Pension Connection

Summer 2023 newsletter

Welcome

Welcome to this new edition of Pension Connection, the newsletter for deferred and pensioner members of the Provident Financial Staff Pension Scheme (the Scheme).

Our new-look newsletter will bring you information on the results of the 2021 Actuarial Valuation, the Summary Funding Statement for 2022, a snapshot of the Trustees' 2022 Report and Accounts and news from the world of pensions. I hope that you find this newsletter interesting and informative.

Company name update

I also wanted to remind you of the recent Company name change (from *Provident Financial* to *Vanquis Banking Group* in March 2023). Our contact details have also changed – you can find these on the back page. When you phone, please expect one of our representatives to refer to the company as 'Vanquis Banking Group'.

As you'll know, the *Provident Financial* name has been long associated with the home credit business. Now that it has moved away from home credit towards the mid-cost credit market, the Company decided that the Provident Financial name no longer accurately reflects what we do.

Vanquis Banking Group better reflects the Company's banking status, the mix of products and focus on sustainable growth opportunities in the mid-cost and near-prime segment of the market, where the Company can offer customers great service and good value products designed for their needs.

It's important to note that no change is being made to the legal identity of the Company or its key stakeholders.

What does this mean for the Scheme?

There will be no changes to the Scheme itself and there is nothing that you need to do. The Company will remain the same legal entity and will continue as the Principal Employer of the Scheme. There won't be any changes to your benefits or the administration of the Scheme.

The Scheme will continue to be called the Provident Financial Staff Pension Scheme. If this does change in the future, we'll tell you. Any change to the Scheme name won't impact your benefits in any way.

If you have any questions, I'm here to help.

Sue Nimmo
Group Pension and Benefits Manager

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From the Chair

I'd like to warmly welcome you to a refreshed Pension Connection 2023 newsletter for the Scheme.

The last few years have thrown a number of difficult situations our way. We've successfully navigated our way through the pandemic and the market volatility caused by the Russian invasion of Ukraine. Following that, along came the now ex-Chancellor's mini budget in September 2022. The reaction to the mini budget was immediate with interest rates rising on Government bonds (often referred to as gilt yields) in reaction to the announcement of the biggest package of unfunded tax cuts in over 50 years.

Increases in gilt yields have huge impacts on most defined benefit pension schemes in the UK. This is the result of a move over the years to liability driven investments (LDIs), a way of ensuring a scheme's assets always move in the same direction as its liabilities. It was the speed and scale of these interest rate movements which caused most concern to pension schemes, but I am pleased to report that on 28 September 2022, the Bank of England announced support to stabilise the market and provide time for investors to rebalance their portfolios. Helped by the low risk nature of the Scheme's investment strategy and the relatively prudent levels of leverage that had been employed in the LDI portfolio, the Scheme's interest rate and inflation hedging protection was successfully maintained during the period.

Ken Mullen
Chair

Pensions in the news

Keep your savings safe from scammers

With the cost of living still high and financial pressure rising for many, people's money is increasingly vulnerable and scammers are taking advantage.

Common scams to look out for

Cold calling. To sell pension products out of the blue has been illegal in the UK since 2019, so if anyone calls – hang up. Legitimate businesses and organisations won't do this.

'Free pensions reviews'. A genuine company would never contact you unexpectedly to offer you a free pension review or an exciting pension opportunity.

Tax rebates or refunds from the Government or HMRC. You may get a text or email claiming to be from your local Council or HMRC. These usually include fake links to websites and will ask you to provide personal information (such as bank details) to claim rebates.

Mail or postal scams. This is often a text or email that looks to be from a courier firm or Royal Mail asking for additional money for a parcel you've ordered. The link usually takes you to a cloned website and asks you for bank details. Royal Mail will never send you a text or email asking for money.

A 'family member' getting in touch. A scam where a text or WhatsApp message is sent asking for money to help them out of a difficult situation.

To find out about other types of scams, visit **www.moneyhelper.org.uk/en/money-troubles/scams/types-of-scam**

Top tips for spotting scams

Make sure you're prepared and able to protect yourself against scams, you are the best line of defence. It may be a scam if:

- You have been contacted out of the blue.
- You feel pressured to make an urgent decision - scammers often use high-pressure sales or fear tactics.
- You're being asked for personal information such as your address, date of birth, National Insurance number or bank details. Trusted companies and organisations may need your personal details from time to time, but make sure you're certain they're a real company before providing anything.

