

An aerial photograph of London at sunset, with the London Eye visible on the right. A large red diagonal banner covers the top left corner, containing the Arqiva logo and newsletter title. The background shows a dense urban landscape with various buildings and green spaces.

arqiva

# Pensions

newsletter

June 2020

Bringing you the latest news  
from the Trustees of the  
Arqiva Defined Benefit  
Pension Plan



# Message from Tom O'Connor

## Chairman of the Trustees



Welcome to your 2020 newsletter, bringing you the latest news from the Trustees of the Arqiva Defined Benefit Pension Plan.

### IMPACT OF COVID-19

The last few months have seen some major shifts in the global economy and social stability as a result of the coronavirus – Covid-19. The Trustees hope you are all keeping well during these challenging times.

#### ***On the running of the Plan:***

As Trustees of the Plan, we want to reassure you that we are working closely with Arqiva and our advisors to limit the impact of these events on the administration of your pension benefits. In particular, for pensioner members, this means ensuring that pension payments are set up and paid in full and on time and any bereavement cases are processed promptly.

The Plan's administrators, Isio (*previously KPMG Pensions, see page 8*), have confirmed that their systems and processes will continue to function during any periods when they are required to work remotely, and they will continue to deal with any requests that you may have. Please note that their turnaround times may be slightly longer than normal; however they will keep you informed if there are any delays in responding to your query. *Further details can also be found on the Plan website.*

#### ***On the funding of the Plan:***

Covid-19 has also had a significant impact on financial markets, with share and bond prices fluctuating markedly since March.

Whilst your benefits have not been impacted by the market volatility, the value of the Plan's investments and the cost of pensions provision have been impacted negatively. Like many pension schemes, this has caused the Plan's funding level to deteriorate. However, the Plan's diversification within its investment portfolio, particularly in growth assets, served us well, and cushioned some of the blow. *You will also be able to find more detail about how the Plan's assets are invested and their recent performance on the following page.*

Especially during this unprecedented and uncertain time, we will continually review our funding and investment strategies closely with our advisors and make changes that we think will help meet our objectives. Such decisions give due consideration for the long-term nature of the Plan's obligations and thus avoid making any 'knee-jerk' reactions to events such as Covid-19.

The next formal actuarial valuation of the Plan is due as at 30 June 2020, based on market conditions at that time. We will provide an update in next year's newsletter of any changes to the funding plan that may be agreed with the Company.

#### ***On pension scams***

We advise members to be extra vigilant about scammers during the ongoing Covid-19 pandemic, after the Pensions Regulator has alerted the industry to an increase in scamming activity relating to pension transfers.

*See page 6 for more details.*

### SALE OF TOWERS BUSINESS

You may be aware of the recent commercial activity that the Company is undergoing regarding the sale of its Telecoms division to Cellnex. The Trustees have been monitoring this situation closely and have been in regular dialogue with both the Company and our advisors, in order to understand how the proposals may impact upon the security provided to the Plan. The prospects of the newly structured business will be assessed as part of the forthcoming actuarial valuation, with a discussion as to whether a change to the funding approach is merited.

#### ***Keeping you up-to-date***

You will find a lot of information to browse through in this newsletter. I hope that you find it useful and it helps you stay informed about your pension and the Plan. If there are any matters that you would like to see covered in future issues, please do let us know.

Best regards

# Investments

## Eighteen

## Month Market

## Overview to

## 31 March 2020<sup>1</sup>

Following a strong 2019, investment markets started 2020 with the worst quarter since the end of 2008, as the global economy went through an unprecedented synchronised shutdown in light of the COVID-19 crisis.

The second quarter of 2019 was volatile but global equity markets ended the quarter on a positive note in both US Dollar and sterling terms. The third quarter saw a sell-off during August 2019 amid global slowdown fears as well as continued trade tensions. The correction was not as severe as in late 2018 and global equity markets recovered in the end, finishing the third quarter pretty much flat in US Dollar terms but positive in sterling terms. Equity markets then rallied in the fourth quarter as progress on the trade front, as well as the prospect of prolonged easy monetary conditions on a global level, lifted sentiment. Unhedged UK investors saw most of these gains offset by the strong sterling appreciation, which accompanied the outcome of the December General Election, which was generally well received by markets. The COVID-19 pandemic which originated in China in December 2019 and started to spread globally from the second half of the first quarter of 2020 prompted governments to shut down entire countries including the US, UK and most of Europe. The abrupt halt in business activities and collapse in corporate earnings prompted investors to flee equity markets and shift into safe haven assets with the result being the worst equity sell-off since 2008.

