

OneEmerson

Pensions News 2020

The newsletter for members of the defined benefit (DB)
Section of the Emerson UK Pension Plan (the Plan)

Contents

From the Chairman	Page 2	Retirement planning.....	Page 12
The Trustee and its advisers	Page 3	Pension scams – could you spot one?.....	Page 12
New website launch	Page 4	Savings limits for 2020/21 tax year.....	Page 13
We want to stay in touch with you.....	Page 4	The new Money and Pensions Service (MaPS)..	Page 14
Financial review and investments	Page 5	Don't forget to complete an expression of wish form	Page 14
Investment report	Page 7	Where to get help	Page 15
Summary Funding Statement	Page 8	The OneEmerson website.....	Page 15
Brexit – what now?.....	Page 11	Other useful websites	Page 15
Updates you need to know	Page 12		
State Pension update.....	Page 12		

From the Chairman

Welcome to the latest edition of Pensions News in which we share with you a variety of articles to keep you informed and help you make pension-related decisions.

Compared to recent years, 2019 was a relatively quiet year for the Plan. The new Board members have settled in well and the Plan funding continues to be very healthy. We said goodbye to David Shingler in October 2019, who decided to retire after having served many years as a Trustee of the acquired Valves & Controls (V&C) business pension fund that merged with the Emerson Plan in 2018. On behalf of former V&C and current Emerson members, we would like to thank David for his hard work and valuable counsel before and after the merger.

The Trustee Board remains committed to running the Plan efficiently and in line with its rules and with legislation – whilst looking after

its members' interests. We continually strive to improve the member experience and to that end we trust you will find your new website www.oneemerson.co.uk an interesting and helpful resource, providing relevant and clear information on the often complex pensions landscape.

As usual in the newsletter you'll find a summary of the accounts, membership and fund investment performance for the year to 31 March 2019 and the website will provide an update on the Plan's financial position within the Summary Funding Statement.

We hope you enjoy reading this newsletter and the other resources on the website and that it helps you stay up to date with your pension and the Plan. If there any items that you would like to see covered in future issues, please let us know, via the Plan administrators, using the enclosed contact details.



The Trustee and its advisers

The Plan is run by a corporate Trustee – Emerson UK Trustees Ltd. The Trustee’s role is to act in the best interest of all members and beneficiaries and to ensure that the Plan is run properly and in accordance with the law. To do this the Trustee currently has 11 Trustee Directors:

Company-nominated

David Meade, Chairman
Martin Fernandez
John Gallagher
Phil Lamb
David Rabe
Jeremy Rowley
Willy Vandormael

Member-nominated

George Amabile
Sharon Love
Ashley Munden
Paul Smith

The Trustee Directors appoint various professional advisers to ensure the Plan is run to the highest possible standards:

Actuary

Edwin Sheaf, Willis Towers Watson Limited

Administrator

Capita Employee Solutions

Secretary to the Trustee

Willis Towers Watson Limited represented by Pam Sohi

Custodian

Northern Trust

Auditor

KPMG LLP

Investment managers

Aviva, BlackRock, The Equitable Life Assurance Society, Legal & General Investment Management, Scottish Life and MFS International (UK) Limited

