaty of European Union to notify the EU of the UK's intention to leave the European Union. Therefore, until Article 50 is indeed invoked there will be uncertainty over financial markets and the value of the pound.

The long term impact of the result is not yet known but in this period of uncertainty there are some clear messages dependent on how far you are away from retirement.

Those who are a long way from retirement should remember that whilst there may be uncertainty now, you have a long time to recover any losses as your pension scheme is a long-term savings vehicle.

If you are closer to retirement, you can expect fluctuations in the value of your savings but you may have been automatically moved to a lower risk investment if you are in a 'lifestyle' investment approach.

The important message is to seek independent professional advice if you are considering changing your investments. Useful contacts and links can be found on our website at www.mysoprasteriapension.co.uk/your-steria-pension/differentsteria

LISA

George Osborne announced in his 2016 Budget the introduction of the new Lifetime ISA ('LISA'). The LISA is set to be introduced in April 2017 and will look to encourage those under 40 to save for their first house or for retirement.

Those between ages 18 and 40 who enter into a LISA could earn as much as £1,000 a year in government bonus. The LISA will allow individuals to save as much or as little they wish each month, up to £4,000 each year, which will be entitled to a 25% government bonus at the end of each tax year up until the age of 50. The money saved can then be used towards home purchase for first-time buyers or can be used as an alternative for a pension.

The exact details of how the LISA will work have yet to be announced, and the effectiveness of the LISA as a savings method will not become clear for a number of years. However, should the LISA deliver what it promises it could be a sensible choice for first-time buyers and a potential alternative to a traditional pension, yet with any investment there will be risks as well as terms and conditions.

For more information you can download an information leaflet by clicking here

The Committee will monitor developments.

Changes to the State Pension

New State Pension

From April 2016, the State Pension has changed and a new single-tier structure has been introduced. To be eligible you will usually need a minimum of 10 years of National Insurance Contributions (NICs) payment history. If you have paid less than the minimum when you reach your State Pension Age you will not qualify; if you have more than 35 years payment history you will receive the maximum amount of State Pension.

The changes mean that you will no longer be able to earn rights based on your spouses' or civil partners' NICs. However, you will still be able to apply for any means tested benefits such as Housing Benefit and Council Tax benefits. If you have already reached your State Pension Age by 6 April 2016 (see below for changes to the State Pension Age), you will not be affected by this change and your State Pension will continue to be paid on the existing basis.

You can find further information at www.gov.uk/new-state-pension/overview

Changes to the State Pension age

The State Pension Age (SPA) is going up. The SPA is the earliest age at which you can draw your state pension and is specific to your date of birth.

The Pensions Act 2014 provides for regular review of the SPA. The SPA will increase to 67 between 2026 and 2028 subject to review at least every 5 years.

To find out what your current SPA is, visit www.gov.uk/state-pension-age

Minimum retirement age

Currently, the earliest you can access your pension savings in an occupational or private pension scheme is age 55, but the Government plans to change this to age 57 in 2028, in line with the increases to SPA to age 67. Minimum retirement age will then be kept 10 years before SPA, and so may continue to change in the future.

Changes in allowances

Lifetime Allowance (LTA)

From 6 April 2016, the LTA reduced to £1 million (it was previously £1.25 million). The LTA is the maximum value of pension benefits you can build up in registered pension schemes over your lifetime before an additional tax charge applies. If you think you may be affected by this change, you should speak to a financial adviser. You can find more information about the LTA at www.gov.uk/tax-on-your-private-pension/lifetimeallowance.

Annual Allowance (AA)

The AA is the yearly amount of pension savings you can build up each year in registered pension schemes before a tax charge is applied. It is currently £40,000.

Tapered Annual Allowance (TAA)

From 6 April 2016 a 'tapered AA' applies for those earning £150,000 in a single tax year. This tapering will reduce an individual's AA by £1 for every £2 of earnings over £150,000 (from all sources of income), subject to a minimum AA of £10,000. If you think you might be affected by this you are strongly recommended to seek independent financial advice.

Money Purchase Annual Allowance (MPAA)

There is now a Money Purchase Annual Allowance (MPAA) of £10,000. This will apply the day after you start to take income from any of your pension savings accounts using the new flexibilities introduced from April 2015 ('small' pension pots are excluded for this purpose). For example, this could be when you take a cash sum (but not a tax-free cash lump sum), or when you take an income from a fund you have put into drawdown.

Once you have triggered the MPAA you will be restricted to the £10,000 allowance for pension savings every year thereafter, whether or not you continue to take income flexibly.

Even if your salary does not exceed £150,000, you could have an Annual Allowance of £10,000.

New Retirement Flexibilities

Significant changes to the rules around how you can take your pension savings were introduced from April 2015.

If you're close to retirement, it's important that you understand the changes so you can make the most of the options and savings that you have. If you're not so near to retirement you'll still need to plan your savings, so the more you understand about your options at retirement, the better your plans will be.

In brief

Under the new rules you can access your fund in several ways, either as a single lump sum (25% of which will be tax free), or by buying an annuity (a regular income/pension) from an insurance company. You also have the option to take the value of your pension fund as a series of lump sums, known as 'partial pension encashment'. 25% of each encashment will be tax free, with the remaining 75% subject to income tax.

