

# 2020 Trustees' Summary Report

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

September 2020

In this issue

We include the usual headline figures from the Scheme's Annual Report & Accounts, and an update on how the investments have performed.

We also report on the Scheme's latest funding position.

Away from the Scheme, we include a feature on the increasing threat of cybercrime and how you can help to protect yourself. We provide an update on the Brexit situation and we summarise the Pension Schemes Bill that was reintroduced to Parliament in January.

Meanwhile, the coronavirus pandemic continues to have a significant effect on the global economy. Please be assured that, as Trustees, we are monitoring the situation closely and taking all possible steps to mitigate any impact on the Scheme. We will keep you updated.

Please do get in contact if you have a query about the Scheme or your benefits. The contact details are on page 6.

**Ian Armour**  
Chairman of the Trustees

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# In numbers






## The membership

At 31 December 2019 there were 599 members in the Scheme compared with 605 members at the same date last year.

42	<b>Active members</b> - working for Vodafone (the 'Company') and paying regular contributions
304	<b>Deferred members</b> - no longer building up benefits but have benefits in the Scheme for when they retire
253	<b>Pensioner members</b> - receiving benefits from the Scheme (and 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.

The value of the assets supporting the Scheme at 31 December 2019	£194,769,000	
The net return on the value of the assets over the reporting year	£25,373,000	
The total value of Company contributions paid in to the Scheme during the year	£1,085,000	
The total value of Scheme running costs paid from the Scheme during the year	£709,000	
The total value of benefits paid to members during the year	£4,578,000	

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.

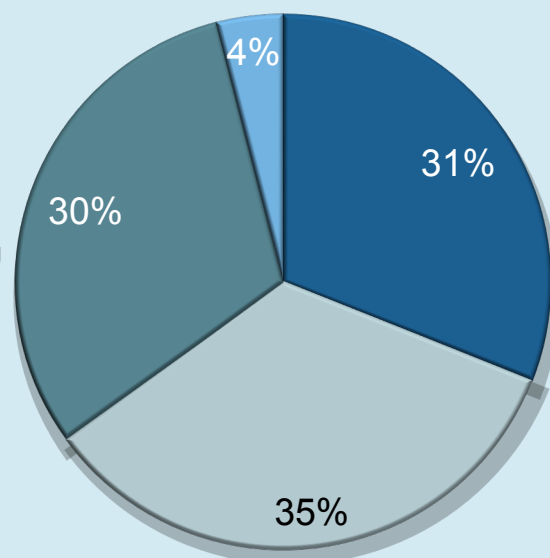
The assets of the Scheme are invested with Legal & General Investment Management (LGIM). The assets are allocated between equity, property, diversified growth and bond investment classes. The allocation of assets to each investment class reflects underlying benchmark positions which are maintained through rebalancing.

## Asset allocation

At 30 June 2020, the Scheme held assets of £207.3 million with LGIM compared with £191.0 million at the same date last year (not including insured policies, AVCs and cash in the bank account).

The chart adjacent shows how the Scheme's investments were allocated at 30 June 2020, across asset types.

- Equities 31%
- Bonds 35%
- Diversified Growth 30%
- Property 4%



## Performance

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

Fund	Over one year to 30 June 2020 (% per year)		Over three years to 30 June 2020 (% per year)	
	Performance	Benchmark	Performance	Benchmark
Equities	+5.7%	+5.7%	+8.4%	+8.3%
Equities - Hedged	+2.3%	+2.3%	+5.8%	+5.8%
AAA Bonds	+6.9%	+6.7%	+4.4%	+4.2%
Property	-1.9%	-2.6%	+3.0%	+3.4%
Diversified Growth Funds	+0.9%	+4.6%	+4.3%	+7.4%

Over one-year and three-year periods ending on 30 June 2020 we saw positive returns with the exception of the Property Fund. We will continue to monitor performance and make any changes we feel are necessary.

