The City and Guilds of London Institute

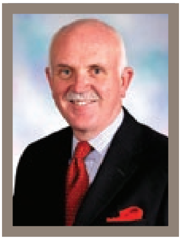
TRUSTEE REPORT 2017/18

FOR MEMBERS OF THE CITY AND GUILDS (1966) PENSION SCHEME

AUTUMN **2018**

CONTENTS

WELCOME FROM YOUR CHAIRMAN



Welcome to your Trustees' Report for 2018 for the City and Guilds (1966) Pension Scheme. It recaps on the recent closure of the Defined Benefit (DB) Section and explains the Trustees' role in looking after your benefits in the Scheme.

Outcome of consultation on closure of the DB Section to active members

The DB Section closed to future pension scheme entitlement on 30 June 2018 and all active members were transferred to Category E, a Defined Contribution (DC) Section of the Scheme. Here members can continue to build up pension savings while working for the Employer. A summary of the changes is provided on page 11. I would like to reassure all members (active, pensioners and deferred) that the closure of the DB Sections does not affect Scheme members' pension or benefit entitlement in any way and benefits built up to 30 June 2018 will be retained in the normal manner.

Keeping the Scheme well run – good governance

As Trustees, our main concern is good governance, in other words, protecting members' benefits and making sure the Scheme is run in line with best practice and UK pensions law. We remain responsible for managing and investing around £211 million of pension scheme assets and we will continue to monitor how these investments and the investment funds under the DC Sections are performing. We will also continue to work with the Institute to help all members understand and manage their benefits in both the DB and DC Sections right through to retirement.

Keeping Scheme finances healthy

The Scheme's assets grew by £12 million over the 12 months up to 30 September 2017. This was due to positive investment returns and contributions from members and the Institute of £9 million. Details of the Scheme's financial ins and outs are explained on page 6.

We are pleased to report that we have agreed the most recent valuation (as at 30 September 2017) with the Institute. This valuation found that the Scheme's funding level has improved slightly to 81%. However, there is still a deficit, so the Institute has agreed to pay £5 million each year for the next 10 years to improve funding.

Regular checks on funding will continue even though the DB Section is now closed to future service and we will work with the Institute and their advisers to ensure benefits are paid when due. See pages 7 to 9 to read more about the latest valuation.

If you're starting to think about retirement, you can find a useful guide to your options on page 20 as well as links to helpful resources.

I hope you find the Report an interesting read. If you have any questions or comments, please email your feedback to the Agent.

Adrian Waddingham CBE
Chairman of the Trustees

THE TRUSTEES

The Trustees of the Scheme meet at least four times a year, with the Scheme advisers, to keep up to date on how the Scheme's assets are invested, how the DC Section default option is performing and to discuss relevant Scheme matters.

These regular meetings enable the Trustees to meet their governance responsibilities and ensure they can respond promptly to any changes. This year the Trustees have focused their attention on the closure of the Full CARE and Hybrid CARE Sections to future service as well as the 2017 actuarial valuation of the Scheme. You can read more about the Scheme valuation on page 7.

In February 2018 we welcomed Hugh Smart to the board of Trustees. Read our interview with Hugh on page 5.

The Trustee Directors (Trustees) of the Scheme are:

Institute-appointed Trustees
Adrian Waddingham CBE (Chairman)
Chris Astles
Sharon Saxton
Hugh Smart

Member-nominated Trustees
Roger Busk
Chris Humphries CBE

THEIR ADVISERS

Scheme Actuary	Bridget Hall from Willis Towers Watson advises the Trustees on funding and other pension issues.
Investment consultant	Willis Towers Watson advises the Trustees on the investment strategy and performance.
Auditor	PricewaterhouseCoopers LLP audits the Scheme's Accounts and checks that the financial reporting is accurate and legally correct.
Banker	HSBC Bank plc.
Investment managers (CARE & Final Salary)	The Scheme's CARE and Final Salary investments were managed over the year by Fulcrum Asset Management, Hermes Investment Management Limited, Towers Watson Investment Management Limited, Schroder Investment Management (UK) Limited, State Street Global Advisors Limited and BlackRock Investment Management (UK) Limited. Please note, BlackRock replaced State Street from June 2017.
Investment platform provider (DC Section)	Aviva provides the investment platform through which the DC assets are invested and provides members with online access to their accounts. Aviva used to be called Aviva Friends Life.
Legal advisers	Travers Smith LLP.
Agent of the Trustee	Sonia Ricketts is the Pensions Manager at City & Guilds and Company Secretary to the Pension Trustee Company.