Read more about warning signs at **www.which.co.uk/consumer-rights/advice/how-to-spot-a-scam-alFiz5h8mnJ9**

Cyber attacks

The Scheme has multiple safeguards in place to protect your personal details:

- **Robust control procedures** – both physical and electronic – to safeguard and secure the information we collect, and ensure that we're highly vigilant against potential cyber attacks.
- **Strict member security checks** to stop imposters gaining access to your details. Our anti-virus software is updated regularly.
- **Firewalls** to protect our networks from malicious attacks. IT security reviews are carried out regularly by independent experts, and we take action where appropriate.

The security and privacy of your personal data is of the utmost importance to us.

The Financial Conduct Authority (FCA) regulates financial services firms and financial markets in the UK.

Visit the FCA's website at **www.fca.org.uk** to find out more about pension scams and how to avoid them, as well as what to do if you think you're being targeted by scammers.

Pensions in the news
(continued)

New transfer regulations provide additional protection

Deferred members

To help tackle the rise in pension scams, the Government brought in new regulations in November 2021. These give you another layer of protection if you're thinking of transferring your pension into another arrangement. In order for transfers to go ahead, they are assessed against different conditions and checked for 'red flags' and 'amber flags'.

Examples of 'flags'

Examples of red flags include being pressured to make the transfer quickly, or being offered an incentive to do so. Examples of amber flags include the scheme you are moving your pension to making use of high-risk or unregulated investments, or having investment structures that are unusual or unclear.

Before your transfer can go ahead, it must meet one of two conditions:

1. If you're transferring your pension into an authorised arrangement in the UK, it's likely it can go ahead. An 'authorised arrangement' could include a public service pension scheme, an authorised Master Trust, an authorised Collective Defined Contribution scheme, or a pension scheme operated by an authorised and regulated insurer.

If however this first condition is **not** met, the Scheme will check against the second condition.

2. If the scheme you're transferring into isn't included in section 1, you'll have to:

a. Prove you have an employment link to your new scheme.

b. Prove you have a residential link to your new scheme if it is a Qualifying Recognised Overseas Pension Scheme.

If you can prove 2(a) and 2(b), and no red or amber flags are present, your transfer can go ahead.

c. If one or more amber flag is present, your transfer can be paused until you can prove you've taken scams advice through MoneyHelper, this is applied even if you've already taken advice from a regulated financial advisor.

d. If one or more red flags are present, your transfer can be stopped.

Get advice

We strongly recommend you take regulated financial advice if you're thinking of transferring your pension into another arrangement. By law, you have to take advice if the value of your benefits is over £30,000. However much they're worth it's always a good idea to get advice on whether transferring is right for you. Find an adviser near you at **www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser**

Learn more about the regulations and what constitutes a red or amber flag on The Pensions Regulator's website at **www.thepensionsregulator.gov.uk/en/media-hub/press-releases/2021-press-releases/new-regulations-empower-trustees-to-halt-suspicious-transfers**

Increase in minimum retirement age

Deferred members

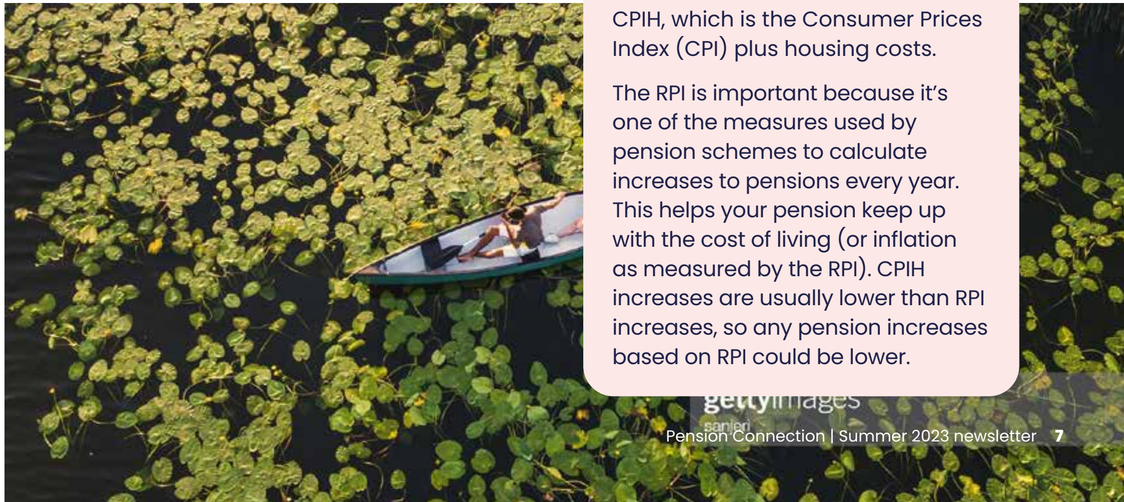
The UK Government has confirmed that it will raise the Normal Minimum Pension Age (NMPA) from age 55 to age 57 from April 2028, and is consulting on how this could be implemented. Part of this consultation considers protecting the NMPA at an age below 57 where there is an existing right.

