Trustees' newsletter – August 2022

Welcome

Welcome to the latest newsletter for members of The Whyte and Mackay Pension Scheme ("the Scheme"). It has been prepared for you by the Trustees and is your annual update on the Scheme's finances and funding.

Each year the Trustees are required to produce a report and accounts which, amongst other things, provides details of membership, income, and expenditure for the year. You can find a summary of the Report and Accounts for the year ended 30 September 2021 on pages 2 and 3. This newsletter also includes a summary funding statement which provides the indicative funding position as at 30 September 2021.

The latest summary funding statement can be found on page 4 and is designed to help you understand:

- how much money is in the Scheme;
- how much money needs to be in the Scheme to meet the cost of benefits; and
- the Trustees' and Whyte and Mackay Limited's plan to make sure all members receive their benefits as they fall due.

Although this update covers the progress to 30 September 2021, we are aware that Scheme members may have concerns or questions related to the current market backdrop. More than two years on, the impact of COVID-19 continues to be felt around the world. Although economies have largely re-opened and restrictions lifted, the subsequent Russian invasion of Ukraine has understandably created global uncertainty exacerbating inflationary pressures with rising energy prices and cost-of-living increases. Whilst the longer term impacts are hard to predict, a period of heightened uncertainty seems inevitable. However, although volatility can be concerning, markets do go up and down and it is important to remember that your pension from the Scheme isn't directly linked to the performance of the Scheme's assets.

As Trustees we take steps to manage the risks and are keeping the position under review as the situation develops. The Company remains committed to providing your pension benefits and as you'll see in the pages that follow the Scheme is in a strong position. As Trustees we also take periodic independent advice on the strength of the Company and its ability to support the Scheme.

With inflation currently running particularly high we wanted to take the opportunity to remind you that pension increases are set out in the Scheme's Rules. Most pensions increase in payment annually on the anniversary of retirement either at a fixed rate of no more than 5%, or in line with RPI subject to a maximum 'cap' of 5% p.a. or 2.5% p.a. depending on when pension was built up. With inflation currently well above 5% these pension increase inflation caps will bite. If you elected to take up the Pension Increase Exchange option, no increases are provided on that pension other than the statutory increases applied to GMP. Please note, if you are due an increase, the Scheme administrator Hymans Robertson, will write to you shortly before the increase takes effect, confirming the amount in the usual way. Increases to scheme pensions before retirement generally take into account total CPI inflation between when you left the Scheme and when you start to receive your benefits. If you are thinking of retiring, getting professional financial advice is the best way to ensure you have a plan in retirement and that inflation is considered.

We hope you find the newsletter helpful. The Trustees would welcome any feedback or suggestions for future editions, so please get in touch.

V McMurtrie
Chair of the Trustees,
On behalf of the Trustees of The Whyte and Mackay Pension Scheme,
August 2022

Get in touch

Where can I get more information? You can contact the Trustees if you have any questions, or if you would like to request any of the additional documents listed on page 9.

Have your personal details changed? It is very important that the Trustees have your current address, as well as an up-to-date Expression of Wish form in which you nominate your beneficiaries in the event of your death. Please note, if you are thinking of leaving the Scheme for any reason, the Trustees recommend that you consult an independent financial adviser (IFA) before taking any action. For a list of IFAs local to you go to **www.unbiased.co.uk**.

You can contact:

The Whyte and Mackay Pension Scheme
c/o Kevin Stevenson, Hymans Robertson, 20 Waterloo Street, Glasgow, G2 6DB
@ wmacadmin@hymans.co.uk

Financial update on the Scheme

Summary of the annual report and accounts to 30 September 2021

Who are the Trustees?

The Trustees are responsible for the efficient and effective running of the Scheme. During the year to 30 September 2021, the Trustees of the Scheme were:

V McMurtrie (Chair of the Trustees)	appointed by Whyte and Mackay Limited
T G Whittaker	nominated by Members of the Scheme
Capital Cranfield Pension Trustees Limited	Independent Trustee (represented by P Watson)

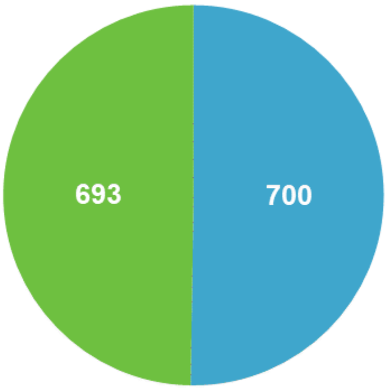
Who are the Scheme's professional advisers?