Banker

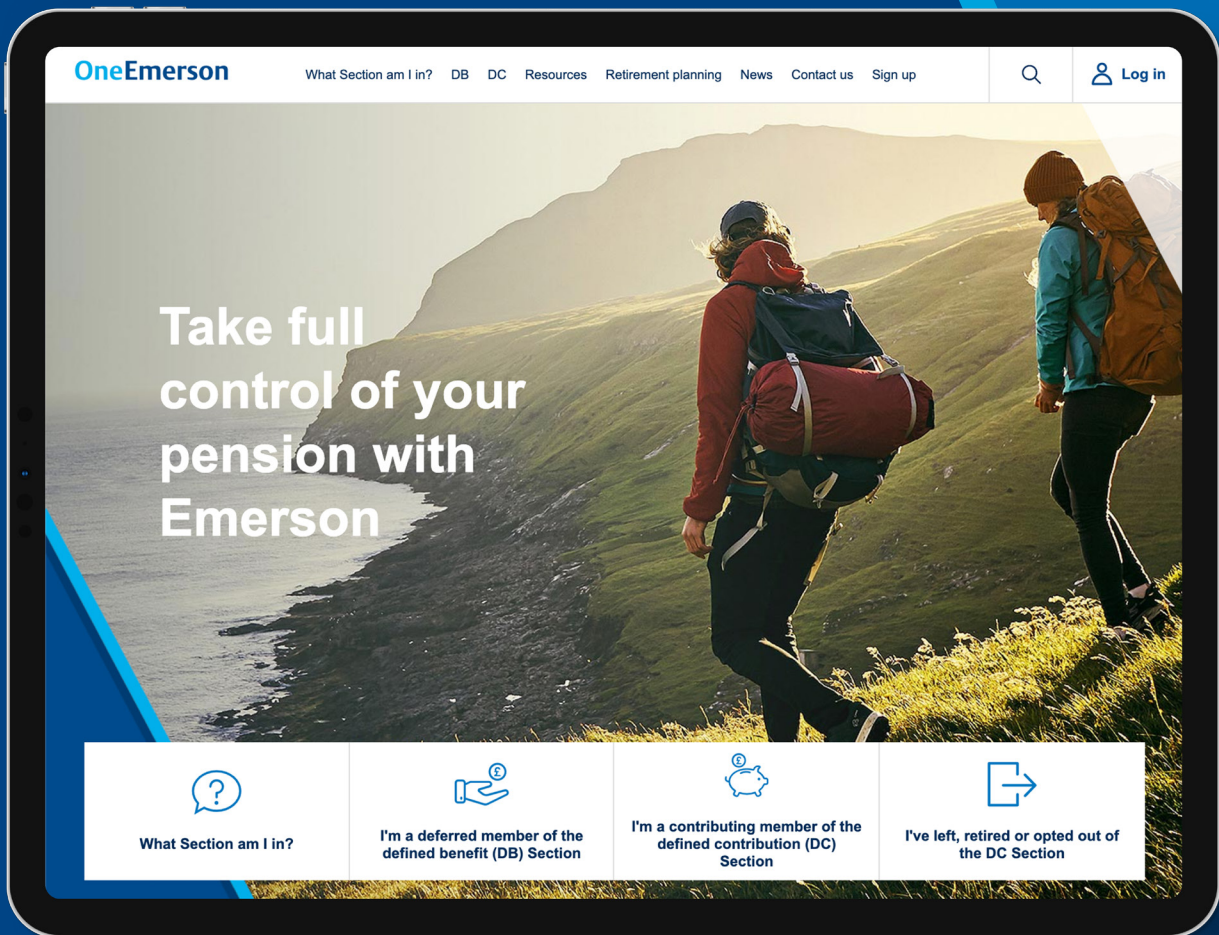
National Westminster Bank Plc

Solicitor

Baker & McKenzie

Investment adviser

Willis Towers Watson Limited



New website launch

We are pleased to let you know that the brand new OneEmerson website was launched on 20 January 2020. It aims to educate and provide you with enough information to enable you to make informed decisions about your future. Whether you're completely new to pensions, or you're approaching retirement, the new website has all the information you need.

You will also find a number of important documents, FAQs and videos to further explain how it all works and what you can do to make a positive impact on your retirement income. Don't delay and visit www.oneemerson.co.uk today!



We want to stay in touch with you

We have made the move towards paperless communications! If you would like to receive future newsletters in a digital format, we will need your email address. All you need to do is visit www.oneemersoninfo.co.uk. If you don't provide us with your email address, you may miss out on hearing about important pensions news in the future.