Retail Prices Index reform

Pensioner members

The Government has announced changes to how the Retail Prices Index (RPI) measure of inflation will be calculated from 2030. As a result of the changes, from 2030 RPI will be calculated in line with a newer measure of inflation called CPIH, which is the Consumer Prices Index (CPI) plus housing costs.

The RPI is important because it's one of the measures used by pension schemes to calculate increases to pensions every year. This helps your pension keep up with the cost of living (or inflation as measured by the RPI). CPIH increases are usually lower than RPI increases, so any pension increases based on RPI could be lower.



The financials

In this section, you'll find an overview of the Scheme's membership figures, along with its income and expenditure in the Scheme year as at 31 May 2022.

To request a full copy of the 2022 Report and Accounts document, contact the Pensions Team using the details on the back page.

Scheme assets

This table shows the value of the Scheme for the year ended 31 May 2022 compared with its value as at 31 May 2021.

	31 May 2022 £000s	31 May 2021 £000s
Value at the beginning of the year	**£877,773.66**	**£951,992.14**
Net withdrawals	(£29,593.41)	(£25,445.12)
Returns on investments	(£142,003.89)	(£48,773.35)
End of year	**£706,176.36**	**£877,773.66**
Net increase / (decrease) in Scheme	**(£171,597.30)**	**(£74,218.48)**

Income and expenditure

	31 May 2022	31 May 2021
Income	**£000s**	**£000s**
Company contributions	£3,677.93	£4,169.23
Member contributions	£0.62*	£2.32
Member additional voluntary contributions	£3.60	£14.70
Other income	£18.33	£30.93
Total income	**£3,770.48**	**£4,217.18**

	31 May 2022	31 May 2021
Expenditure	**£000s**	**£000s**
Pensions paid	£22,006.70	£21,712.72
Transfers out	£10,047.47	£6,859.19
Administrative expenses	£1,239.73	£1,090.39
Total expenditure	**£33,293.89**	**£29,662.30**

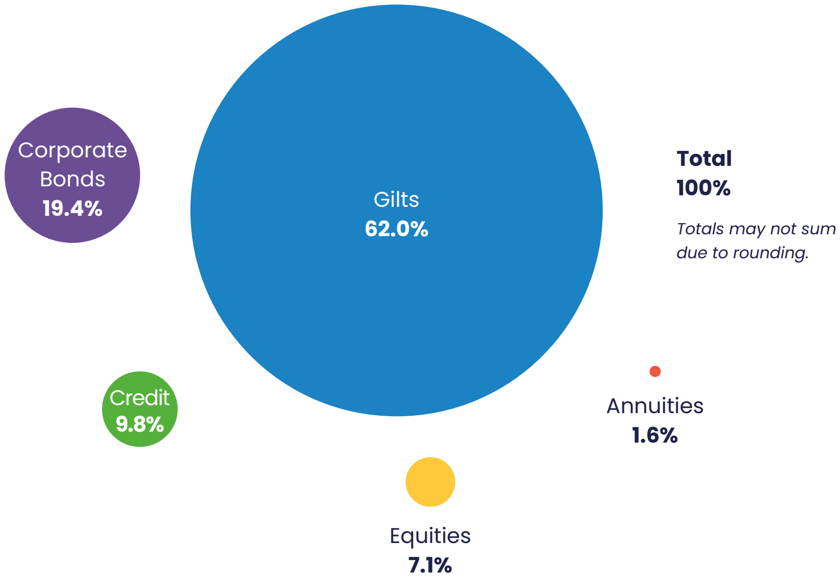
*Cash Balance section closed on 31 August 2022

The financials (continued)

Investments

The Trustees invest its assets to make sure that there is enough money in the Scheme to pay members' benefits both now and in the future. The Scheme regularly reviews its investment strategy to make sure that it remains appropriate.

