Pensions News | Arconic Pension Plan

January 2022

Introduction from the Trustee

Dear Member

We would like to wish you a Happy New Year and a warm welcome to the second edition of the Arconic Pension Plan (“the Plan”) Pensions News – In this publication we aim to update you regularly on developments affecting your Plan and pension,

In this issue we take a look at the results of the first actuarial valuation as at 30 June 2021, the valuation gives us a picture of the Plan’s financial position and allows us to further develop the strategy for its long-term funding. There is more about the valuation and funding on page 2.

The latest funding estimate as at 5 April 2021 is on page 3, which shows that the funding position remains strong at 93%. You’ll also find the Plan’s annual highlights and financial summary on page 3 but further detail can be found within the full Annual Report and Financial Statements which are available upon request from the Plan’s administrators via the helpline – website and helpline details are provided below.

The Plan is in good shape after the last eighteen months of turbulent markets, our investments performed well given the circumstances. Despite the continued impact from the Covid-19 pandemic, financial markets have remained buoyant and the funding level of the Plan has remained relatively stable. Further details can be found on page 4.

Details about our pledge to keep you safe from scams and useful reminders about the Plan’s website, planning for retirement, checking your details are up to date and guidance on where to go if you need advice and guidance are on page 6.

Ross Trustees - Trustee of the Arconic Pension Plan

☎ **Plan Helpline** **0800 092 0456**

✉ **Email** **APP@isio.com**

Plan Website **www.arconic-pensions.co.uk**

Plan position

Assets
£216,000,000

Money needed to pay benefits
£231,000,000

Shortfall
£15,000,000

Funding level
93%

This update states the position of the Plan as at 30 June 2020.

Similar to the position previously held by the Arconic Britain Pension Scheme, there is a shortfall in funding.

When the value of benefits payable to members (the liabilities) is greater than the assets held, the Employers and Trustee must agree a plan to safeguard members' pensions by making sure the assets bridge the shortfall.

As part of these negotiations deficit contributions of £317,000 per month will be paid from 1 April 2021 to 31 March 2027.

Update on the Plan's financial position

Actuarial Valuation – 30 June 2020

A formal review of the Plan's financial position is carried out by the Plan's Actuary every three years - the 'Actuarial Valuation'. This is the first Actuarial Valuation of the Plan following the bulk transfer of assets and liabilities from the Arconic Britain Pension Scheme, and the results are shown on the left of this page.

Your benefits are accrued on a Defined Benefit basis. This means that you receive an income for life (based on your length of service and pensionable salary whilst a contributing member of the Plan) from the Plan when you come to retire.

The Trustee uses the assets of the Plan to pay pensions to members. The amount needed to pay members' pensions, including in respect of those members who have not yet retired, is what is referred to as the Plan's liabilities. Working out the value of the liabilities is not a definitive process. It depends on several things, including future inflation, investment returns and how long members live. The Trustee works with its Actuary to agree appropriate assumptions for calculating the liabilities, such that the result is only an estimate of how much money the Trustee will need to pay members' pensions in the future.

If there are insufficient assets to cover the liabilities, additional contributions may be required from the Employers to recover the shortfall. You will see that following negotiations, the Plan sponsors have committed to pay contributions of £317,000 per month from 1 April 2021 to 31 March 2027 to help meet the shortfall.

Winding up the Plan – The solvency position

Although there is currently no intention to wind up the Plan, we are required to tell you how the Plan would be funded if such an event were to occur.

If the Plan were to be wound up, the Employers would be required to pay enough into the Plan to enable members' benefits to be secured with an insurance company. If this had happened at 30 June 2020, the Plan Actuary estimated that the contribution required from the Employers would have been £72.4 million – this is known as the solvency position.

In scenarios where employers become insolvent and are unable to make such a payment, the Pension Protection Fund (PPF) should be able to pay benefits to members in certain circumstances. The PPF is a government body which provides a safety net for all members but would be expected to pay a lower level of benefits to that expected from the Plan.

