

Simply Pensions

Balfour Beatty Pension Fund Annual Newsletter

For members of the Defined Benefit Section

Pension terms explained



Actuarial valuation

An in-depth look at the Balfour Beatty Pension Fund's (BBPF) finances, carried out by the actuary at least every three years.



Actuary

The qualified, independent professional appointed by the Trustee to examine the BBPF's finances and assess its financial health.



Annual actuarial report

An approximate update on the BBPF's financial position carried out by the actuary between formal actuarial valuations.



Assets

The actual amount of money invested and held by the BBPF.



Company

References to 'the Company' mean Balfour Beatty.



Deficit

The difference between assets and liabilities, if liabilities exceed assets.



Defined Benefit Section

This is the section of the BBPF where the value of a member's benefits is linked to earnings and service and is calculated by reference to a formula defined in the Rules.



Defined Contribution Section

This is the section of the BBPF where the value of a member's benefits reflects the value of the investments purchased using the contributions paid in by the member and the Company.



Funding level

The ratio of assets to liabilities.



Liabilities

The amount of money estimated to be needed now to provide benefits earned by members.



Surplus

The difference between liabilities and assets, if assets exceed liabilities.



Trustee

The governing body of the BBPF. At present, it is made up of the Chair, three company nominated trustee directors and three member nominated trustee directors.

A message from the Chair on behalf of the Trustee

Welcome to this year's edition of Simply Pensions. In this issue you will find an update on the funding and investment strategy of the Defined Benefit (DB) Section of the Balfour Beatty Pension Fund (BBPF) as well as our other regular features and updates. A separate newsletter has been issued to members with Defined Contribution benefits.

Funding update

I am very pleased to be able to report that despite the economic uncertainty and market volatility we've seen throughout the pandemic, the BBPF has been able to maintain a stable funding position during the period April 2020 to March 2021. You can read more about the funding level on page 4.

Earlier in the year, while carrying out a share buyback programme, Balfour Beatty accelerated cash contributions to the BBPF ahead of the agreement that is in place. We have also reached an interim agreement for future cash payments between now and the next formal valuation being completed next year. I will let you know the outcome of these valuation discussions in due course.

Sustainable investments

To reflect Balfour Beatty's commitment to sustainability, the Trustee is working with its investment consultants to ensure that the BBPF's investments are socially and environmentally sustainable and that they also encourage action to control climate change. You can find more information about this as well as updates on the investment performance and how the BBPF was invested as at 31 March 2021 on page 5.

Trustee Directors

John Tansey retired in June after 13 years' service as a Trustee. Bob Gildie was elected by the BBPF pensioners and took office in June. Bob is a retired chartered accountant with extensive experience in the administration and management of occupational pension schemes.

COVID-19

We have all been affected by COVID-19 and have had to adapt to new ways of working. I am pleased to report that the team behind BBPF have responded admirably and maintained a high level of service during these difficult times.

Feedback

As always, we welcome feedback from members. Please email any feedback or suggestions to bbpensionshelpdesk@balfourbeatty.com or write to us at the address on the back page of this newsletter.

We hope you enjoy this issue of the newsletter.

Stuart Benson
Chair
On behalf of the Trustee



Your Trustee Directors

Stuart Benson, Chair (Company nominated)
Paul Raby (Company nominated)
Adam Walker (Company nominated)
Christina Brown (Company nominated)
Heather Dervin, re-elected December 2021 (Member nominated – active members)
Andrew Gilpin to December 2021
Graham Commons from December 2021 (Member nominated – active members)
Bob Gildie (Member nominated – pensioners)

Membership breakdown as at 31 March 2021

Defined Benefit Active

1

Defined Contribution Deferred

8,924

Defined Contribution Active

5,172

Life Cover Only

915

Defined Benefit Deferred

10,016

Defined Benefit Pensioner

17,600

The BBPF's summary funding statement

As part of managing the BBPF, the Trustee regularly reviews the BBPF's financial health. This is done by an actuary, who carries out a full formal actuarial valuation every three years, with approximate annual actuarial reports taking place in the years in between. The next formal actuarial valuation will be carried out as at 31 March 2022.

The results

The charts show the results from this year's annual actuarial report as at 31 March 2021 compared with the most recent valuation carried out as at 31 March 2019 and the 2020 actuarial report.