Bond markets had a good 2019 in both US Dollar and sterling terms amidst more dovish central bank rhetoric and a cutting cycle initiated by the Fed that continued up to the end of the third quarter of 2019. Unprecedented monetary easing measures across the globe with the Bank of England cutting the benchmark rate to 0.1% and reinitiating quantitative easing led to a government bond rally in the first quarter of 2020 as yields fell to the lowest level in history across the globe, with the UK 10 year nominal yield even briefly falling below zero.

Over 2019, the global economy continued its expansion, led by the US which saw a tightening labour market, rising wages and consumer confidence, fuelled by the business-friendly stance of the Trump administration even though trade tensions took some toll on business confidence. Japan, the UK and continental Europe saw more measured growth even though economic data from continental Europe over the year has been hinting at a continued slowdown. In the UK, the outcome of the 2019 election was well received by markets, though uncertainty over how Brexit proceedings will unfold still remains. Headwinds for emerging markets began to soften in early 2019, with improvement on the trade front.

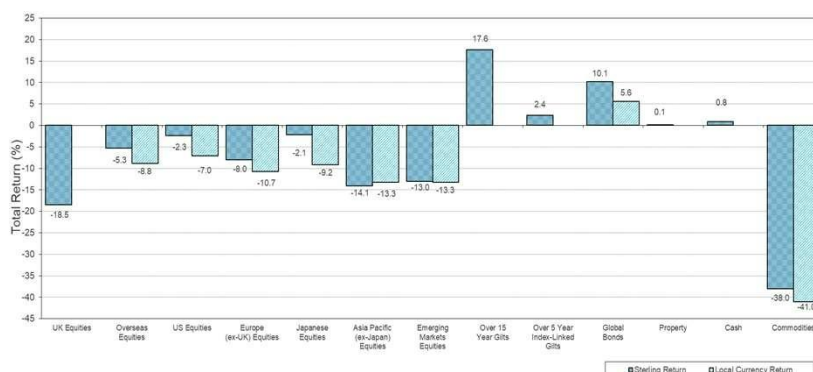
In Q1 2020, however, the global economy entered what is expected to be the most severe downturn since the Great Depression while oil prices collapsed simultaneously as a price war between Russia and Saudi Arabia escalated while global demand collapsed simultaneously. Unprecedented monetary easing and fiscal programmes not seen since World War II cushioned the blow somewhat.

Note: (1) Statistics sourced from Thomson Reuters Datastream unless otherwise specified

## How have investment markets responded?

Over the one year to 31 March 2020, all developed and emerging market equities posted negative performance in both local currency and Sterling terms, with most of these losses attributed to the market downturn in Q1 2020. Meanwhile defensive assets such as government bonds performed well, as investors sought safe havens. Commodities fell sharply as markets priced in a severe contraction, which is expected to be a reflection of lower demand for resources.

12 month performance to 31 March 2020



Source: Thomson Reuters Datastream.

## How has the Plan's investment strategy performed?

The Plan's assets produced a positive investment return of 0.2% over the twelve-month period to 31 March 2020 however, underperformed versus the benchmark return of 1.6%.

## Jargon Buster: What is the "funding level" of a Scheme?

Here's a guide to some of the pensions jargon and terms you may come across in this newsletter and elsewhere.

### Assets

The value of the pooled funds invested to provide pension benefits to Plan members.

### Liabilities

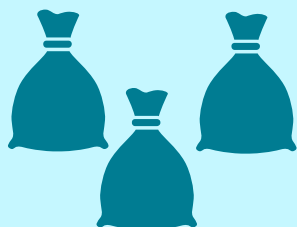
The estimated total amount required today to provide members of the Plan with their agreed benefits when they fall due.

### Funding deficit

The amount by which the value of the Plan's liabilities exceeds its assets.

### Funding level

The percentage of liabilities covered by the assets of the Plan.



## What changes have been made to the Plan's investment strategy?

The Trustee's primary objective in managing Plan assets is to ensure that they are sufficient to pay your pension benefits (which are liabilities for the Plan). Plan assets are invested in company shares – known as equities – and in bonds, including corporate bonds (loans to companies), gilts (loans to governments) and multi-asset funds, which invest in a mixture of equities and bonds. It is the balance of these different types of investments and the returns on them that the Trustees closely monitor and manage through their investment strategy.