The Trustees delegate some of their day to day responsibilities to professionals and take advice from experts when making decisions. The Trustees' advisers during the year to 30 September 2021 were:

Scheme Actuary	Laura McLaren, FFA, Hymans Robertson LLP
Auditors	PricewaterhouseCoopers LLP (until October 2021) RSM UK LLP (appointed October 2021)
Administrator	Hymans Robertson LLP
Investment Managers	Legal & General Investment Management Ltd CBRE Global Investors Ltd Bailie Gifford Ltd M&G plc (invested in Q1 2021)
AVC Providers	Utmost Life and Pensions (formerly the Equitable Life Assurance Society) Clerical Medical Investment Group Limited
Legal Advisers	Pinsent Masons LLP
Bankers	Bank of Scotland

What is the membership of the Scheme?

As at 30 September 2021 there were 1,393 members in the Scheme.



Definitions

Deferred members include former employees of the Company whose contributions to the Scheme stopped when they left work. These members' benefits are held by the Scheme until they retire or transfer them out. It also includes employed deferred members who became deferred when the Scheme closed to accrual on 1 April 2012, but still remain employees.

Pensioner members are members or surviving partners who are receiving a pension from the Scheme.

How has the money in the Scheme moved during the year?

For the year to 30 September 2021

Money paid into the Scheme	£
Employer contributions	4,160,000
Other income	156
Total income	**4,160,156**

Money paid out of the Scheme	£
Benefits paid	6,615,309
Transfers out [3]	1,385,406
Administrative expenses [4]	1,068
Total expenditure	**8,001,783**

Scheme value at 30 September 2020 [1]	**224,307,147**
Total income less total expenditure	(3,841,627)
Net returns on investments	6,012,579
Scheme value at 30 September 2021 [2]	**226,478,099**

The Scheme's auditors gave their opinion that the accounts provide a true and fair view of the financial transactions of the Scheme.

1. *This value includes Additional Voluntary Contributions of £212,238.*
2. *This value includes Additional Voluntary Contributions of £134,788.*
3. *Payment of individual transfer values to other schemes on behalf of members leaving the Scheme.*
4. *All expenses are borne by Whyte and Mackay Limited including the PPF levy. However, regulatory levies are still met by the Scheme.*

Funding update on the Scheme

Summary funding statement 2022

How does the Scheme work?

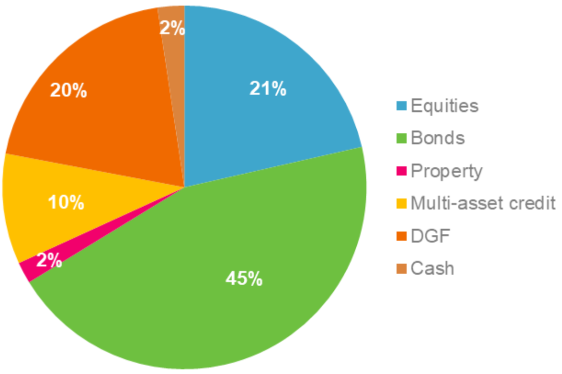
The Scheme is a Defined Benefit pension scheme. Your pension will be calculated based on the length of time you were an active member of the Scheme and your pensionable salary just before you retired or became a deferred member of the Scheme, if earlier. As the Scheme closed to accrual from 1 April 2012 there are no longer any active members. However, if you are a deferred member with pensionable service between 1 October 2001 and 1 April 2010 and were still an active member of the Scheme on 1 April 2012, this part of your service will retain a link to your salary while you remain an employee.

Whyte and Mackay Limited ("the Company") have been paying deficit contributions and expenses into the Scheme each year and employees paid contributions during the time they were an active member of the Scheme. These contributions are invested in assets which are expected to provide income and to increase in value over time, so that the current assets of the Scheme plus the combination of future contributions from the Company, investment income and growth are expected to be sufficient to pay members' benefits. The assets of the Scheme are held in a common fund separate from the assets of the Company. They are not held in separate funds for each individual. Members do not have separate individual holdings, apart from any Additional Voluntary Contributions.