Finally, you may drawdown an income (known as income drawdown) from your pension fund. This is similar to partial pension encashment, although 25% of the full value of your pension fund is taken as a one-off lump sum, with any following amounts withdrawn from the pension fund subject to income tax.

Small pension pots - take a small pension as cash

If the value of your DC pension savings from the Plan is below £10,000, you now have the option of taking your entire pension as a single lump-sum. 25% would be paid tax-free, and the rest taxed at your marginal rate of tax. You may do this with a maximum of three different pensions.

When and how can I take advantage of the new flexibility?

The minimum age from you can retire or access your funds is currently 55 (57 from 2028). Unless you request a quotation of your benefit or transfer value options beforehand, Scottish Widows will write to you approximately six months prior to your Target Retirement Date (age 65 unless you have selected a different age) with details.

Health Warning

It is important to remember that whilst these new options may give you greater flexibility, you may need your pension fund to last your whole retirement. You should therefore think carefully about how you use it, to ensure your money doesn't run out and provides an income throughout retirement. Once you've made your decision you can't change your mind!

Guidance from Pension Wise

Pension Wise is a free and impartial service to help you understand what your choices are and how they work, and is available to those aged 50 and over. Whilst this service will not provide you with advice, you will receive information tailored to your specific circumstances, including information about the tax implications of different options and tips on getting the best deal, including how to shop around. It will also cover other financial matters like debts, savings and state benefits. Visit www.pensionwise.gov.uk to find out more.

More details of what flexibilities Scottish Widows can offer can be found on the Sopra Steria microsite at www.mysoprasteriapension.co.uk/retirement

You should consider combining this guidance with independent financial advice. Detail of where you can find a financial adviser close to you, can be found at the end of this newsletter.

Impact of April 2016 legislation changes

From April 2016 providers ceased paying commissions in respect of qualifying pension schemes such as the Sopra Steria GPP. At the same time active member discounts were abolished. Before April 2016 the annual management charge was 0.62% with an active member discount of 0.30% giving an annual management charge of 0.32% whilst contributions are being paid. From April 2016 Scottish Widows initial offer was mono charge of 0.37% regardless of whether contributions were being paid or not. The Committee in conjunction with its Advisors were able negotiate and agree an annual management charge of 0.32% which will apply to all active members at April 2016 who subsequent opt out or leave Sopra Steria resulting in ongoing contributions ceasing. It is important to note that if contributions as a result of opting out (or leaving) ceased prior to 6th April 2016 the higher charge of 0.62% will continue to apply.

As a result of these recent changes and the significant legislation changes introduced over the last few years including auto enrolment and freedom and choices, and the fact the scheme has been in place since April 2010 Sopra Steria, in consultation with the Committee are carrying out a provider review to ensure the best value of money is been provided to members. Immediately this review is completed a review of the default investment strategy under the scheme will be carried out. Once any changes have been agreed detailed communications will be issued to members.

Pension Scams

With the introduction of the new retirement flexibilities, there are concerns that it could lead to an increase in 'pension scams'.

What is a pension scam?

Pension scams can be given a number of labels such as:

- Free pension review
- One-off investment opportunity
- Legal loophole
- Pensions loans
- Early pension release
- Pension selling
- Cashing in your pension
- Pension liberation

How to spot the warning signs

Scammers don't care whether you're an experienced investor or have never put your money anywhere other than a bank. They will try to flatter, tempt and pressure you into transferring your pension fund into an investment with guaranteed returns.

Once the transfer has gone through, it is too late. Remember, the only people who benefit from scams are the scammers themselves. Here are some of the most common tactics used by pension scammers to trick you out of your savings:

- A cold call, text message, website pop-up or someone coming to your door offering you a 'free pension review', 'one-off investment opportunity' or 'legal loophole';
- Convincing marketing materials that promise you returns of over 8% on your investment;
- Paperwork delivered to your door by courier that requires immediate signature;
- A proposal to put your money in a single investment. In most circumstances, financial advisers will suggest diversification of assets;
- Claims that you can access your pension before age 55;
- Transfers of your money overseas.

Never be rushed into making a decision. Arm yourself with the facts and stop a lifetime's savings being lost. More information can be found in the pension microsite at www.mysoprasteriapension.co.uk/news

Death Benefits: Is your Nomination Form up to date?

If you die before drawing your pension from the GPP then the amount in your individual pension fund is available to be paid as a lump sum. Any payments do not form part of your estate and are therefore not subject to inheritance tax.

You can nominate any person or persons to receive this money by completing a nominated beneficiary form. As under the rules of the scheme this is only regarded as an expression of your wishes the trustee (Scottish Widows), which has a discretionary power to decide to whom payment should be made, does not have to follow them. Nevertheless, the trustees will take into account - and usually accord with - any beneficiary on a nomination form when making a decision, particularly if the form is recent, so it is worthwhile keeping your nomination(s) up to date.

If you cannot remember who you originally nominated or your personal circumstances have changed recently (e.g. through marriage or divorce or had children or grandchildren) we would urge you to check your nomination form and/or make a new nomination if required. You can make the nomination online through Orbit https://orbit.orbitbenefits.com/login/login.html or if you wish to compete a paper form this can be requested through the Helpdesk lifestyle@orbitbenefits.com.

Advisers to the Governance Committee and useful contacts for members

Secretary to the Governance Committee

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Consultants

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More useful Contact and links can be found at the following:

www.mysoprasteriapension.co.uk/en/your-steria-pension/differentsteria