Whilst the Plan remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full and the Employers are committed to providing appropriate funding to meet any shortfall in assets.

The Pensions Regulator looks after work-based pension schemes and has certain powers it can use if it has concerns about a scheme. It has not used any of these powers in relation to this Plan.

Annual Funding Update – 5 April 2021

In the years between full Actuarial Valuations, we ask the Plan Actuary to carry out an annual check of the Plan's funding position using the same assumptions as under the most recent Actuarial Valuation. This check took place as at 5 April 2021.

The results of the latest Annual Funding Update show that as at 5 April 2021, the Plan's funding position has remained unchanged at 93%. You will note that, in line with investment performance to 31 March 2021 summarised on page 4, the assets of the Plan decreased over the period to 5 April 2021. As the Plan's investments aim to an extent to move in line with the liabilities, this was largely driven by changes in the market indicators used in deriving the assumptions used to value the liabilities. This has also resulted in a lower value being placed on the liabilities.

	5 April 2021	30 June 2020
Assets	£191,000,000	£216,000,000
Liabilities	£206,000,000	£231,000,000
Deficit	£14,700,000	£15,000,000
Funding level	93%	93%

Annual Report and Financial Statements– 5 April 2021

Each year, the Trustee is required to prepare an annual report, which outlines how the Plan has been managed and includes any changes that have taken place such as; changes in who looks after the Plan or benefits that are payable. The Plan's Annual Report and Financial Statements are available to view online but for ease we have provided some highlights below:

The membership

Pensioners	Have retired from the Plan and are receiving their pension.	351
Deferred	People who have left active membership of the Plan and have not yet started to receive their pension.	687
	Total	1,038

The finances

£191,811,913	£480,500	£3,066,322	£1,147,846
Plan assets	Employer contributions	Benefit payments	Transfer payments

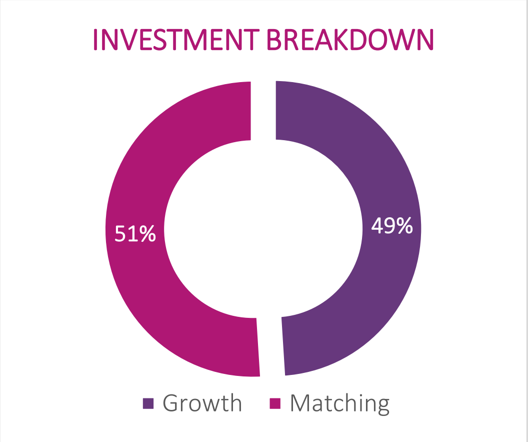
Update on the Plan's Investments

Investment Strategy

The Trustee invests the assets of the Plan with the aim of ensuring that all members' accrued benefits can be paid. The Plan's present investment objective is to achieve a return of around 2.1% per annum above the return on UK Government bonds. Together with the contributions payable by the Employers, these investment returns help ensure that the shortfall (described on page 2) is addressed as well as protecting the Plan in periods of market downturns. The Trustee's investment policy is set out in its Statement of Investment Principles ('SIP'), which is available to view on the Plan's website.

The Trustee reviews its investment policy on a regular basis to ensure it remains appropriate, taking into account the funding level of the Plan, the strength of the Employer *covenant* (the ability and willingness of the Employers to make contributions to the Plan) and a variety of other factors. The Trustee carried out such a review towards the end of 2020 and is currently carrying out a further review following agreement of the Actuarial Valuation.

An overview of the investment strategy as at 31 March 2021 is shown in the pie chart to the right. As you can see from the chart the Plan has 49% of its assets invested in Matching strategies.