Over the course of the year a number of discussions around potential refinements to the Plan's investment strategy have taken place and the Plan has partly reduced its allocation to equities in favour of other asset classes. Much of the emphasis has been on ensuring that the investment strategy is consistent with the Plan's funding and long-term journey plan. The Trustee has also discussed the Plan's policy on environmental, social and governance factors.

The Trustees continually monitor the Plan's assets and investment managers with advice from Mercer. An update is provided to the full Trustee board at every quarterly meeting.

## Scheme funding

The last formal actuarial valuation of the Plan was at 30 June 2017 and completed in September 2018. The valuation showed a deficit in the Plan of approximately £18.3m, representing a funding level of 93%.

As part of the valuation process, the Trustees and Company formally agreed to put in place a new schedule of deficit contributions payable by the Company, details of which are given on the next page. This schedule will be reviewed again as part of the next formal actuarial valuation as at 30 June 2020.

In the years where there is not a formal valuation, the Plan actuary produces an update of the funding position so that we can keep track of whether or not the valuation objectives are being met. Since the 30 June 2017 formal valuation, the Plan actuary has prepared an update at 30 June 2018 and 30 June 2019. The results of this update are given in the table below, along with an approximate position as at 30 April 2020.

After the improvement over 2019, the Plan's funding level deteriorated at the start of 2020. This is due to significant financial volatility as a result of the Coronavirus pandemic, which impacted the funding level of many defined benefit pension schemes as well as ours. The Trustees are closely monitoring the situation as it develops and will allow for the updated market conditions when undertaking the next formal actuarial valuation, as at 30 June 2020. Please note that due to recent volatility in the financial markets, the funding level of the Plan at the time of issuing this year's newsletter may differ from the figures outlined below.

Results (£m)	30 June 2017	30 June 2018	30 June 2019	30 April 2020*
Assets	240.9	239.0	259.4	261.0
Liabilities	259.2	258.5	268.5	286.0
Funding (deficit)/surplus	(18.3)	(19.5)	(9.1)	(25.0)
Funding Level	93 %	92 %	97 %	91 %

\*Source: Isio Fusion





## Deficit payments

At the 30 June 2017 formal valuation, the Trustees and Company agreed a revised funding plan which includes £7.5 million of additional contributions payable by the Company from 31 July 2017 to 31 July 2020 (in addition to the remaining amount due under the previous agreement). The combined contributions due are detailed in the table below. It was expected that these contributions would help the Plan to become fully funded on a Technical Provisions basis by 31 July 2020. This therefore provides more security to the Plan and will help to further improve the funding level in the future.

These payments are in addition to payments made by the Company to meet on-going costs incurred by running the Plan.

Paid on 31 July 2017	£2.50 million
Paid on 31 July 2018	£2.50 million
Paid on 4 October 2018	£3.43 million
Paid on 31 July 2019	£5.35 million
Due by 31 July 2020	£5.35 million

## Other disclosure information from the 2017 valuation

At the valuation date the estimated amount required so that all members' benefits could have been paid in full if the Plan had started winding up and benefits were to be bought out with an insurance company, was £350.7m (i.e. a shortfall of £109.7m).

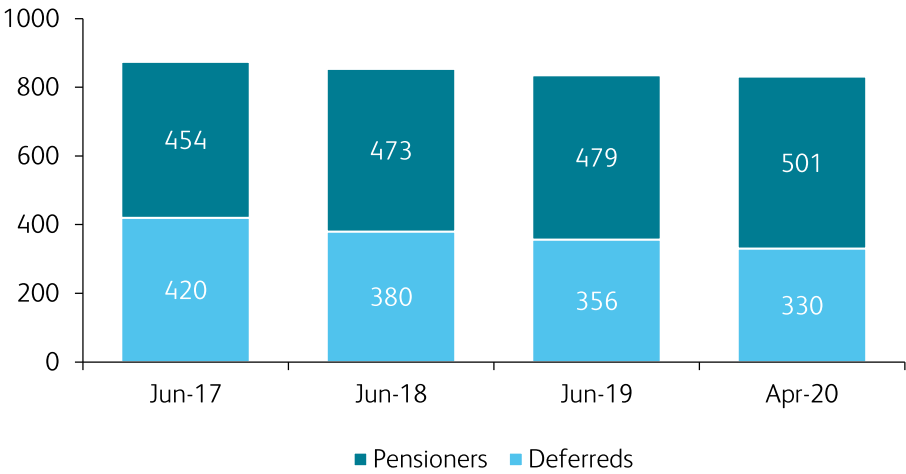
In the unlikely event that the Company becomes insolvent and there is not enough money to buy all the benefits with an insurance company, members may be protected by the Pension Protection Fund (known as the PPF). The latest estimate shows that the Plan has a funding level of approximately 100% on a PPF basis.

