

Xerox Final Salary Pension Scheme

August 2017

# Timeline

Your Annual Newsletter From The Trustee

## Headline News

- Latest Actuarial Valuation
- Xerox Separation Update
- Trustee Changes
- Financial Highlights
- Update on GMP

# Hello and welcome!

It is a pleasure to present the 2017 issue of Timeline, the newsletter for members of the Xerox Final Salary Pension Scheme, bringing you the latest news from the Trustee as well as a news update about pensions in general.

There are details on page 14 about the successful separation of Xerox into two companies. Please note that there is a new name for the Scheme administrator, Conduent HR Services, although aside from this, it's business as usual for our Scheme members.

The Actuary has carried out a full actuarial valuation of the Scheme, looking at the financial position as at 31 March 2016. This has just been agreed and the details are currently being finalised. You can read more about the valuation on pages 4 and 5.

There are some changes to the Trustee Board to tell you about. Following leaving Xerox, Robert Thomas is stepping down as a Trustee and Chair of the Board. He is replaced as Chairman by Peter Romaine. You can read more about the new Trustee Board on pages 12 and 13.

We have included a summary of the Scheme's finances on page 11, detailing the money paid into and out of the Scheme during the year to 31 March 2017.

We hope you find this issue of Timeline of interest. If you have any questions about the content or if there's anything you would like to know more about in future issues, please get in touch with us using the details on the back page.

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# At a Glance

At 31 March 2017, the Scheme's investments were worth

**£2,919 million**



There are

**13,549** members in the Scheme



In the year to 31 March 2017, the Scheme's investments returned **21.5%**



The funding level as at 31 March 2016 is **81%**



# Actuarial Valuation

This statement provides members with information about the financial security of the Scheme as at 31 March 2016 – the date of the most recent actuarial valuation.

The Trustee and the Company have just reached agreement on this valuation and a revised level of contributions from the Company to the Scheme. The details are being finalised and a Summary Funding Statement will be available on the Xerox pensions website from October, based on the final outcome.

## **HOW IS THE FINANCIAL POSITION OF THE SCHEME MEASURED?**

The financial position is determined by comparing the value of the Scheme's assets with an estimate of the current value of the Scheme's liabilities, which is the total of all members' benefits that will be paid to them in the future. This is called an actuarial valuation.

A full actuarial valuation is carried out every three years; there is an interim review in other years. In the valuation, the Scheme Actuary compares the value of the Scheme's assets to its liabilities using two approaches: the Technical Provisions basis and the Buy-Out basis.

The Technical Provisions basis requires the Trustee to adopt a prudent set of assumptions and this basis is used to determine the funding level and where appropriate, the extent of any shortfall or surplus. If there is a shortfall, the Trustee and the Company must agree how it will be made good.

The Buy-Out (solvency) basis looks at the position if the Scheme were notionally to have been wound up at the valuation date and the benefits secured with an insurance company.

## **WHAT IS THE FUNDING POSITION OF THE SCHEME?**

The preliminary results of this valuation on a Technical Provisions basis, together with the results of the 2013 valuation and the position at the last interim funding review as at 31 March 2015 are set out in the table opposite.

The increase in the shortfall is largely due to a reduction in the discount rate used by the Trustee to determine the present value of the Scheme's liabilities. This was as a result of a further fall in the return on government bonds and because the Trustee has decided that a more cautious view of the future outlook should be taken.

This has been offset to an extent by the significant contributions paid by Xerox from 2013 to 2016.

	Actuarial valuation March 2013 £m	Interim funding review March 2015 £m	Actuarial valuation March 2016 £m
Assets	2,182	2,550	2,458
Liabilities	2,659	2,948	3,038
Shortfall	(477)	(398)	(580)
Funding level	82%	87%	81%

The Actuary has estimated that the Buy-Out solvency position as at 31 March 2016 was 60%, which was broadly the same as it was as at 31 March 2013.

#### WHAT IS THE TRUSTEE'S FUNDING PLAN?

The Trustee and Xerox have agreed to a plan designed to eliminate the shortfall by the end of 2024, as previously. This involves the Company committing to make significant additional cash contributions to the Scheme. The final details of the funding plan are being put in place. However, Xerox has already paid over £55 million since the valuation date. It then intends to pay a further £80 million before the end of 2017.

