

# V O L V O

## Volvo Car UK Pension Scheme member newsletter

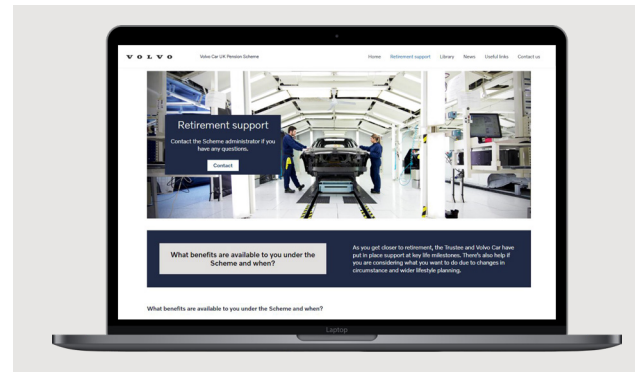
December 2023



## Welcome to the latest edition of your pension newsletter

This newsletter is from the Trustee of the Volvo Car UK Pension Scheme (the Scheme). It covers details on the updated funding position and general updates on wider pensions news which you may find of interest. It has been another busy year for us, but there are some good things to tell you about.

During the past 12 months we completed a project with the Company's support to provide free impartial financial advice to members at key points on the journey to retirement, for those yet to receive a pension from the Scheme. You will be reminded about free advice at various times from age 50 onwards and strongly encourage you to use this to help with your financial planning. We also launched a new member website where you can access scheme documents and understand more about retirement planning, if you are yet to retire from the Scheme. You can visit the website at: [www.volvocarpensionscheme.co.uk](http://www.volvocarpensionscheme.co.uk)



The full Scheme valuation, which happens every three years has recently been completed. The results of the review is on page 4 and 5, and we are pleased to tell you the funding position of the Scheme has improved slightly since the last valuation.

**We hope you find this newsletter interesting. If you have any feedback or would like to see anything in future editions, please let us know.**

### Membership numbers

Scheme membership as at 31 December 2022:

**332**

Deferreds

**361**

Pensioners

**683**

Total members

### The Scheme's assets

	2022
<b>Scheme assets at the start of the year</b>	<b>£189,139,174</b>
<b>Money in</b>	
Contributions & other income	(£3,011,286)
<b>Money out</b>	
Benefit payments, transfers out & expenses	(£10,429,286)
<b>Investment performance</b>	
Investment returns	(£67,210,679)
<b>Scheme assets at the end of the year</b>	<b>£114,510,495</b>

The fall in assets is not a concern and is explained on page 2.

## Who represents the Trustee?

The Trustee is Vidett Trust Corporation Limited, our new name for PSGS Trust Corporation Limited following a merger with another Professional Trustee company. We continue to act as sole trustee to the Scheme. The Scheme is looked after by:



**James Double**  
Accredited pension trustee



**Simon Lewis**  
Accredited pension trustee

You can contact the Trustee at:

**Email:** [volvocars@vidett.com](mailto:volvocars@vidett.com) **Tel:** 0845 313 0024

## Who are the Scheme's advisers?

The Trustee is supported by a number of expert advisers who ensure your Scheme is run in line with pensions law and good industry practice. The Scheme's advisers are:

**Administrator** › Mercer Limited

**Actuary** › Ian Peggs FIA, Mercer Limited

**Auditor** › Assure (UK) Limited

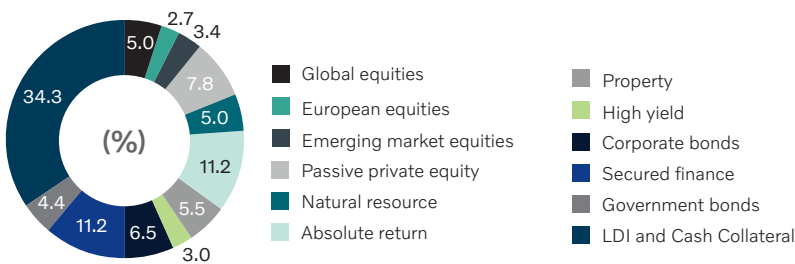
**Investment consultant** › Mercer Limited

**Legal adviser** › Squire Patton Boggs (UK) LLP

## Investment update

We review the Scheme's investments quarterly at strategic meetings with the Company and our investment consultants, discussing any urgent matters in between.