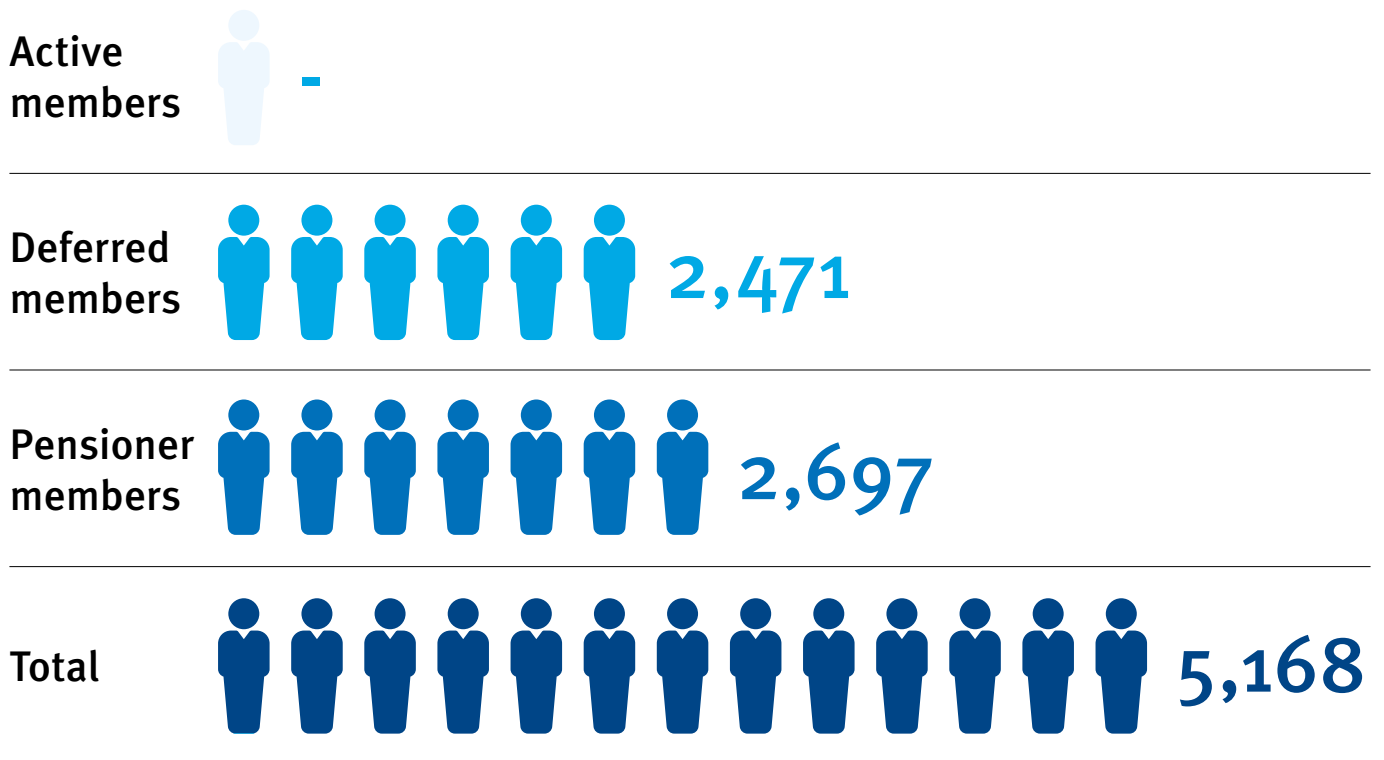
Financial review and investments

Summary account for the year ended 31 March 2019 (DB Sections only):

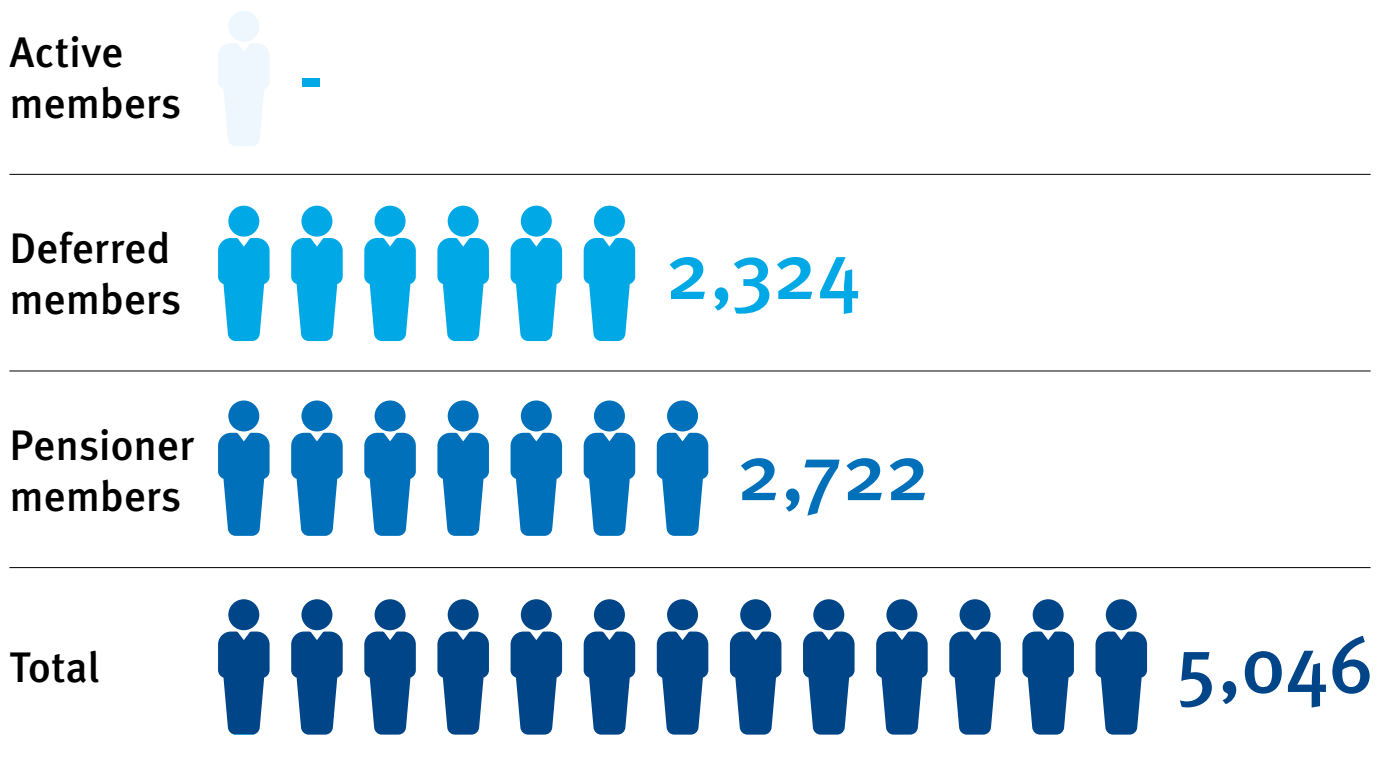
Paid in	£000s
Company contributions	11,600
Transfers in	-
Other income	1
Total paid in	11,601
Paid out	£000s
Benefits paid or payable	(21,159)
Payment to and on account of leavers	(20,442)
Administration expenses	(907)
Total paid out	(42,508)
Net additions/(withdrawals) from dealings with members	(30,907)
Returns on investments	£000s
Investment income	1,322
Change in market value of investments	49,300
Investment management expenses	(598)
Net returns on investments	50,024
Net increase in the Fund during the year	19,117
Transfers between Sections	78
Net assets of the Plan as at 1 April 2018	798,912
Net assets of the Plan at 31 March 2019	818,107