As you can see from the charts below, the BBPF had a deficit of £144 million as at 31 March 2021. Overall, the deficit remains broadly unchanged over the 12 months to 31 March 2021. This is primarily due to an update to the BBPF's life expectancy assumptions, offset by positive investment experience and deficit recovery contributions paid by the Company as part of the recovery plan.

The BBPF recovery plan

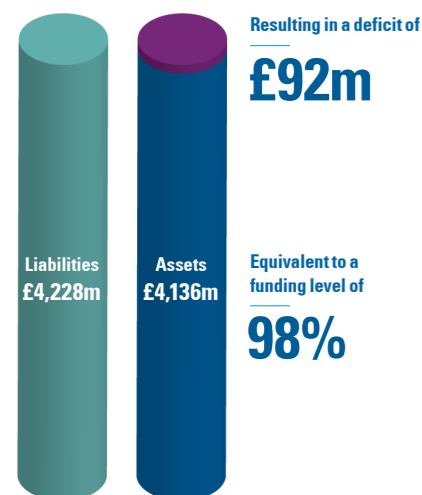
The Trustee and the Company agreed a recovery plan as part of the actuarial valuation in 2019 with the aim of removing the BBPF's deficit by the end of April 2023. This includes deficit funding totalling some £93 million from the Company to the BBPF through to 2023.

In spring 2021, the Company agreed with the Trustee to accelerate part of this deficit funding and in March 2021, some £20 million of deficit funding contributions were paid early.

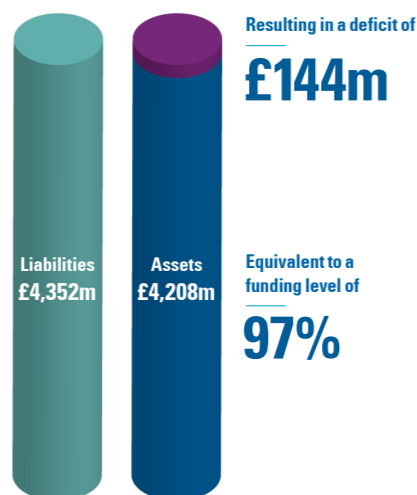
Please refer to the Valuation Special newsletter issued in spring 2020 for more detail on the BBPF recovery plan and other key agreements between the Trustee and Company, including the 'journey plan' which sets out how the Trustee of the BBPF aims to move towards a lower risk self-sufficiency position.

If you require a copy of the Valuation Special newsletter, please visit www.balfourbeatty.com/pensions or contact the Pensions Centre, using the contact details on the back page.

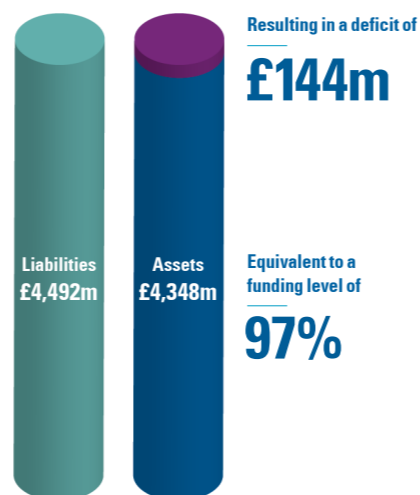
Actuarial valuation as at 31 March 2019



Annual actuarial report as at 31 March 2020



Annual actuarial report as at 31 March 2021



The Defined Benefit Section of the BBPF's investments

The Trustee regularly reviews how the assets in the BBPF's Defined Benefit Section are invested and aims to protect the financial position of the BBPF in the best interest of its members.

Defined Benefit Section investment strategy

Willis Towers Watson manages the BBPF's investment portfolio with the aim of delivering a target return set by the Trustee. The Trustee also determines the level of investment risk that can be taken and sets other guidelines which control how the investments are managed. Within these guidelines, a very diverse investment portfolio is constructed, with a keen focus on managing the risks to which the BBPF is exposed.

During the year, the Trustee decided that it was appropriate to take less risk within the BBPF's investment strategy, in part given the increased market volatility brought about by the COVID-19 pandemic. As a result, the target return for the portfolio was reduced.

The chart below shows how the Defined Benefit assets of the BBPF were invested on 31 March 2021. The proportion invested in the liability hedging portfolio increased over the year by nearly 5% (and the allocation to the other return-seeking assets was reduced) consistent with a move to a lower risk/lower return portfolio.