The 2016 valuation and resulting funding requirements will be finalised shortly and details will be available on the Xerox pensions website from October. The funding position and Xerox's contributions will be fully reviewed again as part of the 2019 valuation process.

#### HOW SECURE IS MY PENSION?

The Scheme is reliant on Xerox to ensure the Scheme is able to provide members with their benefit entitlements as they fall due. As part of the valuation process, the Trustee takes professional advice from an independent adviser on Xerox's ability to continue to support the Scheme.

The government has also set up the Pension Protection Fund (PPF) to pay a level of benefits to members in the event that employers become insolvent and are unable to meet their pension commitments and there are insufficient scheme assets to provide better than the PPF level of compensation.

Further information and guidance is available from the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.

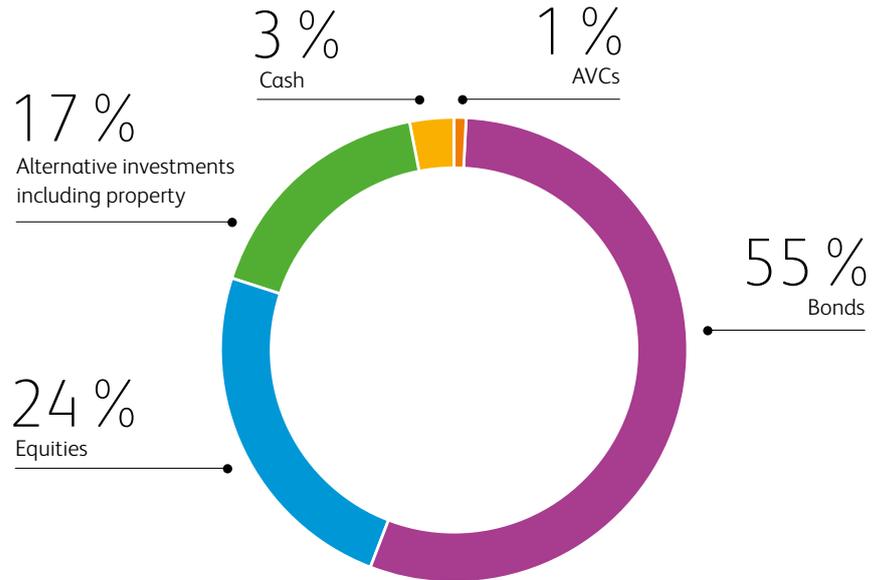
# Investments 2017

The Trustee is responsible for investing the Scheme's assets so there is enough money to pay pensions to members now and in the future. The Scheme's investment strategy is formally set out in a document called the Statement of Investment Principles (SIP), a copy of which is available on the pensions website.

The Trustee delegates the day-to-day buying and selling of investments to specialist investment managers, who work in accordance with the SIP.

## HOW ARE THE ASSETS CURRENTLY INVESTED?

As at 31 March 2017, the Scheme's assets were invested as follows:



## INVESTMENT GLOSSARY

- Equities – shares in a company. These can be in UK-based companies or overseas companies.
- Bonds – essentially a loan where the investor lends money to a company or a government which then repays it with interest. Interest rates are usually fixed or linked to inflation (index-linked). UK Government bonds are also known as Gilts.
- Alternative investments – assets such as property, direct loans, opportunistic credit and commercial real-estate debt.
- Cash – low-risk, low-return investments – a bit like leaving your money in the bank and getting a small amount of interest. Returns are usually quite low but the funds are easily accessible.

## INVESTMENT PERFORMANCE

The Scheme's investment performance is compared with the movement in the value of the Scheme's liabilities (the Liability Benchmark).

In the year to 31 March 2017, the Scheme's assets returned 21.5%, compared with the Liability Benchmark of 16.9%.

Over the three years to March 2017, the Scheme's assets returned 13.3% per year, compared with the Liability Benchmark of 13.8%.



# Additional Voluntary Contributions (AVCs)

## LATEST AVC FUND INVESTMENT PERFORMANCE

The table shows the annualised performance of the AVC funds over one and three years to 31 March 2017. You should remember that past performance is not an indicator of future investment returns.

