



# HERMES GROUP PENSION SCHEME

April 2023

Dear Member

## HERMES GROUP PENSION SCHEME

### INTRODUCTION

Welcome to the 2023 newsletter of the Hermes Group Pension Scheme.

The newsletter provides you with some key information from the latest annual Report and Accounts as at 30 June 2022. It also informs you of any developments that have taken place since then and has been sent with a copy of the Scheme's Summary Funding Statement.

One development, is a change to the frequency of pension payslips. This is covered under "Digital Communications". Other developments covered in the newsletter are an update on your new Employer Nominated Trustee Director, the work the Trustee has been doing on digital communications and the Pensions Dashboard. Information is also included on the investments, including how the Trustee managed the gilts crisis and the work being done on Stewardship, including climate change.

For some time the Trustee has been concerned that not enough members have completed a Nomination Of Beneficiary Form. This allows you to indicate to the Trustee who you would like to nominate to receive any lump sum death benefit. *A lump sum death benefit will not be available if you have been receiving a pension for more than five years.* The importance of this is set out in the article in the newsletter.

The Trustee would also like to remind you about Hermes Pensioner Association, (HPA), launched in January 2017 to enable Scheme pensioner members to maintain contact, meet occasionally and provide a forum to discuss relevant issues. HPA is not associated with Hermes Group Pension Scheme Trustee, but the Trustee is happy to make Scheme members aware of HPA and how they can join the Association. David Bridges is the Chair of HPA. If you would like to receive information about HPA and its forthcoming events, please contact David by Email: [davidchbridges@gmail.com](mailto:davidchbridges@gmail.com) or Telephone: 0208 3990160

The usual factual information on the membership, Trustee advisers, Trustee Directors and contact details is included at the end of the newsletter.

There is much more information about the Scheme, the Trustee and its advisers on the web-site. Please use the web-site; <https://www.hermesgrouppensionscheme.co.uk/> There is important information on there on pension transfers and scams and access to the Trustee Report and Accounts, past newsletters, Summary Funding Statements and the Statement of Investment Principles.

***The Trustee of the Hermes Group Pension Scheme***

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## NOMINATION OF BENEFICIARY FORM

*If you have been in receipt of a pension for over five years there will be no lump sum death benefit payable.*

As mentioned earlier the Trustee is concerned that many members have not completed a Nomination Of Beneficiary Form. This expression of wish provides guidance to the Trustee as to who to consider as recipients of any lump sum death benefits. This does not have to be the same as the beneficiaries under your Will, as the lump sum is not part your Estate. For example, you can nominate a partner, your children or other family members or a charity, and the sum can be divided between a number of people or organisations. Once you have completed a Nomination of Beneficiary Form it is important to keep it up to date, particularly if your circumstances change, so that the Trustee can take into account your wishes. If there is no Nomination of Beneficiary form, or it appears to be very out of date, the Trustee has to make its own judgment on who to pay to, based on our investigations of your personal circumstances, and this may not be in line with what you would have wanted and will take more time.

If you would like to leave a lump sum death benefit under the Scheme, please do complete a Nomination of Beneficiary Form, if you haven't done so already, or update your current form if your circumstances have changed. The form is available on the member website and should be sent to XPS, the administrators of the Scheme (contact details at the end of this newsletter).

## CHANGE OF EMPLOYER NOMINATED TRUSTEE DIRECTOR

BT Pension Scheme Trustees Limited appointed Joanne Coxwell as Ingrid Kirby's replacement in July 2022. Joanne qualified as a solicitor at Berwin Leighton Paisner in 2003 and spent many years working in the pensions team advising on all pension related matters for both sponsoring employers and trustees. She joined BT Pension Scheme Management six years ago, providing support on a whole range of pensions legal areas.

## INVESTMENTS

The portfolio of Scheme assets aims to reduce the volatility of the funding level, i.e., to align the value of the assets with the value of the liabilities as far as possible. Whilst the Scheme remains fully funded on an ongoing basis, progression of the funding level for the Scheme to achieve a fully funded position on a prudent self-sufficiency basis by 2030 remains on track at the time of writing.

### Performance

The Scheme's performance for the 12 months to 30 June 2022 and three year period, based on the performance of the investment managers after the deduction of fees for all managers, is shown in the table below:

	One year (%)	Three years (% pa)
Scheme	18.6%	3.1%
Benchmark	19.1%	3.7%

\* The Scheme Benchmark is an amalgamation of the individual benchmarks for each investment manager and the various funds employed. Further details can be found on page 15 of the 2022 Annual Report & Accounts.

### Gilts crisis

The 'mini-budget' of 23 September 2022 marked a shift in UK government fiscal policy, to which investors reacted by selling off UK government bond markets. This caused significant volatility in a



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market that was generally seen as a core asset for UK pension funds that use Liability Driven Investment (LDI) programmes to match their assets and liabilities. The volatility continued until the Chancellor Kwasi Kwarteng (and then Prime Minister Liz Truss) were replaced, and the new Chancellor Jeremy Hunt reversed the proposed fiscal changes in a statement on 17 October 2022.