Defined Benefit Section assets

In our Autumn 2020 newsletter we looked at how COVID-19 had caused uncertainty leading to volatility in the investment markets. While the BBPF was not immune from this, its diverse investment portfolio and strong risk-controlled approach meant the funding level was impacted to a lesser extent than many other schemes.

Since the end of March 2020, investment markets have experienced a strong recovery. The BBPF investments have performed well over the period, more than offsetting market falls experienced in early 2020. This is a much better outcome than we might have anticipated a year ago.

We remain as focused as ever on ensuring the BBPF has an appropriate spread of investments and the right balance of different risks. The aim, as always, is to hold investments that can perform well in a range of market conditions, recognising that the lasting effects of COVID-19 are likely to cause continued uncertainty.

Focus on sustainable investment

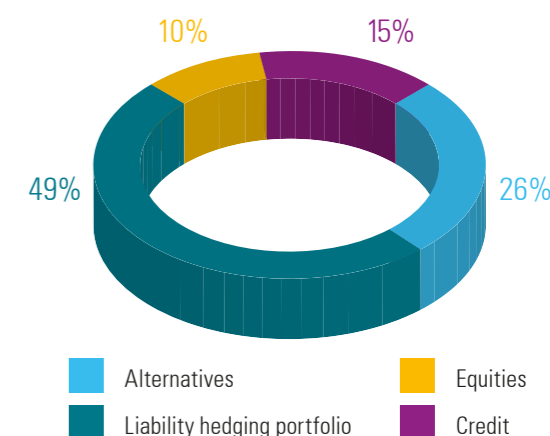
Sustainable investment is a broad term that takes account of factors that impact longer term investment outcomes. It includes Environmental, Social and Governance (ESG) factors with a particular focus on climate change and the risks and opportunities it presents.

Sustainable investment and climate risk are undoubtedly hot topics, not least because of the Climate Change Conference, COP26, which took place in November this year. However, the concept of sustainable investment is not new to the BBPF. It has for many years been an integral part of the approach used in managing the BBPF's assets.

New pensions legislation has recently come into force which will require trustees to take account of climate risk more explicitly when managing their schemes' assets, and publicly report on the approach taken. While these requirements will not impact the BBPF for some time, the Trustee is working with its advisers to ensure it is taking all appropriate steps to assess and manage climate related risks, and is well positioned to fulfil its new responsibilities ahead of these formally taking effect.

We will update you on the progress being made in this area in next year's edition of Simply Pensions.

Asset types explained	
Alternatives	These are investments whose value is driven by different factors from traditional equity and credit investments, e.g. hedge funds and reinsurance.
Credit	This is typically bonds issued by public companies. However, it may also include other forms of debt.
Equities	These are stocks or shares in a company.
Liability hedging portfolio	This portfolio mainly contains UK government bonds, however it also has exposure to other instruments which mimic the broad movement of the BBPF's liabilities.



Your questions answered

How are the BBPF's finances measured?

The figures on page 4 are produced by an actuary who compares the value of the BBPF's liabilities with its assets.

The liabilities are the estimated cost of providing the benefits earned by all members.

The assets represent the total value of money available to the BBPF at any point in time to pay the benefits. It includes the money collected from contributing members and the Company.

The BBPF's assets are held in a trust fund completely separate from the Company's assets. The BBPF's assets are invested to provide the benefits that need to be paid out.

Are my benefits secure?

Although the BBPF has a deficit, the Company is paying contributions to remove this deficit over a period of time. This is in accordance with the recovery plan, which we described on page 4.

There are regular reviews in place to ensure that the impact of any change in the funding level is recognised and addressed.

The Trustee also reviews the ability of the Company to maintain its contributions by obtaining regular reports from a specialist external adviser. The latest assessment from its adviser is that the Company continues to be able to maintain its support for the BBPF.

Have there been any payments to the Company?

We confirm that since our previous newsletter, no payments have been made from the BBPF to the Company.

Has the Pensions Regulator intervened in the running of the BBPF?

The Pensions Regulator has powers under the Pensions Act 2004 to intervene in the running of a pension scheme. The Regulator has not applied any of these powers with regard to the BBPF. In particular, the BBPF has not been modified by the Regulator, is not subject to any direction from the Regulator and it is not bound by a schedule of contributions imposed by the Regulator.