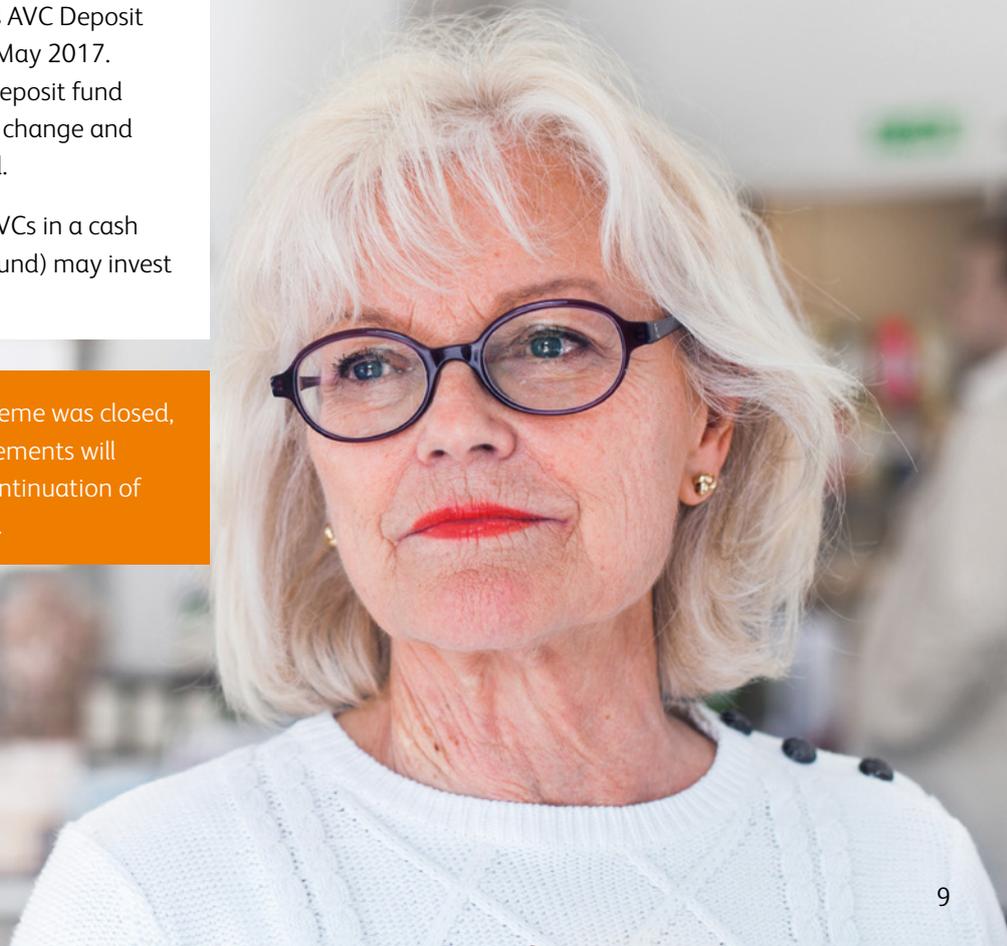
	1 year to 31 March 2017	3 years to 31 March 2017
With-Profits fund	2.5 %	5.7 %
Deposit fund (Prudential)	0.4 %	0.5 %
Cash fund (Fidelity)	0.1 %	0.2 %
Global Equity fund	26.9 %	11.1 %
Pension Annuity fund	12.1 %	10.3 %
Corporate Bond fund	8.9 %	7.1 %
Index-Linked Government Bond fund	21.7 %	14.3 %

### **DEPOSIT FUND CLOSED TO NEW INVESTORS**

To comply with new insurance company regulations, Prudential announced that it has closed its AVC Deposit fund to new investors with effect from 31 May 2017. Members who already have a Prudential Deposit fund account are completely unaffected by this change and may continue to invest in the Deposit fund.