Inclusion of this information does not imply that the Company is considering winding up the Plan, or that the Plan would be expected to enter the PPF.



## Membership of the Plan

The charts below show the combined membership of the Plan, and how the numbers have changed since the valuation in June 2017.



# Freedom

## and Choice in Pensions



**You will have read in previous years' newsletters about the new pensions options available at retirement from defined contribution (DC) plans. We include a summary again to remind you of these options.**

Please note that all members should read the news item on the following page entitled "pensions transfer scams" before making any retirement decisions regarding their DC benefits.

Option	How benefits are accessed	Tax treatment
<b>Full withdrawal</b>	Taking the entire value of a DC pot as a one-off cash lump sum.	25 % of the lump sum can be taken tax free, the remainder is taxed.
<b>Partial withdrawals</b>	Taking a series of lump sum payments from a DC pot (regular and/or one-off). At a subsequent time, the remaining pot can be accessed via any of the other options.	25 % of each lump sum withdrawal can be taken tax free, the remainder is taxed.
<b>Flexible access income drawdown</b>	Withdrawing varying amounts out of a DC pension pot as and when required while keeping the remaining pot invested (i.e. like a savings account).	Up to 25 % of DC pot can be taken as tax-free lump sum only at retirement. Withdrawn amounts are taxed.
<b>Annuity purchase – traditional option</b>	Using a DC pot to purchase an annuity with a provider in the open market, which will give a regular income guaranteed for life and can be tailored to suit the needs of an individual.	Up to 25 % of DC pot can be taken as tax-free lump sum only at retirement. Regular income is taxed.

## How can you access the new pension freedoms?

### If you have Defined Benefit (DB) Plan savings

If you would like to have access to the options shown above at retirement, you will have to transfer your DB pension savings into a DC arrangement first. Should you wish to request a quotation of the value of your benefits (known as a 'transfer value'), please contact the Plan administrators, Isio. You are entitled to one free quotation each year.

Note that if your transfer value is above £30,000 you will be required to take independent financial advice before a transfer to an alternative DC arrangement can take place. Neither the Trustees of the Plan nor your employer can advise you on this decision. If you do not have an adviser, you can find one at [www.unbiased.co.uk](http://www.unbiased.co.uk)

### If you have a Dependant's Pension

If you are receiving a dependant's pension from the Plan, for example in respect of a deceased partner or spouse, these can also be paid as a single, taxed, lump sum if they are worth less than £30,000.

For further information on whether this applies to you and how you can consider this option contact the Plan administrators, Isio.

### From an existing DC arrangement

If at retirement you have any savings built up in a DC pot, such as the Arqiva Group Personal Pension Plan, and would like to have access to the options shown above, you will need to speak to your relevant DC provider. Some DC plans may not offer all of these options, but you have a right to transfer a DC pot to an arrangement that does.

Find out more about the pension reforms at:

[www.gov.uk/government/news/pension-reforms-eight-things-you-should-know](http://www.gov.uk/government/news/pension-reforms-eight-things-you-should-know)

### If you have a small DB pension ('small pots' and 'trivial commutation')

If your DB pension is valued at less than £10,000 or if the total value of all your pension pots is less than £30,000 then, subject to certain conditions, you can take it as a lump sum from age 55. Please note that such a lump sum will be subject to income tax (although 25 % may be tax-free if you have yet to start drawing your pension). You can check if this option applies to you by contacting the Plan administrators, Isio.

You should be aware that taking such a lump sum would remove all your entitlements in the Plan, i.e. no other benefits would be payable and as such we recommend taking independent financial advice if you are unsure about this option.

### If you have Additional Voluntary Contributions ('AVCs')

If you paid AVCs within the Plan, you have the option to take up to 25 % of your AVC fund as part of your tax-free cash sum at retirement. The remaining portion of your AVC fund must be used to purchase a pension (called an "annuity").

However, if you do wish to access the new options shown above, you have the option of transferring your AVC fund (with or without also transferring your main Plan benefits), before you retire to an external provider offering these options. You can get further information about this option from the administrators, Isio.