What if the BBPF were to be discontinued?

It is a legal requirement that we provide you with an update on what the funding position would be if the BBPF were to be wound up. We would like to emphasise there is no plan to wind up the BBPF – this is for information only.

In the event that the BBPF were to be wound up, the Company would be required to pay enough money to the BBPF so that the Trustee could secure all the members' benefits with an insurance company. Members would no longer be able to contribute to the BBPF or build up further benefits.

As part of this year's annual actuarial report, the actuary carried out an approximate, hypothetical assessment of the financial position of the BBPF if it were to be wound up. If the BBPF had been wound up at 31 March 2021, the actuary estimated the assets of the Defined Benefit Section would have been around 77% of the amount needed to secure all of the Defined Benefit liabilities with an insurance company. This has remained consistent with the last actuarial valuation (as at 31 March 2019) when this figure was also around 77%.

If there were insufficient Company assets available to top up the assets in the Defined Benefit Section to 100% then, depending on circumstances, the BBPF might enter the Pension Protection Fund (PPF) and members of the Defined Benefit Section would be provided with PPF benefits. A pension provided by the PPF would be a substantial proportion of your benefits built up in the Defined Benefit Section of the BBPF, although there may be reductions depending on your age and when your benefits were earned.

You can find out more at www.pensionprotectionfund.org.uk or by writing to:

The Pension Protection Fund,
Renaissance,
12 Dingwall Road,
Croydon,
Surrey,
CR0 2NA.

Defined Contribution savings are not covered by the PPF. If the BBPF was discontinued, the Defined Contribution benefits would be secured separately, either by transferring them to an insurance company or to another pension arrangement.

Regular features and updates

Pension Tax Allowances

There are two pension tax allowances – called the Annual Allowance and the Lifetime Allowance. Details of the allowances for the 2021/22 tax year are below.

The Annual Allowance

The Annual Allowance (AA), which for most people is currently £40,000, is the total amount of benefits you can build up in any tax year from all your UK registered pension savings without incurring a tax charge. There are lower limits for individuals with income above £200,000 and (in some circumstances) for people who have already started accessing their defined contribution pension benefits.

The Lifetime Allowance

The Lifetime Allowance (LTA) is the total amount of pension savings that you can build up in UK registered pension arrangements over your lifetime without incurring a tax charge. The LTA is £1,073,100 for the current tax year and it will remain at that level until April 2026. It is expected that it will increase in line with the increase in the Consumer Prices Index (CPI) each year from 6 April 2026.

You can find out more about the AA and LTA by visiting <https://www.gov.uk/tax-on-your-private-pension>

Signs of a scam

According to the Pensions Regulator, thousands of people have lost their life savings to scammers. Sadly, more scams have emerged recently, as scammers try to take advantage of the COVID-19 pandemic. Make sure you protect yourself and look for the signs of a scam as outlined below. For example, an offer from an 'unregulated' provider suggesting you transfer your pension benefits in exchange for seemingly tempting investment opportunities and/or cash. This type of offer could be a scam.

You should also look out for:

- Unsolicited calls, text messages or emails about pension offers. Cold calling about pensions is illegal in the UK, and Government-backed bodies would never contact you for a pension review
- Phrases like 'one-off investment opportunity' and 'legal loopholes'
- Time limited offers that pressure you into making a quick decision
- Financial advisers who aren't registered on the FCA website – be sure to check <https://www.fca.org.uk/firms/financial-services-register>

This is not a complete list, but if you spot any of these signs, or think you might have been targeted or scammed, call Action Fraud on **0300 123 2040** to report it. You can also find out more about pension scams by visiting www.pension-scams.com

www.fca.org.uk/scamsmart also contains helpful information from the Financial Conduct Authority about how to spot a pension or investment scam, including scams relating to COVID-19.

State Pension Age equalises

State Pension Age (SPA) is the age at which the State Pension can start to be paid. SPA became the same (age 65) for both men and women in November 2018. It is now in the process of gradually rising to age 68 for everyone by 2046. You can check your own SPA by visiting: www.gov.uk/state-pension-age

Increase to Minimum Pension Age

The government has confirmed that in 2028 it intends to increase the minimum age from which individuals will be able to access their pension savings (other than due to ill health) in occupational and private pensions from 55 to 57.