The assets continue to be partly held in matching investments, also known as liability driven investments (LDI), to link to the Scheme's liabilities (the cost of paying benefits to members). This helps reduce the volatility of funding levels within the Scheme. The Scheme also invests in growth assets to help improve the overall funding position.



In the year to date, the financial markets have been volatile due to the cost of living crisis and the ongoing Russian/Ukraine conflict which led to high inflation and a rise in interest rates in the US and UK in particular. However, the LDI strategy has reduced the volatility to keep the Scheme's funding level relatively stable.

One of the key effects of this volatility was the size of the Scheme assets reduced significantly in respect of bond/gilts, and this is reflected in figures provided on page 1. However, these gilt/bond assets match the liabilities closely so the cost of the Scheme liabilities fell too, meaning overall the funding level improved. The drop in the value in Scheme assets at the end of December 2022 should not cause any concern.

## Trustee investment policies

The Statement of Investment Principles (SIP) sets out our policy on environmental, social and governance (ESG) matters for the funds we invest in. The quarterly reporting from our investment consultant covers the most recent ESG rating of the investments held. Should this rating drop significantly, we would review its ongoing suitability against other investment alternatives.

We have engaged in conversations with the Company over its ESG beliefs and continue to look at ways to improve the sustainability of our investments. Whilst ensuring we meet our fiduciary duties in seeking good return and managing investment risk.

We moved to the 'LGIM future worlds fund' earlier in 2023. This is an equities fund that has a greater emphasis in investing in companies with strong ESG rating.

Our latest views on ESG performance can be viewed in the SIP and Implementation Statement at: [www.volvocarpensionscheme.co.uk/library/](http://www.volvocarpensionscheme.co.uk/library/), or you can ask Mercer Limited for a paper copy. Contact details are on page 6.

Further details of the investments held by the Scheme can be found in the annual report and accounts, which can also be provided by Mercer Limited upon request.

# PENSION NEWS



## The impact of rising price inflation

For much of 2023 the level of price inflation remained high, and while it has reduced in Q4 2023, it still remains much higher than Government and Bank of England targets. How this affects your benefits depends on when you built them up and whether you have already drawn your pension. Only some of Schemes' benefits are linked to inflation and will increase when inflation is higher. Broadly speaking:

- Pensionable Service from 1 January 1993 up to 1 February 2009, shall be increased by the lower of the increase in the Retail Price Index or 5%; and
- Pensionable Service from 1 February 2009 shall be increased by the lower of the increase in the index or 2.5%

You can understand more about inflation and what it means for your retirement planning on the MoneyHelper website at: [www.moneyhelper.org.uk/en/savings/how-to-save/inflation-what-the-saver-needs-to-know](http://www.moneyhelper.org.uk/en/savings/how-to-save/inflation-what-the-saver-needs-to-know)

If you are unsure about the level of increase that applies to your pension payments please contact Mercer using the contact details on page 6.

## Keeping safe online

You will be aware in the media of high-profile cyber and data exfiltration attacks during the past year. Pension schemes are also a potential target for cyber criminals due to the data held. The Trustee takes the matter seriously and works with Mercer Limited in particular to ensure there are controls in place and we are aware any control testing undertaken. While every effort is made to keep your data safe, below are some important steps you can take to help protect yourself:

- Look out for phishing emails or fraudulent activity on your pension or other online accounts.
- Reset passwords on your pension and other online accounts.
- Use strong, unique passwords for each online account you have.

## Top tips. Protect yourself from a pension scam.

- Reject any unexpected pension offers whether made online, on social media or by telephone.
- Check the FCA register or call the FCA contact centre to see if the firm you are dealing with is FCA registered.
- Do not be rushed or be pressured into making a decision.
- Consider getting impartial information or advice.