Pension wise is a free and impartial Government guidance which aims to explain the retirement options for taking DC pension savings including AVCs. It's accessible online at <https://www.pensionwise.gov.uk/> or alternatively in person or over the phone from the Citizens Advice Bureau and the Pensions Advisory Service. The guidance will be tailored and personalised, but will not recommend specific steps, products or providers.



# Plan

## and pension news



### Online Plan information

The online Plan information platform can be used in order to find out extra information about the Plan. You can find, amongst other things, a copy of the Plan Member Booklets as well as the latest Trustee Report and Accounts, Plan Valuation and this Newsletter. In addition, there are links to other sites where you can find helpful pension information and advice.

Access to the online area is through the main Arqiva business website. Just go to <https://www.arqiva.com/> and enter 'pension' into the  search function at the top right of the page. This will take you to some listed results where you can click on a link to Plan information.

### Pensions transfer scams

Due to the exceptional circumstances we are currently experiencing as a result of the COVID-19 situation, the Pensions Regulator has recognised that there has been a significant increase in pension scam activities. We advise members to be extra vigilant about scammers during the ongoing Covid-19 pandemic.

Scammers use a variety of methods to get their hands on people's savings. Often they will convince members to transfer the benefits they have built up to a new scheme offering 'incentives' and 'loopholes' which in reality don't exist. Examples include claims that members will be able to access their money before age 55, or to offer guaranteed investment returns. These claims are not true.

To help us to protect your interests, the Plan's administrators, Isio, will initially direct you to the guidance and information available at the ScamSmart website which has specific information relating to COVID-19:

<https://www.fca.org.uk/scamsmart>.

Please also consider the advice from the money and advice service, available here:

<https://www.pensionsadvisoryservice.org.uk/about-pensions/when-things-change/coronavirus-how-will-this-affect-my-pensions-or-investments>.

Should you still require a quotation after having considered the guidance, please confirm you have read the information concerning pension scams and are satisfied that you are not at risk when requesting a quotation with Isio. Only then will Isio process your request. Should you wish to transfer your benefits out the Plan, you will still be required to take independent financial advice.

### Pensions tax

In the Chancellor's Budget 2020, it was announced that the Lifetime Allowance will increase from £1,055,000 to £1,073,100 for the 2020/21 tax year. This increase is in line with CPI inflation.

### Plan factors

As set out in correspondence to you last year, the Plan's early and late retirement factors were updated on 1 December 2019, to reflect current estimates of the value of pension benefits taken at different ages.

These factors now apply when members choose to retire before or after their Normal Retirement Age. The updated factors can be found on the pension page of the Company website.

### Is your nomination for death benefits up to date?

If your circumstances change in the future or if you just want to make sure the Trustees have a recently dated document, simply request a form from Isio at any time.

Current Arqiva employees are covered for life assurance benefits outside of the Plan. Further details can be found on the new member site.

(Please note: if you are already receiving benefits as a dependant of the Plan, then no additional dependant benefits are payable and this section is not relevant to you.)

### The Virgin Media Pension Plan

If you have benefits within the Virgin Media/NTL Plan, our own administrators Isio will not be able to give you any information about benefits that you might have in the 'old NTL Plan'. For any enquiries, please contact XPS Pensions Group on 0118 313 0700.

### GMP Equalisation

A High Court judgment in the Lloyds Banking Group case was announced on 26 October 2018, which may impact the benefits for a small number of members in the Plan.

The Trustees are putting in place a plan of action regarding the equalisation of benefits for the Plan, and will provide further updates as this develops.

### Future changes to RPI

In 2012, the Consumer Prices Advisory Committee considered the Retail Prices Index (RPI) measure of UK price inflation to be flawed and in need of change.

As a result, from 2013, RPI has no longer been classified as a 'national statistic' although it continues to be in widespread use.

On 17 January 2019, the House of Lords' Economics Affairs Committee published a review in which it suggested that the UK Statistics Authority (UKSA) should propose correcting the RPI measure of inflation, and in March 2019 the UKSA proposed to the Chancellor that RPI should be abandoned as an inflation measure.

In turn, this led to the Chancellor and the UKSA both making further statements in September 2019. These confirmed that a public consultation to amend RPI would start in 2020, but ruled out any change to RPI until 2025 at the earliest.

The consultation began on 11 March and is due to end on 21 August.

