



The Canadian High Commission Locally Engaged Staff Pension Scheme (UK)

Member Newsletter – December 2021

The Trustees of the Canadian High Commission Locally Engaged Staff Pension Scheme (UK) (the Scheme) are pleased to issue this annual newsletter to all Scheme members, which provides an update on the Scheme's financial position as well as commentary on topical pension issues that may affect you.

You will be aware that the Employer has made the decision not to offer membership of the Scheme to any new employees from 1st January 2022. The Trustees would like to take this opportunity to reiterate that this change in practice does not constitute a change of the Scheme Rules and does not affect the rights of existing members or non-member staff with regards to the Scheme.

Please read further to find out more about the following:

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|  Changes to the Trustee Board |  Going paperless |  ESG considerations for investing |
|  Pension scams |  Taking benefits from age 60 |  HMRC tax limits and allowances |
|  Financial updates |  Transferring-in benefits |  How to contact us |



Changes to the Trustee Board

Tina O'Shea and Svend Holm have stepped down from their positions as Employer Nominated Trustees and Phil Brading has stepped down as a Member Nominated Trustee. The Board would like to thank Tina, Svend and Phil for their work during their time as Trustees.

Randolph Mank and Greg Giokas have been appointed as Employer Nominated Trustees and we welcome them to their new roles. The continuing Trustees are Dalriada Trustees Limited (Employer Nominated Trustee and Chair) and Michelle Cassidy (Member Nominated Trustee). Therefore the Trustee Board is currently made up of 3 Employer Nominated Trustees and 1 Member Nominated Trustee.

The Trustees will shortly be writing to active and pensioner members to again invite nominees for the vacant MNT position. If you know of anyone who you think could be suitable for this role, please encourage them to engage.



Pension scams – don't let a scammer enjoy your retirement

Pension scheme members in the UK continue to be targeted by pension scammers, frequently promising to unlock significant amounts of cash for you or offering 'opportunities' that promise high investment returns, often in overseas companies. Tempting though these offers may sound, the sad reality is that most individuals who accept them end up losing almost everything and it's devastating.

Pension scams can be hard to spot. Scammers can be articulate and financially knowledgeable, with credible-looking websites, testimonials and materials that can be hard to distinguish from the real thing. Please remain vigilant if contacted about transferring your pension benefits. There is a ban on cold calling individuals about their pension savings – but scammers often find loopholes or simply break the law. More information on scams is available from the FCA's website www.fca.org.uk/scamsmart/how-avoid-pension-scams but a summary of their guidance is:

-)] Reject unexpected offers
-)] Check who you are dealing with
-)] Don't be rushed or pressured
-)] Get impartial information and/or advice.



Financial Update

Each year we are required to let you know the financial position of the Scheme. This newsletter includes a financial update as at 30 June 2021.

Monitoring the Scheme's finances

The Scheme provides retirement benefits to members linked to their length of service and salary, as well as benefits to members' dependents.

Your contributions, and those from the Treasury Board of Canada and other participating employers (referred to as the "Employers") are invested by the Trustees across a portfolio of assets that are held completely separate from the Employers. Members' benefits are paid out of this portfolio of assets. Members that have paid Additional Voluntary Contributions have those assets individually earmarked.

Every three years the Scheme's Actuary undertakes a detailed assessment to see if the assets built up are sufficient to meet the expected cost of the benefits that members have earned. This requires the Actuary to make a number of assumptions, such as when will members retire, how long will they draw their pension, the level of inflation, and the returns earned on the Scheme's investments, amongst other factors. The Actuary can then advise whether the Scheme has sufficient money already or, if there is a shortfall, recommend more money to be paid in by the Employers.

As well as the triennial check, an annual update is carried out to monitor progress. The detailed assessment, known as an actuarial valuation, was last carried out as at 30 June 2020, and an annual update was carried out as at 30 June 2021. The results of these reviews are shown in the table below, followed by commentary on developments over the last year.

£Million	Actuarial valuation 30 June 2020	Update 30 June 2021
Scheme assets	144.6	150.8
Expected cost of benefits	138.7	133.7
Surplus	5.9	17.1
Funding level	104%	113%

Contributions being paid in

The actuarial valuation in 2020 showed the Scheme was in sound financial health, with a surplus of £5.9M at the valuation date despite the global downturn during the spring and summer of 2020. The surplus has increased steadily since then, which is covered in the next section.

Active members contribute 6% of Pensionable Salary and the Employers agreed to increase their contributions from 37.6% to 53% of Pensionable Salaries to cover the cost of building up new benefits and meeting the Scheme's running expenses.