Asset allocation as at 31 May 2022



Scheme membership

2022

0 Active members*

2,947 Deferred members

2,896 Pensioner members

2021

60 Active members

3,013 Deferred members

2,864 Pensioner members

*Cash Balance section closed on 31 August 2021

Valuation news

Every three years, the Scheme's Actuary (a qualified and independent professional) carries out a full Actuarial Valuation to assess the financial health of the Scheme. In the years between the Actuarial Valuations, our Actuary produces an approximate update of the funding position in the annual Actuarial Report.

What is an Actuarial Valuation?

The Valuation compares the money the Scheme has (assets) to the expected cost of providing all current and future benefits to its members (liabilities).

What was the funding position as at 1 June 2021?

1. The Scheme's funding position as at 1 June 2021 was 104.1%. This was an improvement from 96.5% at 1 June 2018 due to strong asset performance, Company contributions and changes to assumptions.

2. The Scheme had a funding surplus on the ongoing basis of £33.7 million at the valuation date compared with a deficit of £29.8 million as at 1 June 2018.

3. It was agreed that the Company will make contributions of £70,000 a month in the future to meet the expenses of operating the Scheme.

	Technical provisions	Surplus/ (Deficit)	Estimate of solvency*
2021	104.1%	£33.7 million	84.6%
2018	96.5%	(£29.8 million)	78.5%

*The estimate of solvency assumes that the Scheme is terminated as of the valuation date.

The financials (continued)

A statement of the Scheme's financial health

The purpose of this statement is to provide you with information about the Scheme's funding position. It's also known as a Summary Funding Statement.

The health of the Scheme

The funding levels at 1 June 2020, 1 June 2021 and 1 June 2022 are shown. The 2021 figures are from the most recent formal Actuarial Valuation, with the other figures being approximate updates.

	Amounts as at 1 June 2020	Amounts as* at 1 June 2021	Amounts as at 1 June 2022
The value of the Scheme's DB liabilities (technical provisions) was:	£960.3 m	£829.9 m	£688.2 m
The value of the Scheme's DB assets was:	£935.2 m	£863.6 m	£694.7 m
The value of assets less the value of liabilities was:	(£25.1 m)	£33.7 m	£6.5 m

**In addition to the figures shown above, the Scheme also held £12.9 million of assets in respect of insured pensions and £1.3 million in respect of Additional Voluntary Contributions (AVCs) as at 1 June 2021.*

The previously reported statement we've provided you with, as at 1 June 2020, showed a shortfall of £25.1 million. The Scheme had moved into a surplus of £33.7 million by 1 June 2021.

The improvement in the position over the year to 1 June 2021 was due to the contributions paid by the Company and the reduction in the liabilities arising from higher interest rates. Whilst asset values also fell, this had less of an impact. There were also changes to the way that life expectancies were estimated.

As there were enough assets to cover the Scheme's technical provisions at 1 June 2021, a recovery plan is not required. The Trustees and Company agreed that the Company will pay £70,000 per month towards the expenses of running the Scheme. In addition, the Company will contribute an annual amount equal to the total of all statutory levies, including the Pension Protection Fund (PPF) levy.

No further pension is being built up in the Scheme following closure to the Cash Balance section on 31 August 2021.

The actuarial report as at 1 June 2022 shows that the surplus had reduced over the year by around £27 million, leaving the Scheme with a surplus of £6.5 million. The main reason the funding level reduced over the year was adverse investment experience. This was largely, but not fully, offset by changes to the assumptions used to value the liabilities.

Please note that we must include this information because we're required by law. We do not currently intend to wind up the Scheme.

What if the Scheme were to be wound up?

It's the intention of both the Trustees and the Company that the Scheme should continue until it becomes affordable and appropriate to consider next steps to secure your benefits, with pensions being paid in full to you as and when you retire. However, legislation requires that we tell you about what would happen if the Scheme were to wind up. In the event of the Scheme winding up, pensions would be secured by buying insurance policies from an insurance company.

As at 1 June 2021, it was estimated that the cost of doing this would be approximately £1,021 million, which is around £157 million more than the value of the assets held at that time.

These high costs reflect the fact that insurers take a very cautious view of the future, and they need to ensure they will cover their costs and, usually, will look to make a profit.