INTERVIEW WITH HUGH SMART

Hugh Smart became a Trustee Director on 1 February this year. A Chartered Accountant, Hugh has more than 30 years' experience in financial services. He is currently an independent investment adviser to the Pilkington Superannuation Scheme and the Akzo Nobel (CPS) Pension Scheme as well as Chief Investment Officer for the British Steel Pension Fund.

Hugh has won a number of investment awards and this year was awarded Chief Investment Officer of the Year at the Institutional Investor Institute UK & Ireland Peer-to-Peer Awards.

We met with Hugh to discuss his new role as a Trustee Director of the Scheme.

What experience will you bring to your new role?
I would say my speciality is in institutional investments and I will draw on my experience at British Steel, as well as other prominent pension schemes. At the moment I am still in 'listening mode' but as I get more familiar with the ins and outs of the Scheme I hope to make a fulsome contribution on the investment strategy side.

You have had a full career in financial services, why have you chosen to become a Trustee now?
I am hoping to give something back to an industry that has been good to me.

How will you shape your role?
I am keen on education and vocational learning. I am hoping to bring this passion to my role and it's one of the attractions of this organisation for me. Both of my sons have attended a livery school so I feel an empathy with the livery company ethos and an affinity to the Institute.

What are your initial impressions of the Scheme?
The strength of the covenant is remarkable, unusually so. Every Scheme is unique and this Scheme's particular strength is its covenant, which is the level of legal obligation and financial ability of the Institute to support the Scheme. It's very professionally run with a top level of governance.

How do you see the pensions industry evolving?
This year the Scheme closed to future accrual, which is now industry standard. There are relatively few private sector Defined Benefit (DB) schemes still open in the UK. DB was a great model for collectivism and risk sharing, but regulation and financial reporting have meant that DB schemes have become increasingly unaffordable. Nevertheless Defined Contribution (DC) schemes are useful because they are funded pension plans, which are more portable. Employees can transfer their pension savings more easily, which fits with their more mobile careers today.

What would you change?
Pensions have an image problem, they aren't sexy. It might work better if we call them 'free money' (which in many cases they are). I would encourage people to optimise their contributions to get the highest level of matching contributions that they can from their employers and also enjoy the tax benefits.

What are the current priorities for the Trustees?
This year we will continue to look into the investment strategy for the Scheme, the triennial Scheme valuation and reducing the deficit of the Scheme. Managing costs for the Scheme is also a longer term objective.

What would you be doing if you weren't working?
I would be skiing. I absolutely love skiing. I lived in Switzerland and Italy early on in my career which allowed me to ski every weekend for three seasons and was where I got my passion for it. I am also an avid Welsh rugby fan, having been raised in Porthcawl in South Wales.

What would you recommend to members saving for retirement?
Keep saving! Start early and save regularly. Let compound interest do its magic.

I also encourage everyone to look at their investment options but remember to invest for the long term. If you have a gap between your current retirement savings and your goal, this gap can be made up by contributions, but in the absence of contributions it can also potentially be filled by investment returns, so it pays to manage your investments carefully too.

SUMMARY OF THE SCHEME'S ACCOUNTS

This table shows a breakdown of the money that came in and out of the Scheme between 1 October 2016 and 30 September 2017.

The figures are taken from the Scheme's accounts, which are audited every year by PricewaterhouseCoopers (PwC). PwC has stated that, at its latest audit, the accounts for the year ending 30 September 2017 showed a true and fair view of the Scheme's finances.