Membership statistics for the DB Section:

Members at 1 April 2018



Members at 31 March 2019



Please note that due to reporting deadlines, opening figures have been adjusted when compared to previous years.

Investment report

Investment returns

This section gives you a brief overview of each Section of the Plan's investments at 31 March 2019, including the distribution of investments across various asset classes.

	DB Segregated Section (excluding V&C sub section)			
	12 month returns to 31 March 2019			
	1 year return (%)	1 year benchmark (%)	3 year return (%)	3 year benchmark (%)
UK Equities	6.22	6.36	9.52	9.51
Global Equities	7.87	7.93	13.32	13.19
Bonds	4.97	4.84	8.47	8.23
Total	6.84	6.96	10.99	10.66

Asset allocation

The Plan allocation is well-diversified among passive UK Equities, Global Equities and a corporate bond. The actual allocation is reviewed monthly, in order to ensure the assets are allocated within the ranges stated above. To lessen currency risk from the increasing investment in Global Equities, some of that investment is hedged against currency exposure back to sterling.

As at 31 March 2019, the Plan's strategic asset allocation was as follows:

DB Segregated Section

Asset class	Strategic allocation (%)	Ranges by asset class (%)
UK Equities	10	7.5 – 12.5
Global Equities	50	47.5 – 52.5
Bonds	40	37.5 – 42.5
Total	100	

V&C Section of the DB Segregated Section

Asset class	Strategic allocation (%)	Ranges by asset class (%)
Equities	50	45 - 55
Bonds	50	45 - 55
Total	100	

EBCO Segregated Section

Asset class	Strategic allocation (%)	Ranges by asset class (%)
Equities	20	15 – 25
Bonds	80	75 - 85
Total	100	

Guaranteed minimum pension (GMP) equalisation

On 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit (DB) pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to GMP benefits. The issues determined by the judgement arise in relation to many other DB pension schemes. The Trustees continue to liaise with their advisers to determine the way in which they will equalise GMPs for the Plan and will then update any affected members as to the increase in their pension.

Summary Funding Statement

You are entitled to certain information about the funding of the Plan as you hold benefits within it. The Pensions Act 2004 also requires that the Trustee provides information to members each year about the financial position of the Plan.

As you may know, the Plan is administered by a Trustee group, independent of Emerson, whose role is to ensure that the Plan maintains adequate funding to meet its benefit obligations to its members.