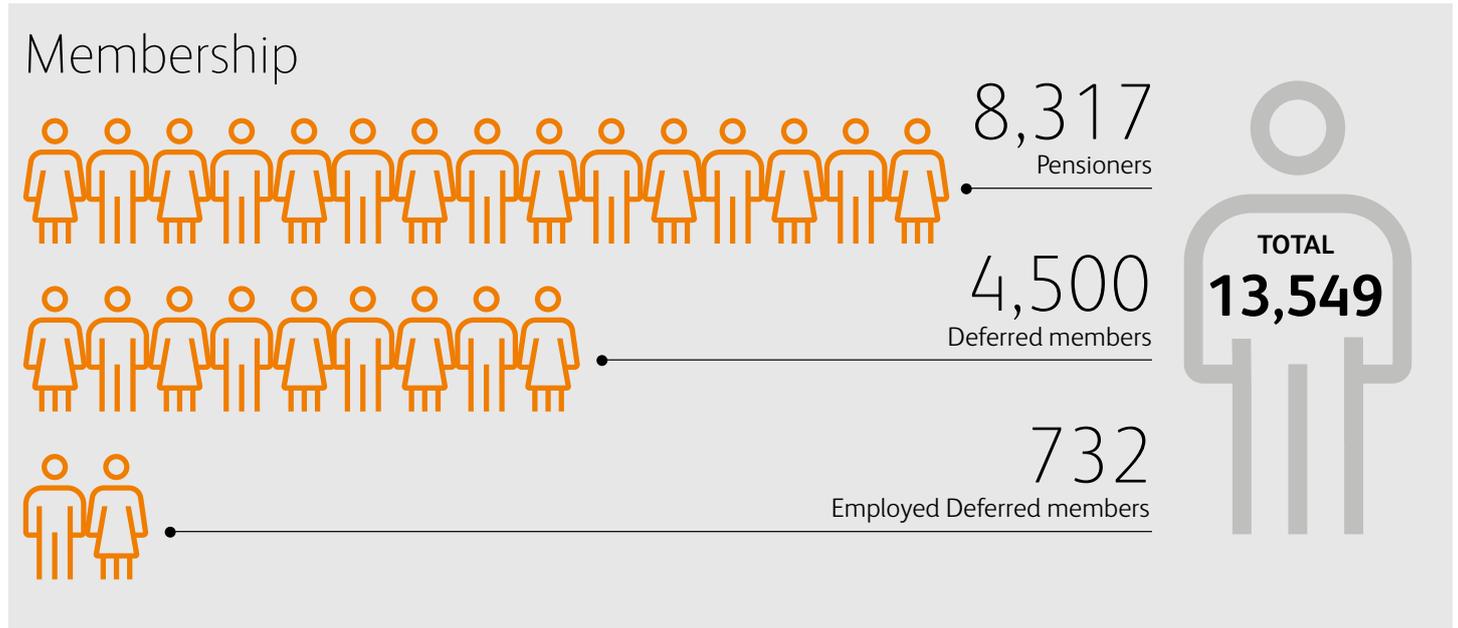
Those members who wish to invest their AVCs in a cash fund (and are not eligible for the Deposit fund) may invest in the Fidelity Cash Fund.

Members are reminded that when the Scheme was closed, the Company agreed that the AVC arrangements will continue until 2020. After this time, the continuation of the arrangements will be subject to review.



# Facts & Figures

The following information has been taken from the Trustee's annual report and accounts for the year to 31 March 2017. It includes a summary of the income and expenditure of the Scheme for the year, along with the latest membership figures.



## Money In

£'000

Members' contributions	119
Company normal contributions	861
Company additional contributions	58,753
Other income	43
Investment income	26,693
<b>TOTAL</b>	<b>86,469</b>

## Money Out

£'000

Pensions paid to members	86,026
Payments in respect of leavers	15,292
Lump sums on retirement or death	8,672
Administration and adviser costs	2,288
Investment expenses	9,877
Pension Protection Fund levy	507
<b>TOTAL</b>	<b>122,662</b>

## The Big Picture

£'000

Value of Scheme assets at 1 April 2016	2,458,133
Income less expenditure	(36,193)
Change in market value of assets	497,566
Value of Scheme assets at 31 March 2017	2,919,506

If you would like to see a copy of the full report and financial statements, please email [xeroxpensions@conduent.com](mailto:xeroxpensions@conduent.com)

# Looking After Your Interests

The Scheme is managed by a Trustee company, which is separate from Xerox. The Board of Directors has eight Trustee Directors, four of whom are appointed by the Company, along with an independent Trustee, and three are nominated by members of the Scheme.

## CHANGES TO THE TRUSTEE BOARD

Following leaving Xerox, Chairman, Robert Thomas has stepped down from the Trustee Board. Robert has been a Trustee Director since 2008 and we thank him for his hard work and service to the Scheme. He is replaced as Chairman by Peter Romaine, who joined the Board in 2010 and has been Chair of the Investment Committee.