If there had not been a surplus, the Trustees would have asked the Employers to pay slightly higher contributions. However, as there is a surplus the Trustees have agreed that the Employers can pay a slightly lower rate. The Trustees believe this is appropriate because the Employers have paid significant contributions in the past which have helped put the Scheme in this strong financial position. The Trustees expect the surplus to be managed over a reasonable period of time as a result of contribution relief provided to the Employers.

The Trustees will continue to monitor the position carefully with their advisers and the contribution requirements, including the use of any surplus, will be reviewed at the next actuarial valuation, which is due as at 30 June 2023.

Commentary on the financial developments to 30 June 2021

The Actuary's update at 30 June 2021 showed that the funding level had increased over the year, from 104% to 113%, revealing a surplus of £17.1M. The main reason for the increase in surplus is due to the improvement in global economies during late 2020 and into 2021 and the impact this had on asset values. The Trustees will continue to monitor the position, knowing that markets remain volatile.

The full solvency position

The Actuary's valuation as at 30 June 2020 included a test of whether the Scheme could afford to secure all of its benefits with an insurance company, for example if the Scheme were to wind up.

The solvency position is a much harsher test, as it reflects that insurance companies have to invest in low-risk assets, which are likely to give low returns and also acknowledges that their terms will include administration charges and profit margins. This means that even if a Scheme is fully funded on its long-term plan, the solvency figure is likely to be less than 100%. Virtually all schemes have substantial shortfalls under this solvency test.

At 30 June 2020 the Actuary estimated that there would have been enough money to secure up to 67% of members' benefits earned up to that date with an insurance company, representing a shortfall of around £70M based on insurance company terms. However, there is no intention of winding-up the Scheme for the foreseeable future.

The Pension Protection Fund (PPF)

If the Employers were unable to support the Scheme, for example if they became insolvent (which is very unlikely) and there was insufficient money in the Scheme, then the PPF may take over the Scheme and pay compensation to members. The PPF does not provide full protection, so members would still see a reduction to their retirement benefits if compensation became payable. The PPF's website <https://www.ppf.co.uk/> provides further information.

Other information

We must also tell you if there have been any payments to the Treasury Board out of Scheme funds since the last newsletter and we can confirm that there have not been any such payments.

The Pensions Regulator can change the Scheme, give directions about working out its technical provisions or impose a Schedule of Contributions. We are pleased to say that it has not used its powers in this way for our Scheme.



Transferring benefits into the Scheme

Current employees that are members of the Scheme may transfer-in benefits from certain previous retirement benefit arrangements. Transfers-in will be used to secure additional service credits within the Scheme and are subject to certain restrictions, including:

-)] The option to transfer-in benefits is only available to active members
-)] Transfers-in are limited to a maximum of £25,000 in total for each member
-)] Transfers-in must be at least £1,000 (in order to secure a minimum level of service credit)
-)] The Trustees have overriding discretion on whether to accept a transfer-in

If you are considering transferring benefits into the Scheme, please contact Barnett Waddingham – contact details shown at the end of this newsletter.



Drawing benefits from age 60

Current and past employees who have built up benefits in the Scheme can start to draw a pension from age 60 without any reduction for early payment. If you are approaching age 60, or over age 60 and would like an illustration of the benefits you could receive then you can obtain an online illustration via Barnett Waddingham's member platform – **BWebstream** or you can contact Barnett Waddingham directly– contact details shown at the end of this newsletter.



Environmental, Social and Governance factors for investing

From 1 October 2019, it became a requirement for Trustees to include Environmental, Social and Governance (ESG) considerations and stewardship approaches into their investment decision making for the Scheme.

ESG considerations encompass a more sustainable approach to investment, explicitly acknowledging the importance to the investor of creating or enhancing value for all stakeholders – employees, customers, suppliers and wider society including the environment. Therefore environmental, social and governance factors become a specific group of risks or opportunities to weigh up when selecting investments. This differs from ethical investing which is based upon a set of moral or ethical principles with which investments must align.

With the assistance of their advisers, the Trustees have considered how ESG and ethical factors should be taken into account within their investment strategy and updated the Scheme's Statement of Investment Principles (SIP). From 1 October 2021, both the Scheme's SIP and an Implementation Statement setting out how the policies in the SIP have been followed, must be made available on a publicly accessible website: <https://schemedocs.com/canadian-high-commission-statement-investment-principles.html>.



HMRC's Lifetime Allowance and Annual Allowance

You can accumulate as much retirement benefits as you want, through the Scheme and/or other retirement arrangements, but if you exceed the Lifetime Allowance or Annual Allowance you will have to pay a tax charge.

The **Lifetime Allowance** will be £1.073 million for the 2021/22 tax year and for illustration, a member of the Scheme with a pension of £15,000 pa at retirement would have a Lifetime Allowance value of £300,000, excluding any other forms of benefit in this or other schemes. So for most members, the Lifetime Allowance will not be an obstacle to saving, but if you exceed the Lifetime Allowance, the value of any excess savings will be taxed at an effective rate of 55%.