How your benefits are secured

Security of your benefits is provided principally by the assets held by the Plan, Emerson's continuing support and future contributions. Contributions are paid into the Plan by Emerson, so that it can pay benefits to members when they retire. These contributions are generally held in a common fund, rather than a fund for each individual member. This common fund is invested in line with the decisions taken by the Trustee, in conjunction with its professional advisers. All stocks and bonds are lodged with Northern Trust bank, the appointed official custodian for the Plan

who will only deal with properly authorised instructions. However, separate funds are held for each individual in the Plan for:

- the assets of the defined contribution (DC) Sections of the Plan (in the DC Segregated Section);
- the assets of the Fisher Controls Personal Retirement Accounts (in the DB Segregated Section); and
- any additional voluntary contributions (AVCs) paid by members or other DC investments (in the DB Segregated Section, the EBCO Segregated Section and the DC Segregated Section, as appropriate).

How the funding level is calculated

When looking at the funding level for the Plan, the cost of providing the benefits promised is compared to the value of the investments held in the Plan.

The Trustee commissions a Plan actuary to perform an in-depth analysis of the Plan's finances, called an actuarial valuation. The latest actuarial valuation of the Plan was carried out as at 31 March 2017. Actuarial valuations must be undertaken every three years to provide a report on the status of the Plan. This means that the next valuation of the Plan is expected to be carried out as at 31 March 2020.

Valuations show the status of the Plan's funding at that date. Valuations are important to the Plan as they allow the Trustee to develop a new Schedule of Contributions which details the amounts Emerson must contribute to ensure that the Plan maintains a satisfactory funding level. In addition to the triennial valuation, the actuary also produces a yearly report.

When the Plan actuary calculates the cost of providing the Plan benefits, a number of assumptions are made about what the actuary and the Trustee think will happen in the future with, for example, investment returns, price inflation and life expectancy.

Actuarial valuation of the Plan

An actuarial valuation as at 31 March 2017 was completed and approved by the Trustee at a meeting in December 2017. A new Schedule of Contributions was also approved. The Plan's technical provisions at 31 March 2017 totalled £562.3 million, where technical provisions is a measure which reflects the amount that may be needed to pay members' pensions as they fall due. The Plan's assets totalled £573.8 million which resulted in the Plan having a surplus of £11.5 million and a funding level of 102.0%.

Following the valuation, on 8 January 2018 the main section of the Emerson V&C UK defined benefit pension scheme (V&C Scheme) was merged into the Plan. Additionally, as part of the merger, the EBCO Segregated Section of the Plan was formed which contains all of the assets and liabilities formerly of the EBCO Section of the V&C Scheme. The funding position shown above, at 31 March 2017, relates to the Plan at that date, which was before this merger, and so excludes all assets and liabilities of the V&C Scheme.

The estimated funding positions of the Plan at 31 March 2018 and 31 March 2019 include allowance for the assets and liabilities of the Main Section of the V&C Scheme following the merger.

The estimated technical provisions of the Plan at 31 March 2018 totalled £753.6 million, with the assets totalling £769.4 million. This means that the Plan had an estimated surplus of £15.8 million and an estimated funding level of 102.1%.

The estimated technical provisions of the Plan at 31 March 2019 totalled £746.8 million, with the assets totalling £789.4 million. This means that the Plan had an estimated surplus of £42.6 million and an estimated funding level of 105.7%.

The funding level as at 31 March 2019 is estimated to have increased from the 31 March 2018 funding level. The main factors contributing to this were a greater than expected return on the Plan assets over the period and a Company contribution paid to the Plan in March 2019. These more than offset the effects of a slight decrease in corporate bond yields, and a slight increase in expected price inflation.

The above asset and liability figures exclude all benefits provided in respect of the DC Segregated Section and the EBCO Segregated Section and also exclude any AVCs and other DC benefits within the Plan.

The Plan's estimated financial position at:

Date	Funding level
1 April 2009	93%
1 April 2010	103%
1 April 2011	107%
1 April 2012	87%
1 April 2013	84%
31 March 2014	104%
31 March 2015	104%
31 March 2016	100%
31 March 2017	102%
31 March 2018	102%
31 March 2019	106%

Please note that the funding level at 31 March 2017 and dates prior to that relate to the Plan before the merger of the Main Section of the V&C Scheme into the Plan on 8 January 2018.

What would happen if the Plan were wound-up?

The estimated additional amount needed to ensure that all members' benefits could be paid in full if the Plan started winding-up (full solvency) was £135.9 million as at 31 March 2017. This cost arises because the benefits would have to be secured with an insurance company if the Plan were to wind-up. By winding-up we mean Emerson being unwilling (or unable) to continue to run the Plan and contribute to it on an ongoing basis. Emerson has a legal obligation to fund the shortfall if this were to happen.

The Trustee has a statutory obligation to give you this information. It does not imply that Emerson is considering winding-up the Plan. Emerson has demonstrated its willingness to support the Plan by making contributions to the Plan that are significantly larger than it was required to make. Since 2005, Emerson has paid in contributions totalling £188.5 million in relation to the DB Sections of the Plan compared with a contribution requirement of £122.5 million over the same period.