If you are considering transferring out your benefits, we recommend you review the information on The Pensions Regulator's website: [www.thepensionsregulator.gov.uk/en/pension-scams](http://www.thepensionsregulator.gov.uk/en/pension-scams) and the Financial Conduct Authority's website: [www.fca.org.uk/consumers/pension-scams](http://www.fca.org.uk/consumers/pension-scams)

# SUMMARY FUNDING STATEMENT



The Trustee has agreed with Volvo Cars (the Company) a recovery plan that aims to make sure there is enough money in the Scheme to pay for pensions now and in the future.

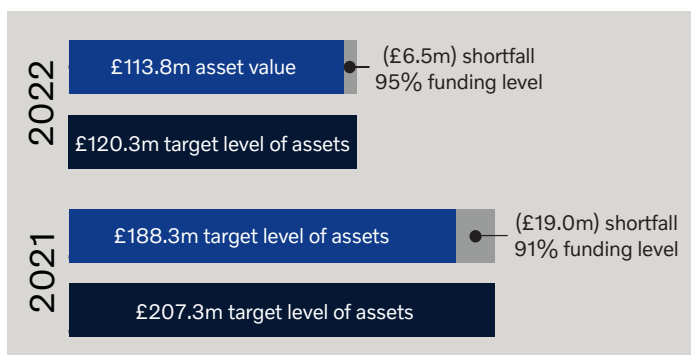
The amount of money the Company pays into the Scheme may go up or down following regular funding checks (known as actuarial valuations), which are carried out at least every three years. Following each actuarial valuation, the Trustee comes to an agreement with the Company on future contributions, which allows for making up any shortfall in the Scheme's assets over an agreed timescale. These contribution amounts are documented in the Scheme's Schedule of Contributions.

**We have to value the Scheme on two bases, assuming the Scheme:**

- (1) continues (the continuing basis) and
- (2) is discontinued and all accrued benefits are settled by buying annuities from an insurance company (the buy-out basis).

**What is the funding level on a continuing basis?**

The last triennial valuation was carried out as at 31 December 2022. Details of the 2022 valuation, together with the last update as at 31 December 2021 (as reported to you last year) are set out below:



Following completion of the 2022 valuation, there was a funding shortfall of £6.5m. It was agreed **the Company will pay additional contributions to the Scheme of £1.8m per year up to 31 December 2025**, with the aim of reaching 100% of pensions benefits being covered by the assets on a continuing basis. Additional security is still in place - Volvo Car Corporation as the parent company will meet the required contributions if Volvo Cars fails to pay them, up to the value of £100m. This was agreed as part of the valuation discussions.

The last summary funding statement reported the Scheme's shortfall had decreased to £19m as at 31 December 2021, with the assets being sufficient to meet 91% of the Scheme's pension benefits due to be paid.

The annual valuation as at 31 December 2022 shows **the funding position has improved** and the Scheme's shortfall is currently estimated to be £6.5m, with the assets being sufficient to meet 95% of the Scheme's pension benefits due to be paid.

The main reason for the improvement in the funding position was a material increase in yields, which reduced both the value of the Scheme's liabilities and assets. Given the Scheme's investment strategy, the value of the liabilities reduced by more than the assets causing an improvement in the funding position. In addition, the contributions paid by the Company and a revision to our expectation for future life expectancy helped improve the position, although high inflation had the opposite effect of increasing the liabilities.

**All members who have retired continue to receive the full amount of their pension.**

We can confirm The Pensions Regulator has not used its powers in relation to the Scheme and the Scheme is not subject to any directions in relation to benefits payable, contributions payable or assumptions to be used to determine the liabilities.

# SUMMARY FUNDING STATEMENT

Your questions answered



## Have any payments been made to the Company?

We are required to inform you whether a payment has been made to the Company, as permitted under the Pensions Act 1995, since the Trustee last sent you a summary funding statement. The Trustee can confirm no such payment has been made.