Many of the benefits in the Plan are increased each year in line with RPI and therefore any change could have an impact on how pensions increase in future. We will provide an update on the outcome of this consultation in the next newsletter.

### AVC transfer to Utmost Life

Following a vote by policyholders at the end of 2019, Equitable Life transferred its book of unit-linked and with-profits pensions business to a new provider, Utmost Life and Pensions ('Utmost Life'). This transfer took place in January 2020 and members in the Plan who had an Equitable Life AVC fund will have received details of the transfer. These included the uplift provided to with-profits fund values (to compensate them for the loss of the underlying guarantee), how their funds would be invested with Utmost Life from January 2020 and how to make any changes.

For more information, please contact Utmost Life by emailing [enquiries@utmost.co.uk](mailto:enquiries@utmost.co.uk).

Please note that members with any legacy AVC funds have the option of transferring them to the Plan's principal AVC provider, Legal & General. For more information, please contact Isio (details overleaf).

## Need more information?

There has been a change to the administrators of the Plan, as set out in a separate letter sent to all members in February. Earlier this year, KPMG LLP entered into an agreement to sell its pension advisory practice and to establish it as a new, separate business called Isio.

Isio is now responsible for administering the Plan's benefits. The team at Isio is exactly the same as those that administered Plan benefits as part of KPMG. However please note that they have new telephone numbers and email addresses as provided below. You do not need to take any action as a result of this change and any benefits you are currently receiving from the Plan will be paid as usual.

### Your Contacts

#### Isio administrators

Daniel Bell  
Isio,  
2 Forbury Place, 33 Forbury Road  
Reading, RG1 3AD  
Tel: 0118 338 4442  
email: ukfmarqiva@isio.com

#### Arqiva

People and Organisation helpdesk  
Tel: 01962 822424  
Email: P&O.helpdesk@arqiva.com

### Your personal data

Please help us maintain our high standards of member data. Contact Isio directly to let them know about any change in your circumstances such as a change of address, updated beneficiary nominations and marital / civil partnership status.

### Your Trustees (no changes from last year):

Company Appointed Trustee Directors	Tom O'Connor (Chair) Peter Heslop Edward Thomas
Member Nominated Trustee Directors	Dick Buckle Jack FitzSimons
BECTU Nominated Trustee Director	Alan Taylor

### Our professional advisers

We are supported by a number of professional advisers:

Actuary and administrators:	Isio Group Limited
Legal advisers:	Baker & McKenzie LLP
Investment advisers:	Mercer
Auditors:	Crowe UK LLP
Investment managers:	Legal & General Investment Management; Standard Life Investments Ltd; Insight; Vontobel Asset Managements; Nordea Asset Management; Barings
AVC managers:	Legal & General Investment Management
Bankers:	Lloyds Bank Plc

### Other help with your pension

State Pension information can be found at [www.gov.uk/browse/working/state-pension](http://www.gov.uk/browse/working/state-pension)

If you would like any information relating to pensions guidance, debt advice, money guidance or consumer protection, a new single financial guidance body called the Money and Pensions Service was set up in 2019. This financial body replaces the Money Advice Service, The Pensions Advisory Service and Pensions Wise. Further information can be found at [www.moneyandpensionsservice.org.uk](http://www.moneyandpensionsservice.org.uk)

**Tax advice** cannot be given by the Trustee or our advisors. If you need further tax information please contact HMRC by visiting [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or calling 0300 200 3300.

## About Arqiva

Arqiva is a leading UK communications infrastructure company, behind the scenes delivering millions of vital connections.

Every day our infrastructure and associated services enable millions of people, businesses and machines to connect wherever they are through TV, radio and machine-to-machine data services.

We are the only supplier of national terrestrial television and radio broadcasting services in the UK and our advanced networks support the critical passage of data and content from connected TVs, and smart meters for water, gas and electricity.

Our customers include major UK and international broadcasters such as the BBC, ITV, Sky Plc., Turner Broadcasting, the independent radio groups and major utility companies and networks.

We carried the BBC's first television broadcast in 1936, were behind the first satellite TV tests in the 1970s, launched the UK's national DAB radio and digital terrestrial television networks in the 2000s and are a key part of the national roll out of smart gas and electricity meters in the North and Scotland. Our expertise in managed networks has also seen us develop a growing presence in the water industry, helping utilities companies meet their leakage reduction targets.

For more information, news and insights from Arqiva, please visit the website at: [www.arqiva.com](http://www.arqiva.com)