If Emerson became insolvent, The Pension Protection Fund (PPF) might be able to take over the Plan and pay compensation to members, should there be a shortfall between the Plan's assets and the PPF's measure of Plan liabilities. Further details on the operation of the PPF are available on the PPF's website at

www.ppf.org.uk. Or you can write to them at the following address: The Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

Other matters

We are obliged to inform you if any payment has been made from the Plan to Emerson since the previous statement. The Trustee can confirm that no such payment has been made. Similarly, we are obliged to inform you if the Pensions Regulator has made modifications to the Plan or given specific directions on the funding of the Plan. Again, the Trustee can confirm that no such modifications or directions have been made.

Looking after your data

Some personal data for Plan members (such as date of birth and salary) is required for the running of the Plan, including paying out the right benefits. The General Data Protection Regulation (GDPR) came into effect from 25 May 2018 and the use of this personal data is regulated under the GDPR, which places certain obligations on those who exercise control over the data (known as 'controllers' under the GDPR). Controllers would include the Trustee of the Plan, and, in certain circumstances, professional advisers to the Plan. These may include the Plan actuary and Willis Towers Watson Limited who have provided further details at www.willistowerswatson.com/personal-data





Where can I get more information?

If you have any questions, or would like any more information, please contact Capita, the Plan administrator, by using the details at www.oneemerson.co.uk/contact-us. A list of more detailed documents which provide further information is shown below. If you would like us to send you any of these documents, please let Capita know.

Additional documents available on request:

- **Statement of Investment Principles** - this explains how the Trustee invests the money paid into the Plan.
- **Statement of Funding Principles** - this explains how the cost of providing benefits is calculated and the Trustee's policy for ensuring that the cost is adequately met.
- The full report on the **Actuarial Valuation** following the actuary's check of the financial situation of the Plan as at 31 March 2017. This report gives detailed information on the Plan's funding position and on the many factors that will influence the development of the Plan in the future.
- **Actuarial Report as at 31 March 2019** - this provides updates on the Plan's funding position.
- **Schedule of Contributions** - this shows the level of contributions that are being paid into the Plan.
- **Annual Report and Accounts** - these show the Plan's income and expenditure in the year up to 31 March 2019, as well as details of the Plan's investments as at 31 March 2019.

Brexit – what now?

It's understandable that members of the Plan might be worried about what Brexit will mean for the UK in the near future as we left the European Union (EU) on 31 January 2020. The UK is now in a transition period during which, many aspects of the UK's future relationship with the EU are expected to be decided such as trade, law enforcement, data sharing and security. The transition period is scheduled to complete by 31 December 2020. The Trustee will continue to monitor and discuss developments with its advisers and consider any potential impact on the Plan. This will include focus on areas such as investment, administration and communicating with members where appropriate.

If you are approaching retirement, it's understandable that you might be nervous about the impact of the UK's decision to leave the EU on your pension savings. Further information can be found at Pension Wise (www.pensionwise.gov.uk/en) and The Pensions Advisory Service (www.pensionsadvisoryservice.org.uk).

Updates you need to know

State Pension update

The State Pension is an important factor when it comes to planning your retirement, although it shouldn't be relied on as your only source of income as it's unlikely that it'll fund the lifestyle you want without additional income as well. The State Pension age is the earliest you can draw your State Pension. The current full State Pension rate is £175.20 (per week) for the 2020/21 tax year. To check how much you might receive, visit www.gov.uk/check-state-pension. You can read more information about the State Pension on the new website at www.oneemerson.co.uk/retirement-planning/the-state-pension

Retirement planning

Retirement planning is the process of determining how much money you'll need when you eventually stop working. You'll have to think about what you'll need to do to achieve those goals. Remember that

retirement planning starts long before you retire. The sooner, the better.

Whether you're counting down the days to retirement or if the thought of it is just starting to appear on the horizon, it's likely that you'll have some important questions:

1. When can I retire?
2. What are my choices?
3. How do I inflation proof my income?
4. How do I claim my State Pension?
5. How much income will I need?
6. What other things do I need to think about?

The new website has an entire section dedicated to retirement planning, so take a look at www.oneemerson.co.uk/retirement-planning to learn more.



Pension scams – could you spot one?

It is more important than ever to be aware of scammers who want to take money away from your pension. They have sophisticated methods in order to trick you, but would you be able to spot a pension scam?



What is a pension scam?