How are the Scheme's assets invested?

During the year, the Scheme's Investment Managers have invested the money in the Scheme in a range of assets with the aim of increasing their value over time and providing income. The Scheme's investment strategy also includes a significant level of interest rate and inflation hedging to protect the funding level against movements in interest rates and inflation. The investment strategy set by the Trustees, is described in the Scheme's Statement of Investment Principles. As at 30 September 2021 the assets of the Scheme were invested under a strategy broadly as shown in the chart below. Since this date the Trustees have made some changes – moving some of the equities, corporate bonds and diversified growth into direct lending funds, which are professionally managed funds in which a number of investors combine their capital which is used to provide debt finance to businesses. Further changes are being considered on an ongoing basis to maintain the security of members' benefits with the aim of ensuring that these are paid in full.

Equities are shares in a company which are bought and sold on a stock exchange.



Bonds are a type of investment where the investor makes a loan to the government or to a company. Government bonds are commonly known as 'gilts' and bonds issued by companies are known as 'corporate bonds'. An investment return is made on the bond when the government or company repays the loan at a later date that has been agreed.

Property is generally investment in commercial property (office buildings and shopping centres) and agricultural land with little, if any, exposure to residential property.

Multi-asset credit funds are a type of actively managed fund designed to generate investment returns by looking across all sectors of the global fixed-income market.

Diversified growth funds (DGF) are a type of actively managed fund designed to generate investment returns by investing in a range of growth seeking asset classes including equities, property, commodities, private equity, bonds, hedge funds and currency.

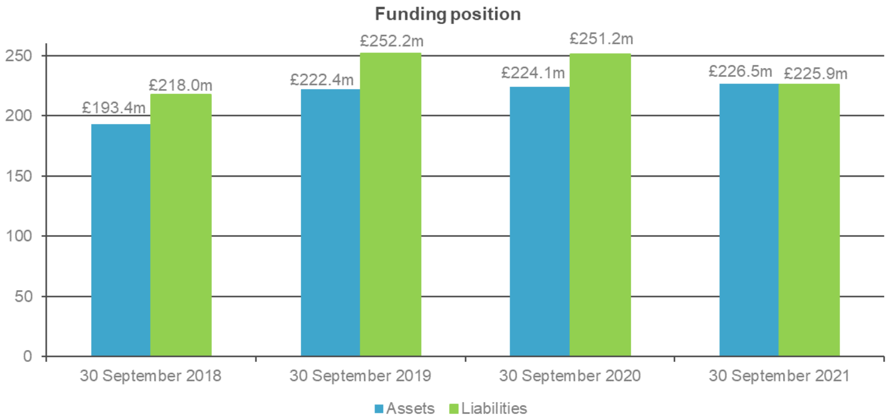
How do we work out what is needed to pay pensions and other benefits?

Every three years, the Scheme Actuary carries out a financial review of the Scheme – known as an actuarial valuation. The Actuary estimates how much money the Scheme might need in the future to pay members' promised benefits and compares this to the amount of money in the Scheme. How much the Scheme is expected to pay out in pensions is worked out based on certain assumptions including expected pension increases, returns on the Scheme's investments and members' life expectancy.

The Scheme Actuary updates these findings each year in a review of the Scheme's funding. The previous valuation was carried out as at 30 September 2018 with the next formal valuation due as at 30 September 2021 ongoing and expected to be completed later in 2022.

What is the Scheme's funding position?

The Scheme's estimated funding position as at 30 September 2021 is shown in the chart below, with the funding positions as at 30 September 2018 - 2020 shown alongside for comparison.



As at 30 September 2021

Assets*: There was £226.5m in the Scheme available for paying out benefits.

Liabilities: The estimated cost of providing benefits for all members in the Scheme was £225.9m.

Surplus/deficit: There was a surplus of £0.6m.

Funding level: Using the above information, the funding level at 30 September 2021 was 100%

How has the Scheme's funding level changed since the 2018 actuarial valuation?

The formal actuarial valuation as at 30 September 2018 showed that the funding level was 89%.