## Protect yourself from cybercrime

Hackers want access to your finances – bank accounts, retirement accounts, loans, etc. Bank accounts are the top target, but retirement accounts are becoming increasingly attractive to fraudsters. This is probably because they are not checked as often as everyday financial accounts, and because they can hold a lifetime of savings.

Financial advisers recommend checking your retirement accounts regularly and to report any unfamiliar transactions.

Individually, we all have a responsibility to protect our own data to reduce the risk of cybercrime. Here are some top tips to help you keep your online data secure.

1. **Use strong passwords.** Make them complex, change them regularly and don't use the same one on multiple sites. In 2019, the UK's National Cyber Security Centre found that '123456' was the most widely used password on breached accounts, followed by '123456789', 'qwerty', 'password', and '1111111'.
2. **Install security software.** There are lots of options when it comes to protecting your devices and software from viruses and other malware. This kind of software is often available at no cost.
3. **Keep your devices and software up to date.** Regular updates can be frustrating, but they are vital to patch any potential flaws cybercriminals look for.
4. **Back up your most important data.** Save your most important online data to an external hard drive or cloud-based storage system.
5. **Lock your devices.** Use the screen lock function on your smartphone and tablets.
6. **Manage your social media settings.** The more you share online the greater the risk, so keep your personal and private information secure on social media.
7. **Strengthen your security on Wi-Fi.** Use a strong password when using public Wi-Fi. It's also a good idea to use a virtual private network (VPN), which will encrypt everything that leaves your device until it gets to its destination.

To find out more about the threat of cybercrime and how you can stay safe, go to: [www.getsafeonline.org](http://www.getsafeonline.org) and [www.ncsc.gov.uk](http://www.ncsc.gov.uk).

If you are a victim of cybercrime, report it to Action Fraud, the UK's fraud and cybercrime reporting centre: [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

## Pension Schemes Bill reintroduced

In January, the Government reintroduced the Pension Schemes Bill to Parliament. (It had been held up due to December's General Election.)

The Bill includes:

- New powers and sanctions to enable the Pensions Regulator to take stronger action where pension schemes are not being run properly.
- Provisions to support online pension dashboards, so that individuals can access details of all their pension arrangements in one place.
- A requirement for trustees of DB plans to produce a statement on their long-term funding and investment strategy.
- Provisions allowing for restrictions on transfer payments, to help prevent pension scams.

The timescale for these measures to come into force has not yet been confirmed – we will keep you updated.



## Coronavirus and Brexit update

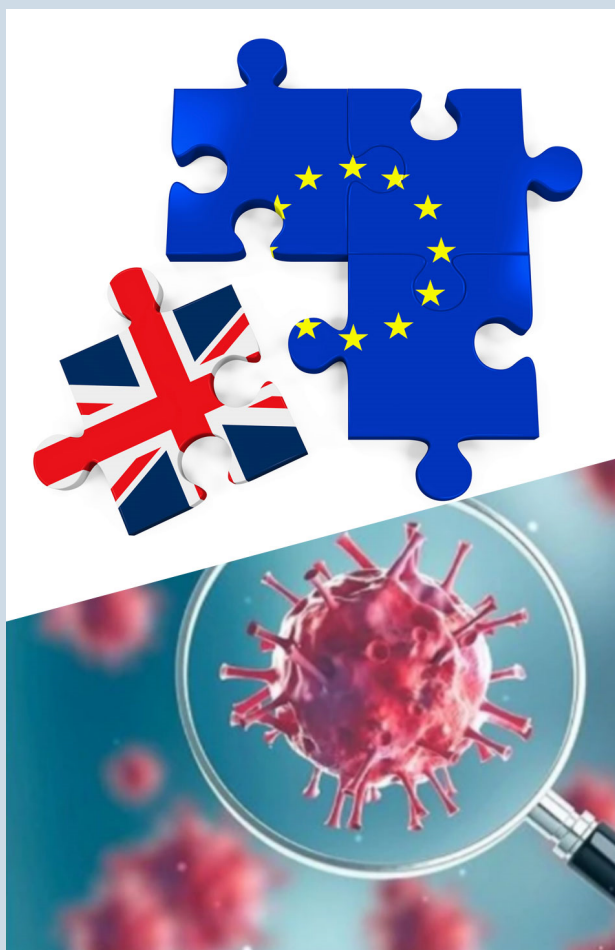
Brexit uncertainty dominated the financial landscape following the outcome of the EU referendum in 2016 – until the coronavirus pandemic.