A pension scam is where someone tries to con you out of your pension. Often, scams can be disguised as something where you can take your money before age 55 or an investment opportunity you have never spoken to them about before.

If somebody calls you out of the blue about your pension – this is illegal. You should end the call immediately and tell Action Fraud on **0300 123 2040** or use their online reporting tool at www.actionfraud.police.uk/reporting-fraud-and-cyber-crime



How do I spot a scam?

The Financial Conduct Authority have created a pension scam quiz to see what you would do in each situation. Give it a go at www.fca.org.uk/scamsmart/pensions-scam-quiz



Savings limits for 2020/21 tax year

The annual allowance (AA)

This is the amount you can add to your pension benefits each year without incurring a tax charge. For the 2020/21 tax year, most people will have an AA of £40,000.

If you are a high earner (e.g. if your income excluding pension costs is over around £200,000 per year), you may have a lower, tapered AA. You can check if this applies to you at www.tax.service.gov.uk/pension-annual-allowance-calculator

You can also carry forward any unused AA for up to three years. This allows you to have pension savings in excess of the AA in a certain year and pay no tax. The AA for the current tax year must be used before any previous years' AA is carried forward.

The lifetime allowance (LTA)

This is the total amount of retirement savings you can build up over your working life without incurring an additional tax charge. It includes the value of the benefits you build up in all registered pension schemes, and not just the

benefits in your current pension scheme. The State Pension does not count towards the LTA.

For the 2020/21 tax year, the standard LTA is expected to be £1.073 million. If your pension savings exceed the LTA, this could result in a tax charge of 55% on the excess (25% if you take the excess as income rather than a lump sum). Not many people are likely to be affected by this, but if you think you are, you can find out more at the HM Revenue and Customs website www.hmrc.gov.uk. Alternatively, you may wish to consider taking advice from a professional financial adviser.

Money purchase annual allowance (MPAA)

This applies to defined contribution (DC) savings only, including DC additional voluntary contributions (AVCs). If you have started to access any taxed DC retirement benefits flexibly elsewhere, such as through flexible drawdown, and want to continue paying contributions to the Plan, your AA will reduce to £4,000. You will need to notify Capita or Buck that you have flexibly drawn benefits elsewhere and they will provide information about your AA.

Remember, it is your responsibility to monitor your position against the pension tax allowances.

The new Money and Pensions Service (MaPS)

At the beginning of 2019, three existing providers of government-sponsored financial guidance merged to form the single financial guidance body which has now been named the Money and Pensions Service (MaPS). You may already be familiar with the likes of the Money Advice Service, The Pensions Advisory Service and Pension Wise who already deliver debt advice, money guidance and pensions information online.

Having MaPS is great news as it provides you with a one-stop shop for financial guidance. You'll have access to various topics such as workplace pensions, day-to-day money management and overall financial education. Best of all, the information will be free and impartial for anyone that needs it.

The new body will work alongside the government and the Financial Conduct Authority (FCA) to ensure the information is regulated to protect you. MaPS' main aims are:

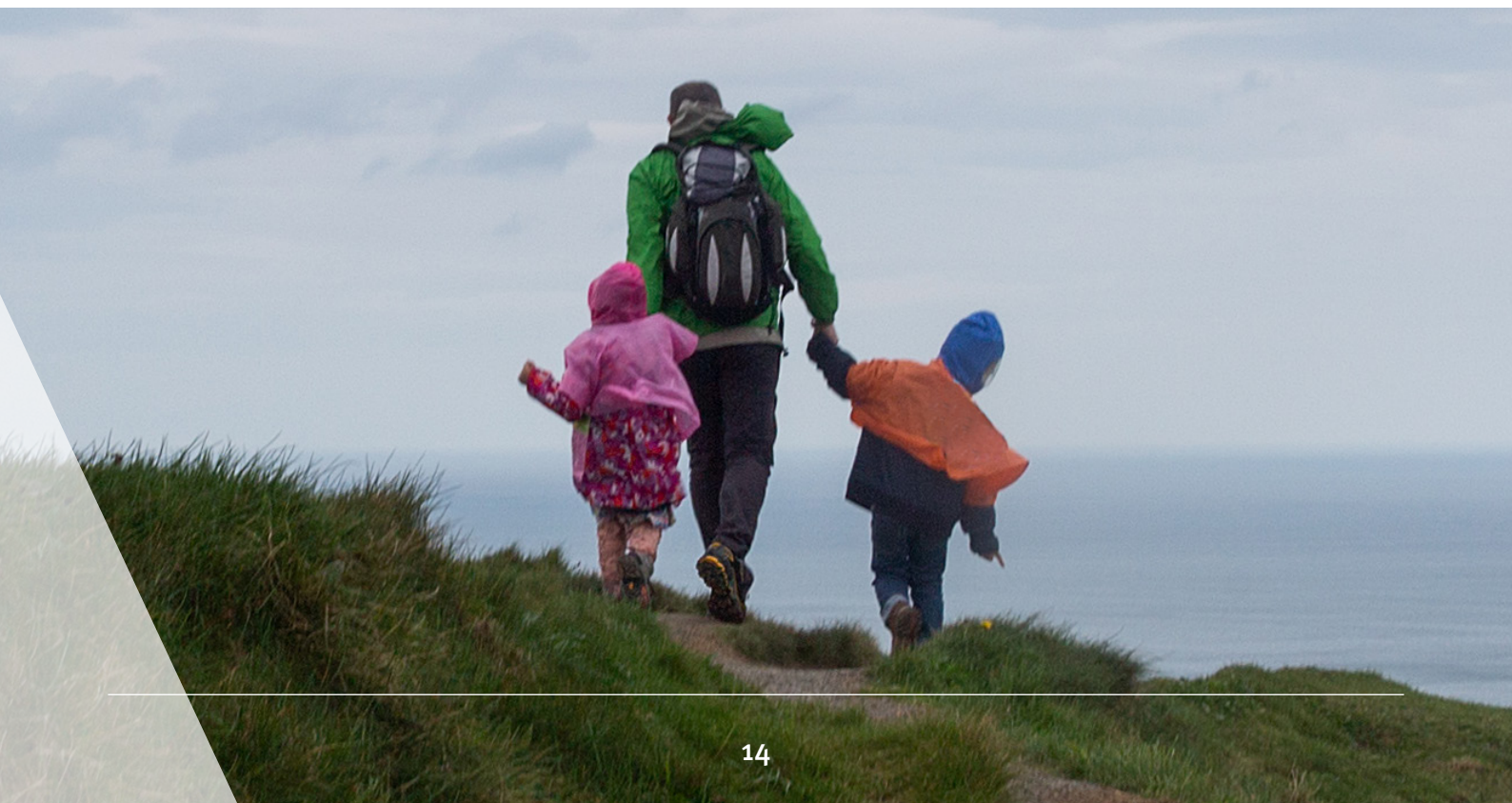
- to develop people's financial capability
- to improve debt management among UK citizens
- to provide financial education to children and young people

When you are making important financial decisions, it's essential that you have easy access to the information before making an informed decision. If you need some extra help, you can find an IFA at register.fca.org.uk or you can visit www.moneyandpensionsservice.org.uk for more information.

Don't forget to complete an expression of wish form

If you die, the Trustee needs to decide who to pay any discretionary death benefits to. Remember to keep your expression of wish form up-to-date if your personal circumstances change. This is the most effective way to ensure your loved ones receive your death benefits when you die. You can download a form at www.oneemerson.co.uk/resources/forms

Out of date forms, that don't match up with your wishes, can cause lengthy investigations by the Trustee into who should receive your death benefits, which in turn can cause delays in paying them.



Where to get help

There are a number of ways you can get in touch for help or information about your benefits in the Plan. You may wish to also update your personal details. For all queries you can write to the Plan Administrator(s) at:

Emerson DB Segregated Section
and DC Segregated Section
Capita

PO Box 555
Stead House
Darlington
DL1 9YT

Telephone: 0333 222 0082

Email: emerson@capita.com

Emerson V&C Main DB and
EBCO DB Segregated Section
Buck

Forty-four/Peter Street
Manchester
M2 5GP

Telephone: 0333 123 9698

Email: emerson.pensions@buck.com

Please remember to include your National Insurance number in any correspondence. Typically, you'll receive a response to your query within five working days.

The OneEmerson website

The new website provides plenty of information about your pension and you can also update some of your personal details using the forms provided. Visit www.oneemerson.co.uk to learn more. If you have any problems using it, please call 0333 222 0082.

Other useful websites

Age UK

www.ageuk.org.uk

Information about pensions as well as a free advice line.

Citizens Advice

www.citizensadvice.org.uk

Free, independent and confidential guidance online as well as your local Citizens Advice centre.

Financial Conduct Authority

www.fca.org.uk

The FCA regulates financial service firms and financial markets in the UK. They aim to make markets work well – for individuals, businesses and for the economy as a whole.

Money Saving Expert

www.moneysavingexpert.com

Founded by journalist Martin Lewis, this website aims to provide information and articles that could save you money and includes areas such as pensions and finance.

OneEmerson