If the Scheme were to wind up and the Company could not afford to meet the extra cost of securing benefits with an insurer, the PPF might be able to take on the Scheme and pay compensation to members, although pensions would be cut back. Further information is available on the PPF's website at **www.ppf.co.uk** or you can email them at **information@ppf.co.uk**

Scheme modifications

We're also required by law to confirm to you that the Scheme hasn't been modified by the Regulator and no directions nor a schedule of contributions have been imposed on the Scheme by the Regulator. We can confirm this.

Payments to the Company

We also need to confirm that there haven't been any payments to the Company out of Scheme funds since the last funding statement was issued.

Any enquiries regarding your tax code should be made directly to your appropriate tax office or by visiting **www.gov.uk/tax-codes**

Tax and pensions

Your pension is taxable like any other income within the Pay As You Earn (PAYE) scheme. Tax is taken from your pension payment before you receive it and is based on the tax code sent to the Pensions Team by the tax office.

What to do if you think your tax code is incorrect

Your tax is a personal matter between you and His Majesty's Revenue and Customs (HMRC). The Pensions Team can only change your tax code when instructed to by HMRC. They cannot advise you on tax matters or talk to the tax office on your behalf.

Get in touch with HMRC if you have a tax query

0300 200 3300

Make sure you have the following to hand when you call:

1. Your National Insurance number
2. Our tax reference number for the Scheme, which is **072/P316**

Pensioner members

Updating your personal details

It's extremely important that we have the most up-to-date information for you. This helps us to ensure your pension is paid on time and that we know who to give your money to should the worst happen. For this, we need your beneficiary nomination form and bank details (pensioners only) to be up to date. If you need a new beneficiary nomination form, please contact **pensionenquiries@vanquisbankinggroup.com** . Please note that if you've **already** been receiving your pension for more than five years, you don't need to complete a new form.

Who looks after the Scheme?

The Trustees

The Scheme is administered by seven Trustees who are responsible for running the Scheme.

Ken Mullen
Chairman, previously General Counsel and Company Secretary, Provident Financial

Graham Pye
Director of People Services, Vanquis Banking Group

Susan Wilkie
Head of Group Tax, Vanquis Banking Group

Ellie Shepherd
Senior Corporate Counsel, Vanquis Banking Group

David Stevenson
Member-Nominated Trustee

Robert Glen
Member-Nominated Trustee

Suzanne Smith
Member-Nominated Trustee

Secretary to the Trustees

Sue Nimmo
Group Pension and Benefits Manager

The Scheme's advisers

Actuaries
WTW, Leeds

Auditors
Crowe UK LLP, Manchester

Bankers
Barclays Bank PLC

Solicitors
Herbert Smith LLP, London

Investment managers

Legal & General Assurance (Pensions Management) Limited, London

PIMCO Global Advisers (Ireland) Limited

Insight Investment Management (Global) Limited

Robeco Institutional Asset Management

Aon Solutions UK Limited, London

At the moment, there are three Member-Nominated Trustees (MNTs) who are responsible for helping to oversee the running of the Scheme and to safeguard it on behalf of its beneficiaries. The term of office for the current MNTs is coming to an end. We'll tell you more about this in the next few months.

Where to get help

We all need a helping hand from time to time, and the Pensions Team aims to answer your questions about the Scheme and provide further information.

Provident Financial
Staff Pension Scheme
No.1 Godwin Street
Bradford
BD1 2SU

01274 351 351
Don't forget that the call will be answered by someone that says 'Vanquis Banking Group' when they answer.

pensionenquiries@vanquisbankinggroup.com

A new-look website is on the way...

Later this year, our refreshed pension website will be available, where you can:

- Learn about the history of the Scheme
- Understand your pension benefits
- Find out more about the State Pension
- Get in touch if you have a question about your pension

We'll be in touch soon to let you know when it's available.

Where to go for guidance

Worried about your finances, debt, benefits or planning for your retirement? Get free, confidential and impartial help from these providers:

MoneyHelper
www.moneyhelper.org.uk/en

Access the right help in relation to money and pensions.

Pension Tracing Service
www.gov.uk/find-pension-contact-details

Help with finding 'lost' pensions from previous employers.

You and your State Pension

Find out how much State Pension you might be entitled to at **www.gov.uk/check-state-pension**

Check when you can start receiving your State Pension at **www.gov.uk/state-pension-age**

Find out how to get your State Pension at **www.gov.uk/get-state-pension**