	2016 (in £ thousands)	2017 (in £ thousands)
Scheme value at 1 October	**166,624**	**199,511**
Increase in value of investments	29,973	**9,775**
Surplus of income over expenditure	2,914	**2,272**
Scheme value at 30 September	**199,511**	**211,558**
MONEY GOING INTO THE SCHEME		
Employer's contributions	8,415	**8,260**
Members' contributions	382	**477**
Members' DC AVCs	59	**68**
Transfers in	146	**136**
Income from investments	541	**594**
Total income	**9,543**	**9,535**
MONEY COMING OUT OF THE SCHEME		
Pensions	4,324	4,473
Lump sums on retirement	720	751
Death benefits	45	75
Payments to leavers	563	1,008
Administrative expenses	814	828
Tax	39	0
Investment management expenses	124	128
Total expenditure	6,629	7,263
Surplus of income over expenditure	**2,914**	**2,272**

If you would like to see a full copy of the Scheme's Report and Accounts, they are available on request from the Scheme's Administrators (their contact details are on page 26). Active members can download a copy from **CityNet** (the Institute's intranet site) under 'Services/Finance/Pensions/Accounts, Actuarial and Financial Information'.

SUMMARY FUNDING STATEMENT FOR 30 SEPTEMBER 2017

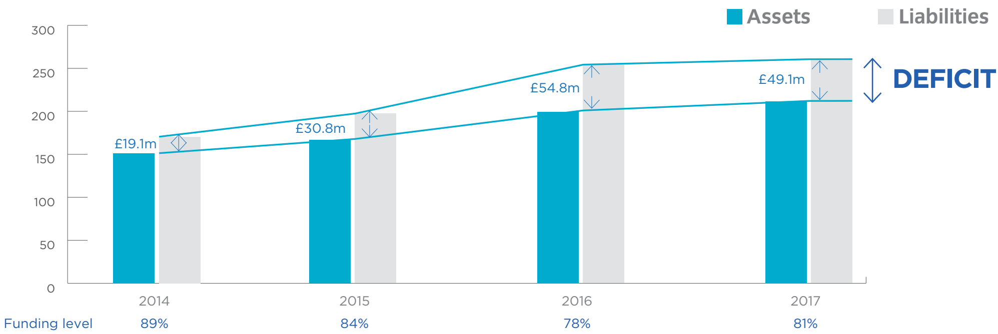
The Trustees have recently agreed with the Institute the latest actuarial valuation of the Scheme as at 30 September 2017.

The funding of the Scheme is regularly checked by an independent Scheme Actuary. She assesses the balance between the expected cost of providing members' benefits earned to date (liabilities) and the market value of the Scheme's investments (assets), to see whether the Scheme has sufficient money to pay for the benefits in full to all members in the future.

A full valuation is carried out every three years and interim updates are undertaken in the intervening years to provide a high level check using consistent assumptions.

The Scheme's funding level at 30 September 2017

The table below shows the Scheme's interim updates in 2015 and 2016 as well as the full valuations in 2014 and 2017. The funding level represents the proportion of the liabilities, which were covered by the assets at that date.



What has happened to the funding level over the last year?

The overall funding level has fallen by 8% since the last full valuation in 2014, but it has improved by 3% since the last interim check in 2016.

The main reasons for the improvement in the funding level over the last year were that the Scheme achieved higher investment returns than assumed, and deficit contributions were paid by the Institute. There have also been some changes to the actuarial assumptions as part of the actuarial valuation, which broadly offset each other. For example, it was assumed that investment risk would be reduced in the future, which increased the deficit. However, this has been partly offset by reflecting the latest industry estimates that life expectancy is reducing, which reduced the deficit.

SUMMARY FUNDING STATEMENT FOR 30 SEPTEMBER 2017

Are your benefits secure?
Although the Scheme continues to have a shortfall, the Institute is paying significant additional contributions to reduce the deficit. The Institute stands behind the Scheme and, as a responsible employer, can be called on for financial support when needed. The Trustees are confident that the Institute has the financial strength and desire to support the Scheme.

As part of the 2017 valuation, the Institute has agreed as part of the 'Recovery Plan' to increase its deficit contributions from £1.625m a year to £5m a year. This higher rate of contribution will be paid until 2027.

Has closing the DB Sections to future service affected funding?
The Trustees took into account the closure of the DB Sections when agreeing the valuation with the Institute. The intention is to gradually increase investment protection over the long term, and this reduction in investment risk has been reflected in the Scheme's funding plans and the valuation results.

What other ways are there to value the Scheme's benefits?
As part of the valuation, an estimate is made of the cost of winding up the Scheme and instead securing the benefits with an insurance company. This is required under pensions legislation, but does not mean that the Institute is thinking of winding up the Scheme.

As at 30 September 2017, the Scheme would have had enough assets to buy around 54% of the benefits due to members from an insurance company.