A matching strategy reduces the volatility in the funding level by investing in assets which respond to changes in interest rates and inflation in the same way as the Plan's liabilities. Examples of these types of assets are:

- Liability driven investment (LDI)
- Bond Like Property; and
- Cash

The remainder of the Plan's assets are invested in a Growth strategy which means investing in asset allocations that generate investment returns to help close the funding gap. Examples of these types of assets are:

- Equity (stocks and shares)
- Property
- Direct lending; and
- Absolute return bonds

Investment Performance

The assets of the Plan are invested by managers appointed by the Trustee, in line with the SIP. The Trustee monitors the performance of the investment managers on a quarterly basis. Over the period to 31 March 2021, the Plan's assets returned -10.4%.

As alluded to above, the Plan's investment strategy aims to an extent to match the movements in the liabilities. Over the period to 31 March 2021, the value of liabilities fell as expectations of future investment returns increased, reducing the amount of money needed now to pay the benefits in future. This resulted in a drop in assets despite the strong performance seen in some markets over the period

The success of the COVID-19 vaccine rollout and easing lockdown restrictions during 2021, however, assisted in the rise of investor optimism and a return to more typical pre-pandemic performance levels in the majority of asset classes. In particular, the Plan's growth and credit mandates have seen positive returns in recent quarters.

Reminders

We've signed up to the pledge to combat pension scams

Pension scams are still at an all-time high and tactics are constantly changing. To help combat this, the Pensions Regulator has developed a pledge to commit to stopping scammers in their tracks. We've signed up to it. It means we'll follow the principles of the Pension Scams Industry Group's Code of Good Practice. This includes things like:

- regularly alerting members to the dangers of pension scams
- taking training to get to know the warning signs of a scam
- taking robust due diligence measures around any pension transfers
- warning members if they insist on high-risk transfers
- reporting concerns about a possible scam to the authorities and to the member

Stay safe

1. Reject offers that come out of the blue
2. Keep your details safe
3. Check any company you talk to is authorised by the Financial Conduct Authority (FCA) at **register.fca.org.uk** or on 0800 111 6768
4. Get impartial advice before making any decisions about transferring your benefits

Get help if you think you're being scammed

If you've been contacted by someone who could be a scammer, tell us immediately. You can also report them to the police at actionfraud.police.uk For more information about how to spot and avoid scams, go to **fca.org.uk/scamsmart**

Keeping your records up to date

Please help us by making sure we have your correct contact details. If you are living at a new address, you have changed your email address or phone number recently, or your bank details are changing (and you are currently in receipt of a pension), please let us know. You can do this by contacting the Plan's administrators.

The website has been updated

The Plan's website is a useful source and, if you haven't logged in before, we'd encourage you to take a look at **www.arconic-pensions.co.uk**

Planning for your retirement

If you are yet to start receiving your pension and we have not sent you an estimate of your pension at retirement in the last 12 months, you can request an estimate from the Plan's administrators.

Contact us

Trustee

Ross Trustees Services Limited

Scheme Secretary: Ross Trustees Services Limited represented by Annabelle Hardiman

Plan administrators

Arconic Pension Plan
Isio c/o SPS, PO Box 721, Salford, M5 0QT
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0800 092 0456 (Mon-Fri, 9am -5pm)

Plan Actuary

Rob Watkin FIA

Isio

Plan Auditor

Geoghegans

Legal advisers

Eversheds-Sutherland

Investment Adviser

Isio

Where to go for advice and guidance

Finding the right advice

Neither we, nor our advisers, can give financial advice. You can find a list of financial advisers at https://directory.moneyadviceservice.org.uk/en. Financial advisers are regulated by FCA and must follow strict rules when they give you advice – make sure you check that they're registered before you start talking to anyone: www.fca.org.uk/register/.

Moving your valuable benefits out of the Plan is a significant financial decision, so if you're thinking of leaving the Scheme or making changes to any of your pensions, we encourage you to get the right advice first. An adviser will charge for their services but it's worth remembering that they can often be worth that spend to ensure you're making good, long-term decisions and don't put your pension savings at risk from a scammer.