

2023 Newsletter

Hydraulics Research Pension Scheme



I am pleased to send you this copy of the 2023 Newsletter for the Hydraulics Research Pension Scheme (which we call below 'the Scheme' for short). We hope you find this newsletter both interesting and informative, but we are keen to hear your views on the future topics you would like us to cover.

Claire Teagle, Chair of Trustees

Highlights in this issue

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The current Trustee board

There are currently three Trustees:

Two Trustees are Member Nominated:
Michael Keevil and Bob Godfrey

One Trustee is appointed by HR Wallingford:
PSGS Trust Corporation Ltd.
(represented by **Claire Teagle**).

You should inform us of any changes in your personal details, such as your name, address, marital status or any changes in your nominated dependents to receive benefits payable upon your death (which can be done through an Expression of Wish form, found on the HR Wallingford website noted below).

For quotations of your Scheme benefits, changes of personal details, general scheme information and queries, please contact Isio, the Scheme administrator, using the following contact details:

Contact us

Isio c/o SPS
PO Box 721
Salford
M5 0QT



Tel: 0118 338 4451
E: hrps@isio.com

Further information on your benefits

For further information on your retirement benefits, you can consult the Scheme booklet, which describes the benefits available to members of the Scheme and outlines some of the rules that govern the Scheme.

It is intended as a guide to help you gain a greater understanding of your retirement benefits. The latest version of the Scheme booklet was finalised in 2015. If you wish to obtain a copy of the booklet, please visit the HR Wallingford website (<https://www.hrwallingford.com/pensions>) or contact Isio.

A copy of this newsletter, as well as previous newsletters can also be found on the HR Wallingford website.



Q. Where can I obtain information/advice regarding pensions?

MoneyHelper is a free, independent service set up by the Government to give people clear, unbiased money advice. They produce clear information and guidance on how to find out more details in reference to your pensions questions: <https://www.moneyhelper.org.uk/en>

If you need to contact a financial advisor you can try looking on: www.unbiased.co.uk

You can check your State Pension entitlement at: www.gov.uk/check-state-pension

The Financial Conduct Authority and the Pensions Regulator have released lots of helpful material as part of their ScamSmart campaign: www.fca.org.uk/scamsmart, If you think you have been a victim of a scam, please report it to the FCA ON 0800 111 6768 or email consumer.queries@fca.org.uk

Summary funding statement

The Scheme is a defined benefit scheme. This means that it pays a pension equal to a specified monthly amount when you retire, based on your length of service and salary. The Scheme is closed to future benefit accrual, and so no further benefits are being built up by members. Contributions that have been paid to the Scheme are invested in one common fund for all members, which is used to provide retirement benefits when they fall due.

The Trustees regularly monitor the funding position of the Scheme to ensure that there are sufficient funds to meet all pension obligations for the lifetime of its members. Each year, we send you this Summary Funding Statement to provide you with updated information about the level of funding for the Scheme, as required by the Pensions Act 2004.

Actuarial valuation

A full valuation of the Scheme is carried out every three years.

The results of the previous valuation (as at 31 March 2019) showed that the Scheme was around 90% funded with a deficit of £10.8 million (shown in the table opposite).

At the last valuation, the Trustees secured a series of contributions due from the Company to help eliminate the deficit, shown in the table below. It was estimated that under this Recovery Plan, the funding deficit was expected to be removed by April 2027.

Schedule of Company contributions

£725,000 per annum between 2020 and 2024

£785,000 in 2025

£800,000 per annum between 2026 and 2027

The 31 March 2022 valuation is currently ongoing, and it is required to be completed by 30 June 2023. The ongoing valuation will provide an updated position of the Scheme, and the Trustees and Company will agree a new 'Recovery Plan' to ensure the Scheme can meet its primary objective of being able to pay out all the future benefits when they are due.

The Actuarial Valuation Report and the Actuarial Updates are available on request. Please contact Isio (details on the front page) for more information.

Recent Actuarial updates

Approximate actuarial updates are carried out in each year where a full funding valuation has not been carried out. As the 31 March 2022 valuation is currently underway, the last actuarial update was carried out in 2021, as shown in the table below.