What would happen if the Scheme were wound up?
The Institute would have to pay enough into the Scheme to secure all members' benefits with an insurance company.

If the Institute could not afford this, the Pension Protection Fund (PPF) might take over the Scheme. The DB benefits that members would receive from the PPF would be a substantial proportion of their DB benefits in the Scheme, but there would be some reductions.

More information is available at **www.pensionprotectionfund.org.uk** or you can write to: Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.

The provisions are different for your DC account (including any DC AVCs). In the event of the Scheme being wound up, your whole DC account (including any DC AVCs) would be transferred to a new DC arrangement by default or to an arrangement chosen by you.

We confirm that there have been no payments to the Institute out of the Scheme in the 12 months before this Summary Funding Statement.

The Pensions Regulator has wide ranging powers, for example, to impose funding plans or modify plans. However, no such directions have been made for the Scheme.

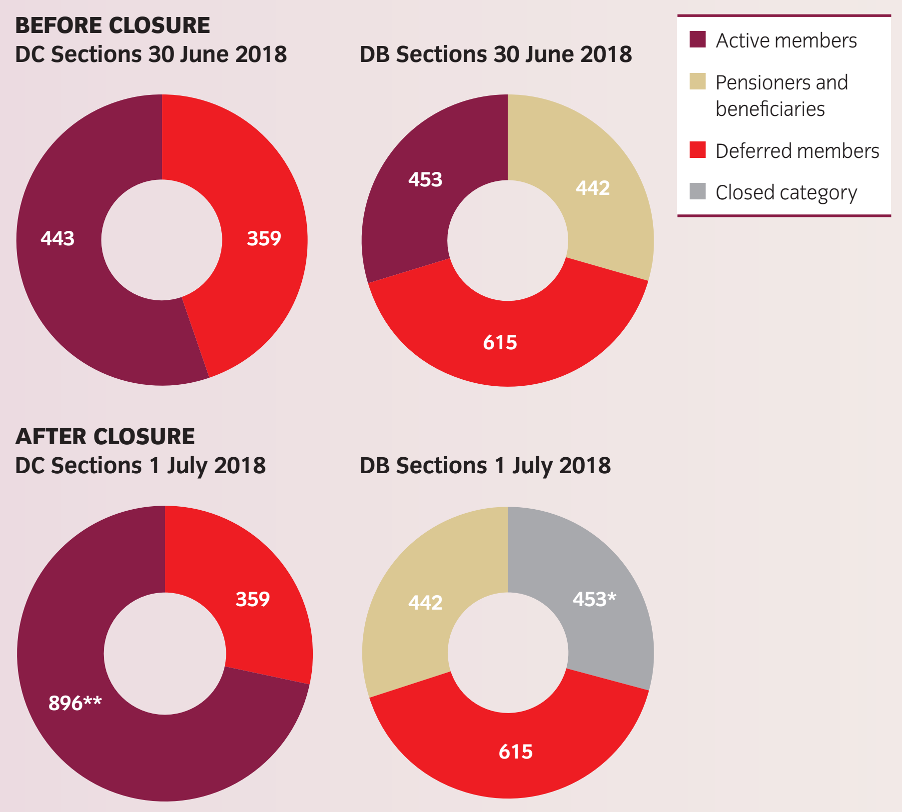
Find out more about funding

If you want to know more about Scheme funding, you can request a number of documents, including the most relevant, listed below, from the Scheme Administrators or from the Agent (their contact details are on page 26):

- The Statement of Funding Principles, which sets out the Scheme's funding target and how this is to be achieved;
- The Recovery Plan, which explains how the funding shortfall is being made up;
- The Schedule of Contributions, which shows how much money is being paid into the Scheme;
- The report on the Actuarial Valuation, which sets out the full results of the actuary's check of funding at 30 September 2017.

MEMBERSHIP OF THE SCHEME

The pie charts below show the movement of members following the closure of the DB Sections. The move of active members' accounts means that the Category E Section now has 896 members.



* These members are now active members of the Scheme under the DC Section and are therefore not included in the count of deferred members from 1 July 2018 for the DB Section. They remain active members of the Scheme.