The **Annual Allowance** is the amount of pension savings that you are allowed to build up in a single tax year. This cap is currently £40,000, although if you have any unused allowances you can "carry forward" unused amounts from the previous three years. In a "final salary" arrangement, such as this Scheme, the calculation to determine how much allowance has been used up is more complex. The administrators will issue a statement before October each year to those members who have exceeded the Annual Allowance – but importantly this only measures pension savings in this Scheme and not any other arrangements. It is your responsibility to monitor your own position if you make contributions to other pensions arrangements. A pension savings statement can be provided to any member on request – please contact Barnett Waddingham for more information.

The Annual Allowance is reduced for those with taxable income in excess of £110,000 on a tapered basis with those with taxable income and pension savings of more than £210,000 only receiving tax relief on £10,000 of pension savings.

Anyone who has taken money out of a Defined Contribution (DC) pensions arrangement will have a reduced £4,000 DC Annual Allowance for the tax year. This does not affect the level of savings allowed in a final salary arrangement such as the Scheme, but would affect those members paying into a defined contribution arrangement, like the AVC scheme.

HMRC limits can be complex, so please ask if you have any questions.



Money and Pensions Service (MAPS)

The Money and Pensions Service has been set up by the Government to provide free and impartial guidance to the public. It is the new central body for pension information, encompassing the three previous financial guidance bodies: PensionWise, the Money Advice Service and The Pensions Advisory Service.

You can access this guidance through their website at moneyandpensionsservice.org.uk.

The Money and Pensions Service does not provide individual financial advice, but will provide guidance to help you better understand your options with your retirement savings.



Expression of Wish forms

One of the Trustees' roles is to determine who to pay lump sum benefits to in the event of your death. These are valuable benefits paid free of inheritance tax, but only if paid from the Scheme at the Trustees' discretion.

This is why you were asked to complete an Expression of Wish form when you joined the Scheme – so the Trustees know who to consider. If you cannot remember if you have completed a form, or if your circumstances have changed since you last completed one, say you have recently married, divorced, or have had a child, then please review your wishes. The easiest way to update your wishes is via Barnett Waddingham's online platform – but you will need to have an online account with Barnett Waddingham first. Further information is provided below.



Normal Minimum Pension Age

Currently, the earliest age you can draw your benefits is 55. This is known as the Normal Minimum Pension Age (NMPA). The UK Government issued proposals to increase the NMPA to age 57 in 2028 to coincide with the rise of the UK State Pension Age to 67. A recent consultation on the proposals confirmed the increase in the NMPA will go ahead. Therefore from 6 April 2028 you will not be able to access your pension savings, including your benefits from this Scheme before age 57 unless retiring due to ill-health (subject to clarification of certain protections).



Going paperless

To save on printing and postage, and to reflect that most of us communicate electronically the Trustees are intending to move to electronic/online communications (rather than by post) at some point in 2022.

The intention is that all future correspondence, such as benefit statements, announcements and payslips will be delivered via Barnett Waddingham's BWebstream platform. If you haven't got a BWebstream account, please contact Barnett Waddingham as shown on page 6. Once an account is set up we will send you an email to let you know when new information or statements are available to download.

We understand that some members may want to continue to receive copies of statements and newsletters by post. If so, please can you let Barnett Waddingham know, quoting your pension reference number on any correspondence.



Questions or need to find out more?

Online access – Barnett Waddingham's member platform

With a secure online account with the Scheme's administrators, Barnett Waddingham, you can:

-)] check the membership and financial records held on your behalf
-)] obtain a projection of your retirement benefits
-)] update information, like your Expression of Wish Form or current address
-)] email the Scheme's administrators with any questions about your benefits

Access to the online platform is via this website: www.logon.bwebstream.com

40% of the membership have already set up an account. If you would like to set up an online account please ask Barnett Waddingham to send you a registration key.

Additional information

The Trustees prepare a number of documents relating to their funding and investment decisions. Annual accounts are also prepared by the Scheme's auditor. Copies of these documents are available on request.

Contact us

If you need any further information please contact the Scheme administrators at:

Barnett Waddingham, 3 Devon Way, Birmingham, B31 2TS

Tel: 0333 11 11 222 e-mail: CHC@barnett-waddingham.co.uk

If you are a current employee and have questions about your pension benefits, you can also contact the Canadian High Commission HR Officer, Tina O'Shea, using the following details:

Tel: 020 7004 6157 e-mail: Bettina.O'shea@international.gc.ca

By law neither the Trustees nor the Scheme administrators can give you advice about your pension arrangements. If you are thinking about making any changes, you may want to obtain independent financial advice.