



## 2023 Trustees' Summary Report

Welcome to your latest Scheme newsletter, keeping you up to date with Scheme developments and wider pensions news.

November 2023

It's been a busy year since the last time we wrote to you. The global economy is continuing to feel the impact of geo-political tensions, which brings increased volatility in investment markets and higher inflation levels and puts added pressure on many people's finances. We pay close attention to how external factors might impact the Scheme and make any changes needed to safeguard it in the best interests of our members.

In the last year, some schemes experienced significant challenges as a result of volatility in the gilt market. There were reports of pension funds 'collapsing' as a result of the economic turbulence. However, rather than bringing any real risk of collapse, this market volatility led to short-term liquidity issues for some pension schemes. We're pleased to tell you that the Scheme hasn't suffered any long-term effects of that period and remains financially strong despite the volatility of the economic climate. Our news section covers the Pension Regulator's expectations for trustees following the gilt market volatility.

For an update on the financial position of the Scheme, you can refer to our latest summary funding statement, which includes information on the funding position as of 31 December 2022. The funding level has increased to 97% at 31 December 2022, compared to 91% at 31 December 2020.

Additionally, we provide a summary of the year's accounts and membership figures as well as the latest on the Scheme's investments.

In wider news, we provide an update on Pensions Dashboards, an initiative that aims to provide people with online access to all of their UK pensions in one place. We also cover relevant updates from pension transfer regulations, the Government's latest review of State Pension Age, and the 2023 Spring Budget.

If you have any questions about the Scheme or your benefits, or you have a topic you want to see covered in our next issue, please do not hesitate to contact us. You can find our contact details on page 6.

Ian Armour  
Chair of the Trustees

### In this issue

In numbers pg 2

Investment update pg 3

In the news pg 4-5

More information pg 6

Summary Funding Statement pg 7-9

# In numbers

## The membership

At 31 December 2022 there were 589 members in the Scheme compared with 591 members at the same date last year.

28	<b>Active members</b> - working for the Employers and paying regular contributions.
279	<b>Deferred members</b> - no longer building up benefits but have benefits in the Scheme for when they retire.
282	<b>Pensioner members</b> - receiving benefits from the Scheme (including the dependants of members who have died).

## The accounts

Here we show headline figures from the Scheme's Annual Report and Accounts. If you would like more detail, please request a copy of the full report using the contact details on page 6.

While the assets have decreased by a significant amount, the liabilities have decreased by a larger amount. Please see the Summary Funding Statement on pages 7-9 for more details.

The value of the assets supporting the Scheme at 31 December 2022	£156.2 million	
The increase in the value of the assets over the reporting year	- £84.6 million	
The total value of the Employers' contributions paid in to the Scheme during the year	£4.9 million	
The total value of member contributions paid in to the Scheme during the year	£15,000	
The total value of benefits paid to members during the year	£6.9 million	

# Investment update

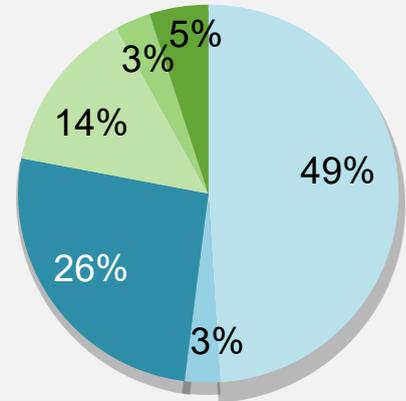
As Trustees, it is our responsibility to decide on the overall investment strategy, and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

## Asset allocation

At 31 December 2022, the Scheme held assets of £156.2 million compared with £240.2 million at the same date last year (not including insured policies and AVCs).

The chart adjacent shows how the Scheme's investments were allocated at 31 December 2022, across asset types.

■ Bond funds 49%	■ Equity funds 14%
■ Cash and Liquidity funds 3%	■ LDI funds 3%
■ Diversified growth funds 26%	■ Property funds 5%



## Performance

The table below shows how the Scheme's investments have performed compared with their agreed benchmarks to 31 December 2022. Each benchmark is an agreed indicator of how the fund is expected to perform bearing in mind economic and market expectations.