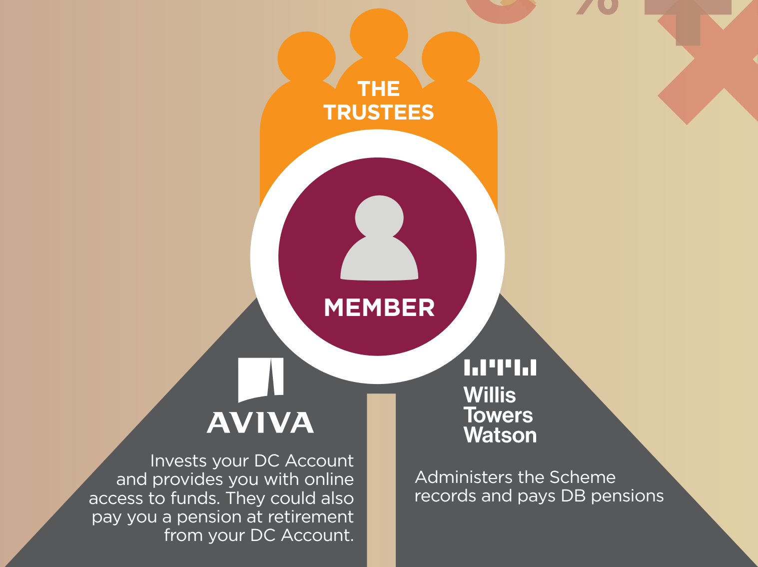
** Includes previously active members of the DB Section as at 30 June 2018, who became active members of the DC Section from 1 July 2018.

TRUSTEE GOVERNANCE

The new Scheme structure has now been in place for over three months and we are happy to report that the transition to the new structure has gone smoothly.

To recap:

- **DB Sections** – both the Full CARE Section (Category A) and the Hybrid CARE Section (Category B) closed to future service on 30 June 2018. New DC Accounts for these members were set up in Category E when the DB Sections closed.
- **DC Accounts** – the pension accounts for Active contributing members of the DC Section (Categories C and D) were moved to the Category E section on 30 June 2018.
- **Members who have left the Institute** – deferred accounts in both the DB (CARE) and DC Sections remain in the same categories and have not been moved over to the new Section E.



TRUSTEE GOVERNANCE

Continued

What's the same?

The Trustees' legal obligations for DB benefits – The Trustees continue to have a responsibility to ensure that defined benefits that members and their beneficiaries have in the Scheme will be paid. This means that actuarial valuations, managing of investments and regular communications all continue, despite the fact there are no longer any members contributing to the DB Sections. Regular valuations will continue to take place every three years and, if there is a shortfall in funding, the Trustees and the Institute will agree contributions to make up the difference. This is called the 'Recovery plan' and the latest iteration, agreed in September, is summarised on page 7.

DB benefits due to members – All current and future benefits will continue to be paid in the same way as before. Benefits for deferred members and pensioners were not affected by the changes and benefits for active members built up to 30 June 2018 will be maintained.

- **Active members** are those who were accruing benefits in the Scheme when it closed to future accrual on 30 June 2018.
- **Deferred members** are those who no longer work for the Institute but who still have DB benefits in the Scheme that haven't yet started to be paid.
- **Pensioners** are those who are receiving a DB pension from the Scheme.

DC investment monitoring – The Trustees are still responsible for selecting the investment funds available to members in the DC Sections. In particular, they are responsible for monitoring the performance of the default Lifestyle option to ensure it achieves expected returns for the large numbers of DC Section members who invest in it. The Trustees will continue to take regular advice from their advisers and monitor the range of investment funds available to DC Section members, including the default option.

Online access – All members can access their account on the Aviva membersite in the same way as before, including:

- Changing personal details;
- Reviewing investments;
- Downloading fund fact sheets to check the latest investment performance and charges.

To access your DC account, visit **www.aviva.co.uk/membersite** and follow the instructions on screen. If you need help, call Aviva on **0345 602 9221**.

What's changed?

CARE statements – As a closed category member of the DB Section you normally received an annual CARE benefit statement to help you plan for retirement. The Trustees will no longer send you a CARE statement automatically each year, but you can request a statement showing the current value from Willis Towers Watson (their contact details are on page 26).

DB Investment strategy – The Trustees and their investment advisers are looking in detail at the Scheme's investment strategy and, over time, may make adjustments to ensure that the investments continue to achieve the returns required, given that there will no longer be member contributions going into the Scheme. A breakdown of the Scheme's investments is shown on page 16.