Following the General Election in December 2019, the European Union (Withdrawal Agreement) Act received Royal Assent on 23 January 2020.

The UK left the EU on 31 January 2020, with transitional arrangements in place until 31 December 2020. This means that the immediate impact of Brexit is currently limited.

However, the coronavirus pandemic is having a significant impact on markets and the wider economy.

As Trustees of the Scheme, we continue to monitor both issues as they develop. We also have robust strategies in place to ensure the efficient day-to-day running of the Scheme and ensure that members are able to access the services they need.



## Changes to the tapered Annual Allowance

The Annual Allowance is the total amount of pension savings you can make each year without incurring a tax charge. For the 2020/21 tax year, it is £40,000.

A lower, tapered Annual Allowance was introduced from April 2016 for higher earners. Changes to it took effect from 6 April 2020.

The tapered Annual Allowance now applies for anyone with a 'threshold income' of more than

£200,000 (up from £110,000) and 'adjusted income' of more than £240,000 (up from £150,000).

The lowest tapered Annual Allowance has reduced from £10,000 to £4,000.

These changes mean that fewer higher earners will be impacted, but those that are may see a reduction to their tapered Annual Allowance.

**Threshold income:** broadly, your total taxable annual earnings excluding pension savings, less certain reliefs.

**Adjusted income:** broadly, your total taxable annual income plus the value of pension savings such as employer pension contributions

**Remember:** it is your responsibility to check how close you are to exceeding the Annual Allowance. If you are unsure of your position, please consider talking to an Independent Financial Adviser (see page 6).



# More information

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

For more general information on pensions and saving for retirement, the following websites are useful resources.

[www.moneyadvice.service.org.uk](http://www.moneyadvice.service.org.uk)

The Money Advice Service provides general advice on all money matters including pensions and finding an independent financial adviser.

[www.gov.uk](http://www.gov.uk)

The Government's website features a section 'Working, jobs and pensions', which includes a State Pension Age calculator.

## Early Resolution Service

If you have a concern about your benefits, contact the Pensions Ombudsman's Early Resolution Team:

Go to [www.pensions-ombudsman.org.uk/our-service/make-a-complaint](http://www.pensions-ombudsman.org.uk/our-service/make-a-complaint)

Phone: **0800 917 4487** and select the option to discuss a potential complaint

Email: [helpline@pensions-ombudsman.org.uk](mailto:helpline@pensions-ombudsman.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 8JB

## 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 (IFA). You can find an adviser in your area by searching the Money Advice Service directory at <https://directory.moneyadvice.service.org.uk/en>.

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised. You can do this online at <https://register.fca.org.uk> or by phoning the Financial Conduct Authority helpline, **0800 111 6768**.

**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 below).

## 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 Company-appointed Trustees and member-nominated Trustees.

Company-appointed	Member-nominated
Ian Armour, Chairman of the Trustees	Roger Braithwaite
Colin Scott	Colin Kennedy
Candia Kingston on behalf of Capital Cranfield Pension Trustees Limited	

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

Administrator	Aon Solutions UK Limited
Actuary	David Gordon, FIA (resigned 3 March 2020), Willis Towers Watson Stuart Cook, FIA (appointed 3 March 2020), Willis Towers Watson
Auditor	Grant Thornton UK LLP
Investment Adviser	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 (contact details can be found on page 6 of this document).