Fund	Over the year to date		Over three years		Over five years	
	Performance	Benchmark	Performance	Benchmark	Performance	Benchmark
Equities	-7.38%	-7.36%	7.85%	7.85%	8.18%	8.15%
Equities - Hedged	-15.55%	-15.47%	4.67%	4.71%	5.62%	5.62%
AAA Bonds	-17.03%	-16.89%	-5.06%	-5.01%	-1.73%	-1.75%
Property	-7.87%	-9.46%	3.13%	2.20%	3.28%	2.92%
Diversified Growth Fund	-9.00%	-12.00%	1.66%	6.91%	3.22%	7.50%

You can see that performance was largely in line with the benchmark over 2022 with managers achieving close to or more than their target returns. While the performance was negative overall, it is important to note that our liabilities also shrunk, meaning that the funding level of the Scheme was protected.

Over the three and five-year periods we saw largely in line returns with most managers achieving close to their target returns.

We will continue to monitor performance and make any changes we feel are necessary.

For further details on our investment approach, read our Statement of Investment Principles (SIP) at [https://pensions.vodafone.co.uk/documents/thus/thus\\_statement\\_of\\_investment\\_principles.pdf](https://pensions.vodafone.co.uk/documents/thus/thus_statement_of_investment_principles.pdf).

You can also read our engagement policy Implementation Statement showing how our policy on engagement activities and voting has been followed during the year.

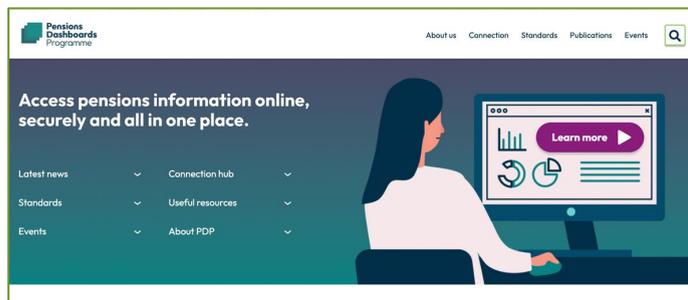
## Pensions Dashboards: update

The Department for Work and Pensions (DWP) is introducing a Pensions Dashboards framework to help individuals seek information on all their UK pension savings in one go.

The Government has now confirmed that it is delaying the dates when schemes are required to connect to Pensions Dashboards, due to the complexities of building such a project. The Scheme was due to connect with dashboards in 2025, but the Government has yet to post a new date. Dashboards are still going ahead and we will communicate any further updates as they become available.

To learn about the project, go to

[www.pensionsdashboardsprogramme.org.uk](http://www.pensionsdashboardsprogramme.org.uk)



## Diversity, equity and inclusion

An increasingly important consideration for trustee boards is diversity, equity and inclusion. This includes considerations such as ensuring that:

- all members are getting information in an accessible way, and
- those involved in running schemes have diverse backgrounds, skills, experience, personalities and characteristics in order to make better decisions.

We are committed to ensuring that the information we provide is accessible to all, and - in line with the Pension Regulator's new guidance on this topic - we, along with many trustee boards, will be considering our skills, strengths and any gaps over the coming months. We will keep you updated.

## How to protect yourself from pension scams

You may remember we told you in last year's newsletter that new regulations had been introduced that aim to provide more protection to you as members against fraudulent practices, giving you more confidence when making big decisions about your pension.

Being able to spot warning signs and reading up on the official guidance also helps protect you from fraudsters (see below to learn more).

There are common signs to look for to protect yourself from pension scams. These include receiving unsolicited contact about your pension or a push to make a quick decision.

To learn more about common signs of a scam, we recommend a read of the following MoneyHelper article. Go to:

[www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam](http://www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam)

or scan the QR code.

If you're concerned about falling victim to a pension scam, the Financial Conduct Authority (FCA) also provides guidance on how to spot potential scams.



Remember, it is always advisable to seek professional advice before making any significant financial decisions. See 'Taking advice' on page 6.

## State Pension Age

The Government recently published its second periodic review of the State Pension Age.

The first review in 2017 recommended that the increase in State Pension Age from 67 to 68 should take place seven years earlier than the current legislative timetable (which sets a change to 68 between 2044 and 2046; the change from 66 to 67 is already planned between 2026 and 2028).

At the time, the Government said it would legislate to bring that increase forward, but that it would consider the most up-to-date life expectancy projections before doing so.

However, the Government has now announced that the timetable will remain unchanged from the current legislated timetable. Instead it set out plans for a further review of the increase to age 68 within two years of the next Parliament. The Government also confirmed that it is committed to the principle of providing 10 years' notice of changes to the State Pension Age.

## The Pension Regulator's response to the LDI crisis

As we mention in our introduction, gilt yields increased at an unprecedented speed in September, creating issues for defined benefit (DB) arrangements.