You're in control – As a DC Section member, it's your responsibility to invest your account in funds that you feel are appropriate for you, according to your age, retirement plans and appetite for risk. The easiest way to do this is by setting up online access to your account on the Aviva membersite.

DC Benefit statements – As requested by members in the 2017 survey, you can now download an up-to-date benefit statement from the Aviva membersite at any time.

Category E Member guide – For information about Category E, you can find the member guide on CityNet or request a copy from the Agent of the Trustee.

Guides for the closed categories – If you have a question about your legacy CARE pension entitlement, these guides are also available on CityNet or on request from the Agent of the Trustee.

HOW THE SCHEME WORKS

The Scheme had four Categories under two Sections, up to 30 June 2018, which are now closed. On 1 July 2018, the DC Section Category E was opened for contributions for active members. 896 members have become new members of the DC Section Category E.

Let's take a look at how Gary, Aiko, Tom, Claire, Ben and Tracy are building up benefits in the Scheme following the closure of Categories A, B, C and D and movement to Category E of the DC Section on 30 June 2018.

Meet Gary...

Gary joined the Scheme 20 years ago and was a member of the Full CARE Section. He's now a member of Category E and he and the Institute make contributions to his account. When he retires his benefits will be made up of:

Final Salary pension built up to 31 March 2009

\+

Full CARE pension built up from 1 April 2009 to 30 June 2018

\+

Category E savings from 1 July 2018 (including his AVC Account savings which have been transferred).

Meet Aiko...

Aiko joined City & Guilds in 2014 and, after contributing to the **DC Section** for 2 years, was eligible to join the **Hybrid CARE Section**. Like Gary, she's also now a contributing member of Category E. When she retires, she'll get:

Hybrid CARE benefits built up to 30 June 2018

\+

Category E savings from 1 July 2018 (including her DC Section savings which have been transferred).

Meet Tom...

Tom also joined City & Guilds in 2014 and after 2 years in the DC Section joined the Hybrid CARE Section and paid AVCs. He moved his DC Account into a new AVC account. Like Gary and Aiko, he's now a member of Category E. When he retires, he'll get:

Hybrid CARE benefits built up to 30 June 2018

\+

Category E savings from 1 July 2018 (including his AVC Account savings which have been transferred).

Meet Claire...

Claire joined Kineo in 2017 and was auto-enrolled into the DC Section Category D. Her DC savings have been transferred into a new account in Category E into which she and the Institute will continue to make contributions until she retires or leaves to work elsewhere.

Category E savings from 1 July 2018
(including her DC Section savings which have been transferred)

Meet Ben...

Ben was auto-enrolled into the DC Section Category D when he joined City & Guilds in 2016 but has since left to work elsewhere. His savings will remain in his account in Category D, as he is a deferred member, where he can continue to monitor and change how they are invested even though he's no longer making contributions.

Category D savings up to date of leaving

Meet Tracy...

Tracy joined the Institute after the Scheme changes were implemented in July 2018. As an eligible employee, she was auto-enrolled into the DC Section Category E on the 1st of the month following the date she joined the Institute. She and the Institute will make contributions to her account until she retires or leaves.

Category E savings from 1 July 2018

DB INVESTMENT REVIEW

What happened to the Scheme's investments in the year up to September 2017?

In the 12 months up to 30 September 2017, markets were mainly driven by political events. European Union member states held elections, with anti-EU populist movements failing to make an impact. This had a positive impact on European equity markets. The United Kingdom invoked Article 50 in late March, triggering the start of Britain's negotiations for its exit from the European Union.

DB investment performance

The DB Section holds a wide range of investments. It benefited from strong returns in overseas equities and property over the year whereas falls in bond markets meant that its investments in bonds and diversified growth funds achieved lower returns. Overall investment growth was positive.

The Trustees decide on the Scheme's investment strategy taking advice from the Scheme's investment consultants, Willis Towers Watson. Investment growth does not directly affect your DB pension benefits but it does affect the Scheme's funding level (shown on page 7).