Following the separation from Conduent, Jacqui Dove resigned as a Member-Nominated Trustee Director for the employee constituency in December 2016 and has been replaced by Shef Mehta.

Sarah Neighbour stepped down from the Trustee Board from June 2017.

We welcome new Company-Appointed Trustee Directors, Lisa Tucker and Malcolm Mitchell, who join the Board from July and September respectively.



Peter Romaine



Robert Thomas

## YOUR NEW-LOOK BOARD: WHO'S WHO?

### Independent Trustee (appointed by the Company)

David Kidd, Law Debenture Pension Trust Corporation plc

### Company-Appointed Trustee Directors

Robert Thomas (Chairman and Trustee Director to September 2017)

Peter Romaine (Chairman from September 2017)

Carol McFate (from May 2016)

Sarah Neighbour (to June 2017)

Malcolm Mitchell (from September 2017)

Lisa Tucker (from July 2017)

### Member-Nominated Trustee Directors

(Employee constituency – selected from members of Final Salary and FundXtra who are still working for Xerox)

Jacqui Dove (to December 2016)

Shef Mehta (from January 2017)

### Member-Nominated Trustee Directors

(Ex-employee constituency – selected from deferred and pensioner members of Final Salary and FundXtra who are no longer employed by Xerox)

Lewis Stringfellow

John Prynne

### New Member-Nominated Trustee Director (ex-employee constituency)

In February 2018, pensioner member Lewis Stringfellow comes to the end of his five-year term as a Member-Nominated Trustee Director. Lewis has agreed to stand again for another five-year term.

If any deferred member or pensioner member who is an ex-employee of Xerox is interested in being considered, please see the enclosed information.

## OUR ADVISERS

The Trustee is supported by professional advisers who are specialists in their field. We regularly review our advisers to ensure they deliver value to the Scheme.

<b>Scheme Actuary</b>	Richard Akroyd, Willis Towers Watson Limited
<b>Investment consultants</b>	Redington Limited
<b>Auditors</b>	Crowe Clark Whitehill LLP
<b>Bankers</b>	Lloyds Bank plc
<b>Administrators</b>	Conduent HR Services
<b>Solicitors</b>	Sacker & Partners LLP

# Scheme Noticeboard

## **XEROX SEPARATION SUCCESSFULLY COMPLETED**

Following the news last year that Xerox was planning to split into two companies – Conduent, a business process outsourcing company, and Xerox, a document technology company – the split was successfully completed as planned on 1 January 2017. From this date, Conduent became a completely separate company from Xerox. Prior to the separation, Conduent made a special contribution of £0.78 million to the Scheme in order to fully fund the Scheme liabilities it was responsible for.

## **CONDUENT HR SERVICES AND THE SCHEME**

Conduent HR Services is one of the largest benefit administrators in the world. For more than four years, it has been the administrator of the Xerox Final Salary Pension Scheme. Although the name of the administrator has changed, you will continue to deal with the same team, based in Bristol, administering the Scheme and paying pensions on behalf of the Trustees. Contact details for Conduent HR Services can be found on the back page of this newsletter.

## **CHECK YOUR NEW STATE PENSION ENTITLEMENT**

In the six months following the launch of the new State Pension in April 2016, more than 1.5 million personal State Pension forecasts were issued, 80% of which were viewed online. Anyone of working age can request a forecast of their State Pension. It provides an estimate of what you might expect and highlights any gaps in your National Insurance contribution record and whether these can be filled with voluntary contributions. To get a State Pension forecast, visit [www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension).

## **IS YOUR EXPRESSION OF WISH UP TO DATE?**

It's important to make sure that you keep your expression of wish form up to date with your personal circumstances, for example if you get married, divorced or have a child. We keep details of your wishes on your record so that in the event of your death, the Trustees can easily identify anyone you have nominated to receive any benefits that may be payable. Although the Trustees have discretion to decide who will receive this benefit, they do take your wishes into account. This means the benefit does not form part of your estate and become subject to Inheritance Tax.

## UPDATE ON GMP



In last year's Timeline, we told you about the work that was being done to review all members' pension records in conjunction with HMRC. This is to ensure that members' Guaranteed Minimum Pension (GMP), resulting from the time when the Scheme was contracted out of SERPS, is correctly reflected in benefit calculations and in members' State Pensions.