For DB schemes, there were liquidity pressures as LDI (Liability Driven Investment) managers were required to seek further assets as additional security.

A DB scheme that does not meet its asset requirements may lose some of its hedging protection that is required to manage risks. This could mean its funding level is less well-protected against a fall in the expected returns on bonds in the future – a key factor in calculating a DB scheme's financial situation.

The Pension Regulator recently published its expectations for trustees of DB in relation to this.

In summary it notes that:

- The trustees of DB schemes should engage with their investment advisers and pay close attention to their operational processes, liquidity position, liability hedging position, and funding and risk position.

As Trustees of the Scheme, we are fully committed to meeting the Regulator's expectations and would like to reassure our members that there is no change in our ability to meet benefits following the market turmoil of September/October 2022.



## Spring Budget 2023: pension tax allowances

The Chancellor's Spring Budget included some sweeping changes to the pension tax allowances with effect from 6 April 2023.

In summary:

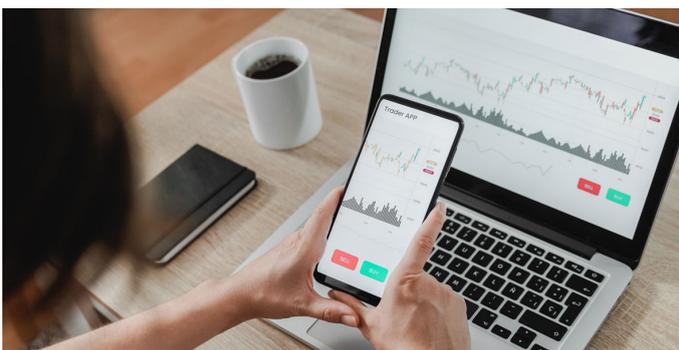
- The Lifetime Allowance has effectively been abolished. No tax charges apply for exceeding the Lifetime Allowance during the 2023/24 tax year. However, much of the detail is still to be confirmed, so we will keep you updated via the newsletter as more detail is released.
- The Annual Allowance increased from £40,000 to £60,000.
- The tapered Annual Allowance now starts to apply to those earning £260,000 per year (up from £240,000 per year), while the minimum tapered Annual Allowance has increased from £4,000 to £10,000.
- The Money Purchase Annual Allowance has also increased from £4,000 to £10,000.

If you're uncertain about how these changes may affect your retirement plans, consider taking impartial financial advice (see page 6).

**The Lifetime Allowance** is a limit on the total amount of pension benefits you can build up over your lifetime (excluding the State pension) without triggering an extra tax charge.

**The Annual Allowance** is a limit on the amount of pension benefits you can build up in a tax year without triggering a tax charge. A tapered Annual Allowance applies for high earners.

**The Money Purchase Annual Allowance** works in a similar way to the standard Annual Allowance but only applies if you access Defined Contribution (DC) pension savings and continue to build up pension benefits.



# More information

To find out more about the Scheme, please use the contact details below.

There are lots of useful websites that can help you understand your options and support you with your retirement planning.

## Get to know your pension at [www.yourpension.gov.uk](http://www.yourpension.gov.uk).

The site has a tool that can quickly generate you a retirement checklist to help you assess where you are with your planning. It also has useful links to a pension calculator, a State Pension calculator and more.

## Picture your future at

<http://www.retirementlivingstandards.org.uk> The retirement living standards show you what life in retirement looks like at three different levels, and what a range of common goods and services would cost for each level.

## MoneyHelper

MoneyHelper is a free, impartial guidance service, backed by the Government. It brings together the support that was previously available through the Money Advice Service, the Pensions Advisory Service and Pension Wise.

[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

## Contact point

Please use any of the methods below to get in touch with the Administration team.

Email: [thus.admin@aon.com](mailto:thus.admin@aon.com)

Phone: 0330 123 9791  
(lines are open Monday to Friday, 9am to 5pm)

Write to: THUS Group plc Pension Scheme, Aon,  
144 Morrison St, Edinburgh EH3 8EX

## Behind the scenes

As Trustees, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Scheme is progressing.

The Board is made up of Employer-appointed Trustees and member-nominated Trustees.

Employer-appointed	Member-nominated
IR Armour, Chairman of the Trustees	R Braithwaite
C Kingston on behalf of Capital Cranfield Pension Trustees Limited	J Pender
C Scott	

## Reminder to keep us up to date

Please let us know if you change your name or address so we can continue to contact you about the Scheme and your benefits.