The Scheme's assets and liabilities fell sharply in response to the mini-budget, largely driven by a fall in the value of the LDI portfolio that is designed to hedge movements in long term interest rate and inflation expectations. The Trustee acted quickly to top up the Scheme's LDI portfolio from its equity holding, so the Scheme's interest rate and inflation hedging was maintained throughout this period of volatility, and the funding level has remained broadly stable over the period.

One of the outputs from the Gilts crisis is that LDI managers now require more collateral to be held and must use less leverage in the portfolio.

In mid-February 2023 the rise in yields to exhaustion for collateral was c.5.9%. LGIM has an ongoing minimum of 3% which means the Scheme is 2.9% over LGIM's requirements. The Scheme's leverage is 2x. These are within the parameters that we expect may be prescribed in legislation or by the Pensions Regulator in due course.

## Stewardship

The DWP's first formal guidance on stewardship set out its expectations on trustees' practices and reporting. The Trustee has agreed that its stewardship priorities are corporate transparency/governance and climate change and has asked LCP and its managers to ensure there is focus on these areas. The Trustee will continue to spend time reviewing and improving its stewardship policies, activities and reporting over the coming year.

## **DIGITAL COMMUNICATIONS**

The Trustee undertook an exercise to collect member email addresses so it can widen its ways of communicating with members. As part of this the Trustee asked for member feedback through a survey on communication preferences. The results of the survey were considered at the last Trustee meeting. Some of the points that came through were:

- 86% of respondents would prefer online or a mix of online and paper communications.
- 10% of members provided email addresses.
- A number of members requested payslips and P60s to be made available online.
- Some members asked for more frequent communications.

Since the survey was issued XPS has informed the Trustee that from April, pensioner payslips will only be issued by post when there is a change of pension of £1 or more.

Taking into account the results of the survey and the change in frequency of payslips, the Trustee has agreed that it will investigate whether an online portal with XPS could be made available to members. Such a portal would allow members to log into their own area and have access to monthly payslips and P60s. The Trustee will let you know the outcome of the investigation in due course.

## **PENSIONS DASHBOARD**

The Pensions Dashboard Programme which was announced by the government a few years ago, called for Pension Schemes to connect to an online pension dashboard. The aim is to enable everyone to have quick and easy access to information on all their pension savings in one place. Pensions dashboards are digital services which could be in the form of an app, website or other digital platform.

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In order to prepare for the release of Pensions Dashboards, between now and when the Scheme has to provide data, the Trustee will be working with its advisers and administrators to make sure that it has the right processes in place to be able to support this initiative.

To find out more about the PDP go to [www.pensionsdashboardsprogramme.org.uk](http://www.pensionsdashboardsprogramme.org.uk).

## TRUSTEE BOARD AND DIRECTORS

The membership of the Trustee Board is shown below:

Trustee Board				
	Directorship type	Professional trustee?	Ex Hermes employee?	Scheme member/pensioner?
<b>Alison Bostock Representing ZEDRA Governance</b>	Independent Chair	Yes	-	-
<b>Penni Coe</b>	Member-Nominated	-	Yes	Yes
<b>Hans Christoph - Hirt</b>	Member-Nominated	-	Yes	Yes
<b>Matt Simms</b>	Employer Appointed	Yes	Yes	-
<b>Joanne Coxwell</b>	Employer Appointed	-	-	-

## MEMBERSHIP STATISTICS

The figures below show the recent history of membership:

	30.06.2020	31.07.2021	30.06.2022
Employed deferred	35	33	26
Deferred	358	346	341
Pensioner	194	203	210
<b>Total</b>	<b>587</b>	<b>582</b>	<b>577</b>

## ADVISERS

The current advisers to the Trustee are:

<b>Actuary</b>	XPS	Adam Stanley
<b>Lawyer</b>	Sackers	Pauline Sibbit
<b>Investment Adviser</b>	LCP	James Trask
<b>Secretary</b>	ZEDRA Inside Pensions	Fiona Kilpatrick
<b>Administrator</b>	XPS	George Patterson
<b>Finance</b>	XPS	Amy Webb
<b>Auditor</b>	KPMG	Paul Thompson
<b>Covenant Adviser</b>	Cardano	Alex Hutton-Mills

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## CONTACT DETAILS

Please contact the Scheme Secretary via any of the following:



[sta.Hermes@zedra.com](mailto:sta.Hermes@zedra.com)



01727 733150



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c/o ZEDRA Inside Pensions  
First Floor, Trident House  
42-48 Victoria Street  
St Albans  
Hertfordshire  
AL1 3HZ

Should you require any details of your pension benefits or if your personal circumstances have changed please contact XPS, the Scheme administrators, via any of the following:



[HGPS@xpsgroup.com](mailto:HGPS@xpsgroup.com)



0131 370 2601



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