As at 30 September 2021 the estimated funding level has increased to 100%, which is an improvement from the funding level a year ago as at 30 September 2020. Between the valuation at 30 September 2018 and 30 September 2021, a fall in gilt yields has placed a higher value on the Scheme's liabilities. However, this has been offset by strong asset returns and contributions that have increased the value of the assets. Following a turbulent period for financial markets in early 2020, markets performed well through the rest of 2020 and 2021.

The Trustees are currently undertaking the Scheme's triennial valuation as at 30 September 2021 and expect this to be completed later in 2022. Since 30 September 2021, there has been some volatility in the market as well as rising yields and high inflation exacerbated by the Russia-Ukraine conflict. The next statement will provide an updated position at 30 September 2022.

Definitions

The **funding level** is the ratio between how much money the Scheme has now (assets) and how much it needs to pay all the promised pensions (liabilities) based upon benefits built up to date.

A **surplus** is the difference in value between the assets and the liabilities, when the assets are higher.

How will the funding level be improved?

Until now, whilst there has been a deficit in the Scheme the Company have paid deficit reduction contributions and expenses into the Scheme. However, we are pleased that the funding position of the Scheme has improved significantly since the last valuation and the Scheme's funding position is ahead of where we would have expected. This means there is no need for contributions to continue. The Company remains committed to providing your pension benefits and the Trustee regularly keep Scheme funding under review.

What does this mean to me and my pension?

We expect that the Scheme's funding level will go up and down over time, but it is important to remember that your pension from the Scheme isn't linked to the performance of the Scheme's assets. Therefore, you shouldn't be unduly concerned if investment markets are volatile. Whilst the Scheme is supported by the Company, even if the Scheme is in deficit, benefits will be paid in full to all members.

What would happen if the Company were not able to pay for the Scheme?

If the Company was no longer able to support the Scheme (i.e. if it were to become insolvent) the Scheme would need to be wound up. The Scheme Actuary has estimated that, on 30 September 2018, the Scheme would have needed £263.8m to ensure that all members' benefits could be purchased with an insurance company. This suggests a shortfall of about £73.8m compared with the amount of money actually in the Scheme at that date. The reason there is a larger shortfall compared to the position shown on page 5, is that this cost is an estimate of buying policies from an insurance company and such policies are relatively expensive. As at 30 September 2021 we estimated this shortfall had reduced to around £30m.

Please note that this information is designed to be informative – it does not imply that the Company is thinking of winding up the Scheme.

Pension Protection Fund (PPF)

The PPF aims to provide compensation to members of defined benefit pension schemes if their employer becomes insolvent and the Scheme does not have enough money to pay the benefits promised. The PPF is not intended to completely replace a member's pension, but should the Scheme get into difficulty, it aims to provide members with the majority of their pension.

For full details about the PPF, you can refer to their website:
http://www.pensionprotectionfund.org.uk

or you can write to the PPF at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

Have there been any payments to the Company from the Scheme?

A pension scheme may occasionally have more funds than needed – for example when a scheme is winding up and has more assets than are needed to secure members' benefits. In this instance the excess funds can be returned to the Company. There has not been any payment to the Company out of the Scheme's funds since the date of the previous statement. We are not expecting to be in a position where this occurs in the immediate future.

Update on how the Scheme is implementing the Court's decision on equalising pensions for the effect of unequal GMPs

Members may be aware that in October 2018, the High Court determined that benefits provided to members who had contracted out of their pension scheme must be recalculated to reflect the equalisation of state pension ages between May 1990 and April 1997 for both men and women. The decision only affects members, or their dependants, who built up pension benefits between 17 May 1990 and 6 April 1997. However, only some members will actually be due an uplift to their benefits, and for those who do get an increase it's likely to be small. Other members will not be affected.

It is not yet possible to say precisely when the Scheme will be in a position to notify members if they are affected. Like other pension schemes, the Trustees are reviewing, with their advisers, the implication of the ruling. There had also been some aspects of the Court's judgment where further clarification from the Court was needed. Agreeing the implementation basis most appropriate to an individual scheme and working out which members will be affected and the extent of any uplift for those who are is a complex and time-consuming process likely to take several years. The Trustee have a plan in place and will keep members updated as the work progresses.

Pension scams

Be aware of pension scams

The current environment has offered criminals an opportunity to approach pension scheme members, savers and investors (especially the more vulnerable in our society) who may be worried about their finances.