Our Scheme ceased to be contracted out from December 2013, and with the introduction of the new State Pension in April 2016, contracting-out ended for all workplace schemes.

This work is progressing well and the Scheme is on schedule to complete the reconciliation of members' GMP data with the records held by HMRC by December 2017, a year ahead of the deadline set by HMRC.

In December 2018, HMRC will issue statements to all individuals with contracted-out benefits in defined benefit pension schemes.

Members don't need to take any action, this is for your information. Nearer the time, we will include an update about what the HMRC statement means for you.

## A REMINDER ABOUT PENSION SCAMS

Thousands of people have lost their life savings after falling for a pension scam – don't let it happen to you.

These scams are normally aimed at members who are not yet receiving their pension and we urge all such members to continue to be vigilant about pension scams. Scammers may try to lure you with promises of upfront cash and one-off deals with guaranteed high returns. Please be very careful of any such promises as risk-free, guaranteed investments are highly unlikely.

Please also be wary of unsolicited texts, emails and cold calls as scammers may claim to be from Pension Wise or other government-backed organisations. These organisations would NEVER call you to offer a pension review.

If you are considering transferring your benefits so that you can access the pension freedoms from a defined contribution arrangement, you should seek independent financial advice.

The Pensions Regulator has published a checklist to help you guard against the continued danger of pension scams. For more details, please see [www.pension-scams.co.uk](http://www.pension-scams.co.uk).

# Contact Us

The Pensions Administration team at Conduent HR Services is based in Bristol. You can contact them in any of the following ways:

By telephone: 0330 123 9576

By email for general enquiries: [xerospensions@conduent.com](mailto:xerospensions@conduent.com)

By email for pensioner payslip and tax queries:  
[readingpensionpayroll@conduent.com](mailto:readingpensionpayroll@conduent.com)

By post: Conduent HR Services, PO Box 319, Mitcheldean,  
Gloucestershire GL14 9BF

## FINDING OUT MORE

There is more information about the Scheme and your pension on the pensions website at [www.xerospensions.co.uk](http://www.xerospensions.co.uk)

The Trustee, your current or former Xerox employer and Xerox Limited hold certain personal information (known as 'personal data' about you and from which you can be identified). This personal data is held on paper and on computer systems and includes information such as your name, date of birth, address, National Insurance number and bank account details.

Most of the data processed by the Trustee will be personal data, however, the Data Protection Act 1998 classifies details such as health, racial or ethnic origin, religious or other similar beliefs, sexual orientation and political affiliations as 'sensitive personal data'. Save for in certain circumstances, sensitive personal data cannot be processed or passed to a third party without your explicit consent.

The Trustee has both a legal obligation and a legitimate interest to process data relating to you for the purpose of administering and operating the Scheme and paying benefits under it. As the Trustee needs help to properly administer the Scheme, we share personal data with third parties, including the Scheme's professional advisers (e.g. the auditor, investment adviser and lawyers), the administrator who is responsible for the day-to-day running of the Scheme, HMRC, regulatory bodies (such as the Pensions Regulator) and such other third parties as may be necessary for the administration, operation and investment of the Scheme.

The Trustee, your current or former Xerox employer and Xerox Limited are regarded as Data Controllers under the Data Protection Act 1998 and must process the personal data referred to above fairly and lawfully. The Trustee must keep the personal data that it holds about members safe and only hold it for as long as necessary. However, given the long-term nature of pension schemes, the Trustee may be required to keep some of your personal information for the rest of your and your beneficiaries' lives.

You have various rights in relation to the data that is held about you, including the right to see personal information, to object to its processing or to ask the Trustee to correct any inaccurate data. Taking these steps could impact on the payment of your benefits / participation in the Scheme. Please contact [xerospensions@conduent.com](mailto:xerospensions@conduent.com) if you want to see the data held about you, exercise your rights in relation to your personal data or make a complaint about how we have handled your personal data.

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## HOW YOU CAN HELP WHEN YOU CONTACT US

To help the team deal with your enquiry quickly and efficiently, please give as much information as possible.

Our main method of identifying you, the member, is by your National Insurance number so please remember to include it in your letter or email or have it to hand if you call us.

If you can't give us your National Insurance number, please give us as much detail as possible about your employment and include your full name, date of birth and any previous names you may have had.