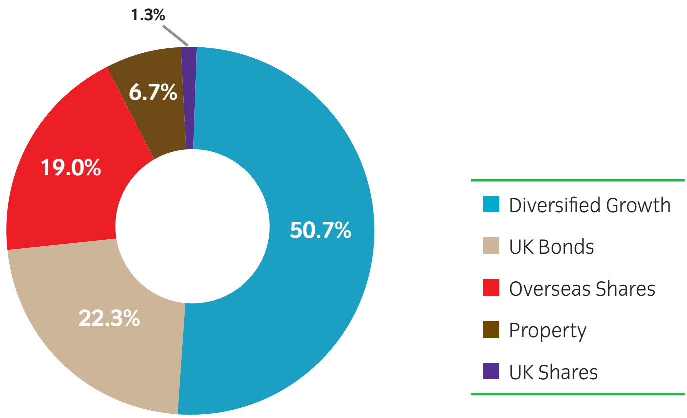
Future investment strategy

While closing the DB Sections will affect how the Scheme's liabilities evolve over time, this will happen gradually. Prior to the closure, the Trustees had already made some important changes to improve the efficiency of the portfolio and better manage the Scheme's investment risks. These changes included:

- Increasing the Scheme's investment in diversified growth funds to spread risks further;
- Updating the 'liability-matching' assets to better match the movement of the Scheme's liabilities, by replacing UK government bonds with funds that are designed to help manage the risks of changes in bond yields and inflation;
- Moving the passive equity and liability-matching portfolios from State Street to BlackRock.

Having reassessed the Scheme's longer term objectives in light of the closure and taking into account the ability of the Institute to continue to support the Scheme, the Trustees determined that their current investment strategy remains appropriate. While some further refinements to the portfolio are being considered, no material changes are envisaged in the short term.

How was the Scheme invested at 30 September 2017?



How have the Scheme assets performed?

The Trustees regularly review investment performance against benchmarks. All the Scheme's investments experienced positive returns over the one and three years to 30 September 2017. The Scheme's total return was in line with its one year benchmark and 0.7% a year ahead of its three year benchmark.

FUND MANAGER	1 YEAR %	3 YEAR % PER YEAR
Fulcrum	2.7	0.9
BlackRock Equities	-	-
Towers Watson Investment Management	7.8	8.4
Hermes	10.5	11.6
Schroders	10.7	10.4
BlackRock LDI	-	-
Total Fund	**4.7**	**8.7**
Total Fund Benchmark	**4.7**	**8.0**

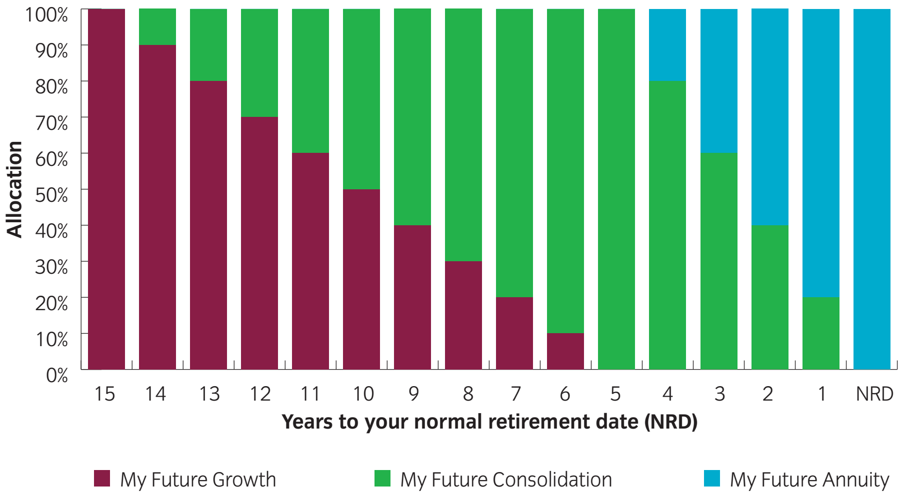
Note: No performance is shown for BlackRock Equities and LDI as these investments have been in place for less than a year.

YOUR DC INVESTMENTS

The default option – My Future Target Annuity Lifestyle

Over 90% of DC Section members are invested in the Scheme's default option. The default option is an investment strategy available for members who do not want or feel unable to choose their own investment funds.

It is designed to suit a typical DC Section member who is happy to take a moderate amount of risk for the chance of reasonable returns over the long term. Closer to retirement age, it automatically switches your account into funds aligned with buying an annuity and taking tax-free cash at retirement.