Whilst the Scheme's assets have been impacted by recent market environment (further information on recent market movements is provided on the back page), the overall funding level has remained relatively stable during 2022.

The Trustees continue to regularly monitor the funding position and the Company's ability to make the contributions it has committed to pay and take any actions they deem appropriate after taking professional advice.

Results	2019 Valuation	2020 Update	2021 Update
Assets	£94.5m	£90.4m	£105.8m
Liabilities	£105.3m	£104.6m	£112.8m
Funding deficit	£10.8m	£14.2m	£7.0m
Funding Level	90%	86%	94%

There has been no intervention from the Pensions Regulator to use its powers to modify the Scheme or to impose a direction or schedule of contributions.

Definitions

Assets	The value of the pooled funds held to provide pension benefits to Scheme members.
Liabilities	The estimated total amount required today to provide members of the Scheme with their agreed benefits when they fall due.
Deficit	The amount by which the value of the liabilities exceeds the assets.
Funding level	The percentage of liabilities covered by the assets of the Scheme



Wind-up (solvency) estimate

The valuation results assumed that the Scheme continues to operate in its current state for the foreseeable future.

If the Trustees and the Company (HR Wallingford Group) decide to wind up the Scheme, the Company would need to contribute to the Scheme so that all members' benefits can be secured in full with an insurance company. This is known as paying 'full solvency benefits'. As at the 31 March 2019 actuarial valuation, this amount was estimated to be £59.4 million.

Should the Scheme wind up without enough money to secure all the benefits with an insurance company, the Pension Protection Fund (PPF) might be able to take over the Scheme's obligations and pay compensation to members. Further information and guidance is available on the PPF's website (www.ppf.co.uk), or you can write to the PPF at: PO Box 254, Wymondham, NR18 8DN.

Neither the Trustees nor the Company have any plans to wind up the Scheme but we are required by law to let you know the Scheme's financial position if this event were to happen.

Investment strategy

The Scheme's investment strategy is reviewed regularly by the Trustees in conjunction with qualified investment advisors, and is intended to mirror to a large extent the movements in the value placed on the liabilities, whilst still generating some investment return through its holding in growth assets. This is to ensure that the funds are available to meet member benefits as they fall due.

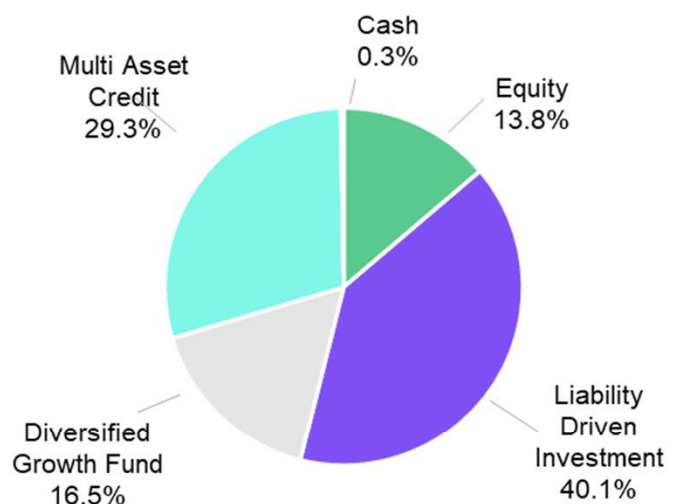
The Scheme's current investment policy is set out in the Statement of Investment Principles (SIP), a copy of which is available on the HR Wallingford website (details on first page).

The Trustees take into account Environmental, Social and Governance (ESG) factors when setting the investment strategy, such as climate change, community relations and responsible investment. Further information on the Scheme's ESG policies can be found in the Implementation Report, available on the website.

No payments have been made from the Scheme to the Company over the last year.

Actions have been taken by the Trustees to maintain the liquidity of assets, and the level of protection against adverse market movements during the recent market volatility.

Asset allocation at 31 December 2022



Source: Scheme Investment managers, Isio

As at 31 December 2022, the Scheme's assets were broadly allocated as shown in the pie chart. The total value of the assets was £76.3m.

You may notice that there has been a fall in assets since the 2021 update. The Trustees would like to reassure you that although assets have fallen, so have the liabilities, such that the funding level of the Scheme remains healthy.