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 2017. This showed the Scheme’s funding position to be as follows:

	£ million
Market value of assets held (including AVCs)	185.8
Target assets needed to provide benefits (Technical Provisions)	197.1
Shortfall of assets relative to target	(11.3)
Funding level	94%

## Contributions to the Scheme

Following the valuation as at 31 December 2017, the Trustees and the Employers agreed a Recovery Plan to eliminate the disclosed shortfall of £11.3 million. The Employers agreed to pay an amount of £4.1 million by 30 April 2020 (paid as planned), a further £4.1 million by 30 April 2021 and a further £4.1 million by 30 April 2022. These contributions are expected to eliminate the shortfall by 30 April 2022.

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 2017 Valuation

The position of the Scheme has now been assessed at 31 December 2019, at which date it was found that the Scheme was approximately 94% funded. The funding level has improved since the previous update as at 31 December 2018 (89%) and has now broadly returned to the same level disclosed at the formal valuation as at 31 December 2017. The main reason for the improvement in the position since the 31 December 2018 update has been the increase in the value of the Scheme’s assets over the year to 31 December 2019. This has been partially offset by an increase in the liabilities due to changes in financial conditions.

The assessment as at 31 December 2019 was not a formal valuation but measured the position of the Scheme in a manner consistent with that used for the 2017 valuation, taking into account the effect of the changes in investment conditions and Scheme membership since 31 December 2017.

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 2020, 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

## Impact of COVID-19 pandemic on Scheme

This latest financial health assessment is at an effective date prior to the COVID-19 pandemic which hit the UK in late March. The pandemic had a serious impact on financial markets – the driver for Scheme’s asset values and interest rates used to value the Scheme’s liabilities. With the onset of the pandemic, global financial markets reacted causing a fall in asset values which resulted in a temporary worsening in the Scheme’s funding level. However, the funding position has since improved and returned to a similar funding level to that at 31 December 2019.

## Solvency Position

The estimated amount needed at 31 December 2017, 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 around £136.5 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 Employer’s 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 write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

### 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 is to invest in a broad range of assets with a target allocation to the main asset classes as follows:

Equities	30%
Bonds	35%
Diversified Fund	30%
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 Willis Towers Watson, who have provided further details at [www.willistowerswatson.com/personal-data](http://www.willistowerswatson.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/products-and-services/human-capital-consulting/aon-hewitt-actuarial-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 2017 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 2017, and the **Actuarial Reports** by the Scheme Actuary as at 31 December 2018 and 31 December 2019.

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.



# Privacy notice

The Trustees hold some personal information which we need to administer the Scheme.

Without your personal information, we cannot provide you and your dependants with the correct benefits at the right time.

This will include personal information about you, such as your name and contact details, information about your pension contributions, age of retirement, and in some limited circumstances information about your health (where this impacts your retirement age).

The purposes for which your personal information will be used include management of the pension scheme and your membership within it, to calculate and pay benefits, funding the pension scheme (i.e. helping to ensure that the funds within the pension scheme are sufficient to cover the members who are party to it), liability management (that is to say providing advice on the different ways benefits could be determined, and drawn, from the pension scheme), scheme actuary duties (which include assessing individuals who are members of the pension scheme and assessing how the make-up of the membership may affect the amounts payable and when they become payable so as to manage the pension scheme appropriately), regulatory compliance, process and service improvement and benchmarking.

We may pass your personal information to third parties such as advisors and benefits providers, insurers and to certain regulatory bodies where legally required to do so.

Depending on the circumstances, this may involve a transfer of data outside the UK and the European Economic Area to countries that have less robust data protection laws.

Any such transfer will be made with appropriate safeguards in place.

More detail about our use of your personal information is set out in our full Privacy Notice which has previously been sent to you.

If you need a further copy, please contact us using the contact details on page 6.