Fraud is the deliberate use of deception or dishonesty to deprive, disadvantage or cause loss (usually financial) to another person or party. Often criminals will pose as a genuine firm, pretending to offer you help and guidance. They may use fraudulent emails, phone calls, text messages or social media posts claiming to provide security for your money, offering new and exciting investment opportunities or advertising 'early access' pension offers.

Scams are hard to spot and are often disguised with believable websites, testimonials and materials which make them look like the real thing.

If you don't spot these as fraudulent activity, you could end up disclosing personal or financial information or clicking on links within emails or text messages that may contain viruses or lead to fake websites allowing the criminal to misuse your data for fraudulent purposes.

Don't let a scammer enjoy your retirement.

How to protect yourself

Top 5 things to look out for:

1. Unsolicited requests to disclose personal details (such as name, address, bank details, email or phone number) – remember, financial institutions will not ask you to click on a link to confirm your bank or personal details.
2. 'too good to be true' offers using words like 'savings advance', 'cash incentive', 'bonus', 'loophole', 'one-off investment opportunities', 'free pension reviews', 'government endorsement', 'overseas investment'.
3. Advice that you can access your pension before age 55.
4. Emails not from Hymans Robertson asking you to click on a link to pensionsWEB (emails will always end @hymans.co.uk).
5. Pressure to transfer funds or to make a quick decision.

If something doesn't feel right or feels too good to be true, trust your gut feeling and take no action.

Advice from the regulators

To help you spot the signs and protect yourself from a scam, the Financial Conduct Authority (FCA) and The Pensions Regulator suggest the following four simple steps:

Step 1 - Reject unexpected offers - If you're contacted out of the blue about a pension opportunity or a free pension review, chances are it's a scam. Pension cold calling is illegal, and you should be very wary.

Step 2 - Check who you're dealing with - Check the FCA's website (register.fca.org.uk) to ensure anyone offering you advice is authorised. If they are not, you may not have access to compensation schemes.

Step 3 - Don't be rushed or pressured - Take your time to make all the checks you need – even if this means turning down what seems to be an 'amazing' deal.

Step 4 - Get impartial information or advice - Consider seeking independent financial advice (as per Step 2 above) before changing your pension arrangements. In some cases, e.g. transferring more than £30,000 from a final salary scheme, advice from a registered adviser must be obtained.

If you think you have been a victim of a scam, report it to Action Fraud on 0300 123 2040 or via their website www.actionfraud.police.uk.

You can report an unauthorised firm or a scam to the Financial Conduct Authority by calling them on 0800 111 6768 or by using their online reporting form found at www.fca.org.uk/consumers/report-scam-us.

Useful websites

You will find a list of common fraud techniques on our website www.hymans.co.uk/information/coronavirus.

Visit the Pensions Advisory Service website at http://www.pensionsadvisoryservice.org.uk for free independent and impartial pensions information and guidance before making any decisions about your retirement savings.

Visit the Government's PensionsWise website, www.pensionwise.gov.uk/en for free and impartial advice and for guidance on spotting scams.

Be ScamSmart with your pension. To find out more, visit www.fca.org.uk/scamsmart

Keep well, stay safe and keep your pension safe!

Further information

Scheme administration team

Kevin Stevenson is the administration team leader, on behalf of Hymans Robertson LLP, for the Scheme.

Kevin and his team are your first point of contact at Hymans Robertson if you have any queries regarding your membership or benefits and will be more than happy to assist you.

When telephoning the administration team, please have your National Insurance number to hand so they can easily identify you, as details on your benefits are confidential.

Contact Kevin

Call the administration team during office hours, 9am to 5pm Monday to Friday on **0141 566 7659**
or email **wmacadmin@hymans.co.uk**

Additional documents available on request

The Statement of Funding Principles. This sets out the Scheme's funding plan.

The Statement of Investment Principles. This explains how the Trustees invest the money paid into the Scheme. This can also be found on the Scheme's website at www.wmpensions.co.uk

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

The Annual Report and Accounts of the Scheme, which shows the Scheme's income and expenditure over each Scheme year.

The Actuary's full report on the *Actuarial Valuation* of the Scheme as at 30 September 2018 (including the Actuary's annual updates known as *Actuarial Reports*).

The *Members' Booklet*.