Asset classes

Equities	Direct ownership in a company. Equity is a growth asset with high expected return although subject to volatility
Diversified Growth Funds	Multi-asset funds (typically containing equities, bonds, property, cash) which seek to achieve long term equity-type returns, but with about half to two thirds the volatility.
Multi Asset Credit	Aims to take advantage of diversified opportunities in public and private credit markets, including, but not limited to, investment grade and high yield corporate bonds
Liability Driven Investment	Strategy which invests in assets which move in a similar way to the Scheme's liabilities. Designed to help schemes reduce the volatility of their funding level by addressing interest rate and inflation risks.

News and FAQs

High Inflation

2022 has seen rising inflation due to increases in various factors, such as energy prices, food and fuel. Consumer Price Index ("CPI") inflation has risen by 10.1% in the year to 30 September 2022, the highest level for many years. At the time of writing, the Bank of England predicts that inflation will begin to fall during 2023, but that it will take a year or two for inflation to reduce to meet their 2% target.

Whilst inflation is high, benefits in the Scheme are reasonably well protected through inflationary increases (linked to CPI), applied each year to the majority of the benefits.

Pensions Fraud

It is important to know the warning signs when it comes to pension scams. Often scammers will try to persuade pension savers to transfer their entire pension savings, or to release funds from your savings, by offering incentives such as higher returns or releasing cash before age 55.

What to look out for:

- Calls, texts or emails from unknown numbers or email addresses
- Phrases such as "free pension review", "pension liberation", "loan", "cashback"
- Guarantees that they can get you better returns on your pension savings
- Help to release cash from a pension before the age of 55, with no mention of the tax implications
- Complicated or unusual, high-risk investments
- Requesting personal information

If you think you are being targeted by a scam or have any concerns about the legitimacy of a correspondence, please immediately contact the Scheme administrators (details on the front page).

Further information about pensions scams and how to avoid them can be found here:

<https://www.thepensionsregulator.gov.uk/pension-scams>

Isio Pension Web service

The administrators of the Scheme, Isio, have recently launched their Pension Web service, which will allow members to login to a secure online portal to view details of their pension benefits within the Scheme. It will also enable members to request benefit quotations and updates to address and beneficiary information.

To register for this service, simply log onto <https://www.isiopensions.com> and enter your personal details and username (the unique reference number quoted on Isio correspondence, which can be found at the bottom of the address label used for this newsletter).

Volatility in financial markets

2022 has also been a turbulent year for investment markets, which have been impacted by events such as the war in Ukraine and response to the government's mini-Budget in September.

The Bank of England has been raising interest rates to try to keep inflation under control, and there have also been increases to government bond yields (increasing the rate of interest the Government pays on its debt). Equity markets have been volatile due to a number of reasons including high inflation and resulting action taken by global central banks.

You may have seen a lot of coverage in the news about rising UK government bond yields and worries about how this may affect the liquidity of UK defined benefit schemes. Throughout this period the Trustees were in contact with their advisers reviewing the Scheme's risk management tools and managing the Scheme's investments, such that the Scheme remained in a good position.

Following the calming of the markets at the end of October, the Trustees and their advisers continue to closely monitor the Scheme.

Pension Increases

Pensions in payment are increased annually on 1 April each year and the increase is linked to the increase in the Consumer Prices Index ('CPI').

This year, members' pensions in the Scheme were increased on 1 April 2022 by 3.1%.

Please note that if you built up benefits before April 1997, some of your pension may not receive the full CPI increases; these increases will be incorporated into your State pension benefits.

There were no discretionary increases granted during the year.

GMP equalisation

A High Court judgment in the Lloyds Banking Group case was announced on 26 October 2018, which may have an impact on your benefits from the Scheme, as outlined in previous Newsletters. The Trustees have put in place a plan of action regarding the equalisation of benefits for the HRPS and work to achieve this is currently ongoing.



Q. Does the Scheme hold an Internal Dispute Resolution Procedure?

Trustees of all Occupational Pension Schemes are required to establish and operate a procedure attempting to resolve any complaint or dispute which may arise in relation to the Scheme. If you wish to see a copy of the Scheme's Internal Dispute Resolution Procedure, please contact Isio (details on the front page).