Please also update your Expression of Wishes form if you need to. This tells us who you would like to receive any benefits that become payable in the event of your death. As the Trustees, we have the final say over who receives the benefits. We will consider your Expression of Wishes form, so if you have never filled one in, or you have not done so recently, particularly if your circumstances have changed, please complete a form and send it to us.

Please use the contact details on the left to request a blank form.

## Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser. You can find an adviser in your area by searching MoneyHelper's online directory.

Go to [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk) and choose Pensions and retirement > Taking your pension > Find a retirement adviser.

**Remember:** if you would like more information about the Scheme, you can request a copy of the Trustees' Annual Report & Accounts. Contact the administration team (details on the left).

We also appoint professionals to support us on areas of particular expertise.

Administrator	Aon Solutions UK Limited
Actuary	Stuart Cook, FIA WTW
Auditor	Grant Thornton UK LLP
Investment Adviser	WTW
Investment Manager	Legal & General Assurance (Pensions Management) Limited ('LGIM')
Legal Adviser	Pinsent Masons LLP

# Summary Funding Statement

## Introduction

It is an annual requirement for the Trustees to provide you with certain information relating to the THUS Group plc Pension Scheme (“the Scheme”). We hope that this information will be of interest to you. You are not required to take any action in relation to the information contained in this document. However, should you wish to speak to someone about any of the items mentioned below, please contact Aon.

Reference made to “Employers” in the remainder of this statement means in practice Vodafone Limited and Vodafone Group Services Limited.

## Funding the Scheme

Every three years, the Scheme Actuary carries out a full actuarial valuation of the Scheme's assets and liabilities. Between each triennial valuation, the Scheme Actuary produces an approximate annual update of the Scheme's funding position based on the assumptions used at the last full actuarial valuation.

The latest full actuarial valuation of the Scheme was carried out as at 31 December 2020. This showed the Scheme's funding position to be as follows:

	£million
Market value of assets held (including AVCs)	220.8
Target assets needed to provide benefits (Technical Provisions)	243.3
Shortfall of assets relative to target	(22.5)
Funding level	91%

## Contributions to the Scheme

Following the valuation as at 31 December 2020, the Trustees and the Employers agreed a Recovery Plan to eliminate the disclosed shortfall of £22.5 million, after allowing for post-valuation experience to an agreed date of 16 January 2022. The Employers will pay an amount of £4.1 million per year for five years, payable by 30 April each year, with the first payment due by 30 April 2021 (payments have been made in April 2021, April 2022 and April 2023 as scheduled). These contributions, together with the allowance for post-valuation experience to 16 January 2022, are expected to eliminate the shortfall by 30 April 2025.

The Employers are also continuing to pay significant contributions to finance the cost of the benefits being earned by the active members, over and above the amounts paid by the members. Active members also contribute either 5% or 6% of their pensionable salary to the Scheme.

## Developments since the 2020 valuation

The position of the Scheme has now been assessed at 31 December 2022, at which date it was found that the Scheme was approximately 97% funded. This assessment was not a formal valuation but measured the position of the Scheme in a manner consistent with that used for the 2020 valuation, taking into account the effect of the changes in market conditions and approximate Scheme membership movements since 31 December 2020. The funding level has improved slightly since the previous update as at 31 December 2021 when the approximate funding level was 96%. The main reason for the improvement in the position since the 31 December 2021 update has been the deficit reduction contributions (£4.1 million paid in April 2022). The value of liabilities has fallen significantly since 31 December 2021, predominantly due to increases in bond yields, but the value of the assets has also fallen by a similar amount over the period. The Scheme's finances and the contribution rates payable will be reviewed at future actuarial valuations.

The next such valuation is scheduled for 31 December 2023, and the Scheme Actuary will continue to provide updates to the Trustees on an annual basis. We will report to you on the results of these valuations and updates when they become available

# Summary Funding Statement

## Solvency position

The estimated amount needed at 31 December 2020, in addition to the existing assets, to ensure that all members' benefits could have been paid in full if the Scheme had wound up and purchased insurance contracts with a life assurance company (full solvency) was £124.6 million. This is the debt that would have been payable by the Employers had the Scheme been wound up at that date. The inclusion of this information does not imply that the Employers are thinking of winding up the Scheme.

*Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action. You can find a local IFA at [www.unbiased.co.uk](http://www.unbiased.co.uk).*

## How the Scheme operates

### *How is my pension paid for?*

The Employers pay contributions to the Scheme so that the Scheme can pay pensions to members when they retire. Active members also pay contributions to the Scheme through a salary sacrifice arrangement. The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

### *How is the amount the Scheme needs worked out?*

The Trustees obtain regular valuations of the benefits earned by members. Using this information and having taken actuarial advice, the rates of future contributions to be made to the Scheme in order to provide the benefits payable are established in agreement with the Employers.

### *The importance of the Employers' support*

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, the success of the objective relies on the Employers continuing to support the Scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, the Employers will usually need to put in more money;
- the target funding level may turn out not to be enough so that the Employers will need to put in more money.

However, it is important to note that whilst the Scheme remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full.

### *What would happen if the Scheme started to wind up?*

If the Scheme were to start to wind up, the Employers would be required to pay enough money into the Scheme to enable the members' benefits to be secured completely with an insurance company. It may be, however, that the Employers would not be able to pay this full amount.

If the Employers became insolvent, the Pension Protection Fund might be able to take over the Scheme and pay compensation to members. Further information and guidance is available on the Pension Protection Fund's website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk). You can email the Pension Protection Fund at [information@ppf.co.uk](mailto:information@ppf.co.uk), or alternatively you can phone **0345 600 2541**.

### *Why does the funding plan not call for full solvency at all times?*

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. By contrast, our funding plan assumes that the Employers will continue in business and will support the Scheme.

### *What is the Scheme invested in?*

The Trustees review their investment policy on a regular basis and their current policy (as at May 2023) is to invest in a broad range of assets with a target allocation to the main asset classes as follows:

- Equities 15%
- Bonds 55%
- Diversified Fund 25%
- Property 5%

# Summary Funding Statement

## Looking after your data

Some personal data for Scheme members (such as date of birth and salary) is required for the running of the Scheme, including paying out the right benefits. The Trustees share your personal data with the Scheme's Administrator and certain other third parties involved in running the Scheme, for example, the Scheme Actuary, the Scheme's Legal Adviser and the Employers. With effect from 25 May 2018, the use of this data is regulated under the General Data Protection Regulation, which places certain responsibilities on those who exercise control over the data (known as "data controllers" under the General Data Protection Regulation). Data controllers would include the Trustees, and, in certain circumstances, professional advisers to the Scheme. These may also include the Scheme Actuary and WTW, who have provided further details at [www.wtwco.com/personal-data](http://www.wtwco.com/personal-data) as well as the Scheme Administrator. Details of the Scheme Administrator's data policy can be found at <https://www.aon.com/unitedkingdom/retirement-investment/retirement-investment-services-privacy-statement.jsp>.

## Equalisation of Guaranteed Minimum Pensions

A High Court judgment in the Lloyds Trade Union case was announced on 26 October 2018, which may have an impact on your benefits from the Scheme. This relates to the equalisation of Guaranteed Minimum Pensions (GMPs) for men and women and applies to any GMPs earned from 17 May 1990 (the date of an earlier court case on equal treatment). If you are affected, you might be due a top-up on your pension, although for most affected members this is likely to be relatively small.

This Court judgment will have an effect on a number of members across the Scheme and working out how much, if anything, each of these members should get is a complex process, which could take several years to complete.

## Additional documents available on request

If you want us to send you any of these documents please let us know.

The **Statement of Funding Principles**. This sets out the assumptions and method the Trustees have adopted with the agreement of the Employers as part of the 2020 actuarial valuation.

The **Statement of Investment Principles**. This explains how the Trustees invest the money paid into the Scheme.

The **Schedule of Contributions**. This shows how much money is being paid into the Scheme.

The **Annual Report and Accounts** of the THUS Group plc Pension Scheme, which shows the Scheme's income and expenditure over each year.

The full report on the **Actuarial Valuation** following the Scheme Actuary's check of the Scheme's situation as at 31 December 2020, and the Actuarial Reports by the Scheme Actuary as at 31 December 2021 and 31 December 2022.

*Finally, it is a legal requirement that this statement confirms:*

- *whether or not the Scheme has been subject to any modifications or other interventions by The Pensions Regulator. No such regulatory interventions have been made.*
- *whether any payments have been made to the Employers out of Scheme funds since the previous summary funding statement was issued to members. No such payment has been made, and pensions legislation makes such payments unlikely in the future.*

Please bear in mind that the figures in this statement are estimates of the Scheme's current funding levels based on current legislation and the provisions of the Scheme (which may be amended at any time). This statement does not confer any right to benefits.