## Is my pension guaranteed?

Our aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends on the Company carrying on in business and continuing to pay for the Scheme. If the Company goes out of business or decides to stop paying for the Scheme, the Company would be required to pay the Scheme enough money to buy all the benefits built up by members from an insurance company. This is known as the Scheme being 'wound up'. The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the 'solvency position'. If the solvency position is not 100% or more, the Scheme may not be able to pay full benefits.

## What is the funding level on a buy-out basis?

This is an assessment to see if the assets would cover the Scheme's liabilities if the Scheme were to wind up.

The last triennial valuation in 2022 showed the Scheme's assets represented approximately 85% of the cost of buying out the Scheme's pension benefits with an insurer. This does not mean the Company is thinking of winding up the Scheme. We must share this information with you as required by law.

## Is there enough money in the Scheme to provide my full benefits if it wound up at the date of the last valuation?

The funding levels referred to on page 4 are based on a funding target that assumes the Scheme will continue. This is less than the amount that would be needed to guarantee all benefits by purchasing insurance policies. This is known as the buy-out liability and is used to measure the solvency position if the Scheme had to wind up.

The cost of securing benefits immediately with insurance policies is generally much higher than the amount needed to pay benefits as they fall due in the future. Consequently, the vast majority of pension schemes are not fully funded on this basis.

The 2022 valuation showed Scheme assets could not have paid for all members to be provided with their full benefits by an insurance company if it had wound up at that date.

## What happens if the Scheme wound up and there is not enough money?

Under the Pensions Act 2004 the government established the Pension Protection Fund (PPF), to which the Scheme pays an annual levy. The PPF provides compensation to members should the Company become insolvent, leaving the Scheme in financial difficulty. More information about the PPF and the compensation payable by it can be found at: [www.ppf.co.uk](http://www.ppf.co.uk).



## Lifetime allowance

The Chancellor's Spring Budget delivered on 15 March 2023 brought significant changes to UK pension taxation from 6 April 2023.

The lifetime allowance is the maximum amount of savings you can have at retirement from all pension schemes without incurring an additional tax charge. **The additional tax charge on any lifetime pension savings above the lifetime allowance will no longer apply from 6 April 2023.**

The annual allowance is the maximum amount of pension benefits you can save each year with the benefit of tax relief. The annual allowance will increase for everyone from 6 April 2023. For the 2023/24 tax year, it is £60,000, but if you have a high income or have started to draw money purchase benefits in a flexible way, your annual allowance may be as low as £10,000 a year.

**If you are impacted by any of the changes, we recommend you seek professional advice prior to taking any action.**

## Useful contacts

Here are some websites and contact addresses you may find useful.

### Scheme administrator

You can use the secure Mercer Portal to send your filled-in forms or request scheme documents such as the Scheme's trust deed and rules and latest scheme valuation, please contact:

**Web:** [contact.mercer.com/blue](https://contact.mercer.com/blue)

**Email:** [volvocars.pensions@merc.com](mailto:volvocars.pensions@merc.com)

**Tel:** 0344 209 6587

Please quote your Scheme membership number.

### State Pension

If you would like to receive a forecast quotation of your State Pension, you can contact:

The State Pension Forecasting Team,  
The Pension Service  
9, Mail Handling Site  
A, Wolverhampton,  
WV98 1LU

**Web:** [www.gov.uk/state-pension/what-youll-get](https://www.gov.uk/state-pension/what-youll-get)

**Tel:** 0345 300 0168

### MoneyHelper

This service is here to make your money and pension choices clearer, to put you in control with impartial help that's on your side, backed by the government and free to use.

**Web:** [www.moneyhelper.org.uk](https://www.moneyhelper.org.uk)

**Tel:** 0800 011 3797

### Pensions Ombudsman

If you have a complaint about the Scheme or any other pension you hold, you can contact:

**Email:** [enquiries@pension-ombudsman.org.uk](mailto:enquiries@pension-ombudsman.org.uk)

**Tel:** 0800 917 4487

## Changes to your personal details

If you have got married, moved to a new house or changed bank, it is important you let us know so we can keep our records up to date. You can update your expression of wishes and provide any new details to Mercer Limited. Make sure you let Mercer Limited know any new bank details three weeks before pay day to avoid any delays.