Nomination forms

If you haven't yet drawn your benefits or have been receiving your own BBPF pension for less than 5 years (not a spouse's or dependant's pension), there may be a cash lump sum payable in the event of your death.

Under the Rules of the BBPF, the Trustee decides who should receive this, and you can help it reach a decision by keeping your nomination form up-to-date.

You can update your nomination form at any time. It's especially worth considering sending in a new form every time your family circumstances change, for example on marriage or divorce, the birth of a child or when you receive your BBPF pension. By updating your nomination form, the Trustee can be confident that the information it holds reflects your up-to-date wishes.

Your pension benefits aren't paid to your estate, so they are not covered by any provisions you make in your will. In the event of your death, the Trustee may ask for a copy of your will to help it understand your personal circumstances.

If you're still employed by Balfour Beatty you can download a nomination form from the UK Pensions page on The Hub or you can request a nomination form from the Pensions Centre using the contact details on the back page.

Pension pay dates for pensioners

- 22 December 2021
- 31 January 2022
- 28 February 2022
- 31 March 2022
- 29 April 2022
- 31 May 2022
- 30 June 2022
- 29 July 2022
- 31 August 2022
- 30 September 2022
- 31 October 2022
- 30 November 2022

Please note that payslips are only generated if the amount payable differs by £1 or more from the previous month.

Contacting the Balfour Beatty Pensions Centre

To receive this newsletter in large text format, request a nomination form or an estimate of your benefits, to give us feedback, or ask questions, get in touch using the contact details below:

📞 **Call: 0151 482 4664**

✉️ **Email: bbpensionshelpdesk@balfourbeatty.com**

✍️ **Write to: Balfour Beatty Plc Pensions Centre, Kings Business Park, Kings Drive, Prescot, Merseyside L34 1PJ**

Please note: any request to change your personal details (e.g. your address) must be made in writing.

Please provide your full name and date of birth when contacting the Pensions Centre.

Need more information?

There are a number of documents available on request from the Pensions Centre which you may find of interest:

Statement of funding principles

An explanation of how the Trustee determines the BBPF's liabilities and its strategy for dealing with any deficit.

Recovery plan

This shows the contributions which the Trustee and the Company agreed should be paid to eliminate the BBPF's deficit.

Schedule of contributions

This shows all of the contributions that are being paid into the BBPF and the due dates for these contributions.

Annual BBPF report and financial statements

This shows the BBPF's income and expenditure over the year to 31 March each year.

Report on the latest formal actuarial valuation

This contains details of the actuary's check on the BBPF's finances as at 31 March 2019.

The latest annual actuarial report

This contains details of the actuary's review of the BBPF's finances as at 31 March 2021.

The following documents are also available to view or download from www.mypension.com/bbpf

- **Statement of investment principles (SIP)**
An explanation of how the Trustee invests the money paid into the BBPF.
- **Implementation statement**
A report setting out how the Trustee has followed the SIP during the preceding year.
- **Chair's statement**
This relates to the Defined Contribution Section of the BBPF. It sets out the various actions taken by the Trustee to ensure that it runs the BBPF in the best interests of members and in accordance with the law, regulations and the Rules of the BBPF.

Need financial advice?

By law, neither the Trustee nor the Company can give you financial advice. If you need more help, you should consider speaking to an FCA regulated financial adviser. You can find details of a local financial adviser at www.moneyhelper.org.uk

Protecting your personal data

The UK General Data Protection Regulation (GDPR), and Data Protection Act 2018 (the Data Protection Laws) regulate how your personal data is collected, processed, stored and transferred. The Trustee remains committed to safeguarding your information and protecting your rights under the Data Protection Laws. We only hold such personal information as is necessary for the effective management of the BBPF and payment of members' pensions.

We have recently updated the Privacy Notice, and you can find it online by visiting www.balfourbeatty.com/pensions, or you can obtain a copy from the Pensions Centre by emailing bbpensionshelpdesk@balfourbeatty.com

The Privacy Notice outlines:

- How we use and disclose your personal information
- The protections we apply
- The legal basis for our use of your information
- How long this information is kept for
- Your rights under the Data Protection Laws
- Contact details if you have questions

Please note

This newsletter is produced for information only and does not confer any right to benefits. If there is any conflict between the information here and the Rules of the Balfour Beatty Pension Fund, the Rules take precedence. The Trustee takes no responsibility for the content of external websites.