Many members may decide that the default option offers the right balance of risk and return for them, but you should not assume that this is the case for you and you should consider all the investment options available before making your decision. You can review your investment choices on the Aviva membersite at **www.aviva.co.uk/membersite**

To take account of the DB Section members who have recently joined Category E along with developments in the market, the Trustees have just started a full formal review of the default option and self-select funds. If they decide to make changes, they will communicate these to you before the changes take place.

Charges

There are transaction costs and charges that are deducted from your account to pay for the running of the investment funds, i.e. the cost of fund managers buying, selling, lending or borrowing investments. These costs are taken from your account by adjusting the unit price for each of the funds you are invested in.

The charges have been reduced as at the end of September to 0.36% from 0.41%

The Trustees are working closely with Aviva and their advisers to make these costs clear and readily available to members in the coming months.

SUMMARY OF THE CHAIRMAN'S STATEMENT

The Key Highlights of the Chairman's statement for 2017:

The Trustee is required to prepare a statement on an annual basis showing how the Scheme's Defined Contribution investments have been governed over the year, and whether they represent good value.

This is done following an independent review by Willis Towers Watson, who use a standard methodology to assess the Scheme's governance activities and benchmark them against the wider market and the Pensions Regulator's expectations.

We're pleased to confirm that this year's review has once again provided positive results, which are reflected in the Chairman's statement. Some key highlights are:

- The level of Trustee oversight was rated as excellent, with a particularly strong focus on Trustee Knowledge and Understanding. The Trustees on average undertook more than 40 hours of continuing professional development (CPD) during the year.
- The member charges for accessing the funds made available through Aviva continue to remain competitive. The basic charge of 0.41% (which applies for the DC default investment strategy) is below the average for Willis Towers Watson clients, and significantly below the charge cap set by the Government for default strategies in automatic enrolment pension schemes of 0.75%.
- For 2017 the Trustees were required to assess Value for Members rather than Value for Money due to a change in the regulations. The difference is that Value for Members focuses on those services provided to the Scheme for which members bear some or all of the cost. This is primarily the investment of your own and the Institute's contributions and the cost of administration of the DC Sections of the Scheme. We're pleased to say that these were once again assessed as representing good value, and when combined with the Trustee oversight which members do not pay for, show the benefit of participating in the Scheme.
- No investment changes were made during the year, and the investment choices generally met their targets.

You can read the full Chairman's statement in the 2017 Scheme's Report and Accounts. Copies are available from the Scheme's Administrators or, if you are an active member, you can download a copy of the Accounts from CityNet (the Institute's intranet site) under 'Services/Finance/Pensions/ Accounts, Actuarial and Financial Information'.

HOW TO USE YOUR BENEFITS

Whether you have DB or DC benefits in the Scheme or a mix of both, the choice and complexity of your retirement options has increased greatly over the last few years.

When you are six months from retirement, the Scheme Administrators will send you a retirement pack setting out your options in the Scheme, but you may want to start planning your retirement now.

Help and guidance is available from a number of sources:

Former DB Section members

1. You can find out more about your options for your legacy DB benefits from The Pensions Advisory Service who can give you independent guidance and explain your options for free.
2. If you're considering transferring your benefits out of the DB Section to use them more flexibly in retirement, you can ask for a transfer value from the Scheme Administrators. However, you should make sure you're well aware of the implications and consider taking financial advice. If the transfer value is more than £30,000, the Scheme Administrators will require evidence that you have taken advice from a regulated financial adviser before they will process your transfer out of the Scheme.
3. If you also have a DC account and/or AVCs in the DC Section, you have more flexibility in how and when you might like to take these savings.

DC Section members

1. Anyone aged over 50 with a DC account and/or AVCs can contact Pension Wise for impartial guidance about their DC savings. Visit **www.pensionwise.gov.uk** or call **0800 138 3944** to book a free appointment.
2. If you want to buy an annuity with your DC savings, it's important that you choose the one that's right for you. There are a range of annuities available on the open market, each with different features such as regular increases, a spouse's pension and/or ill health enhancements. The Trustees offer HUB's annuity broking service to help you select an annuity that is right for you.
3. If you wish to take all or part of your DC savings as cash you can take one or two cash lump sums over 24 months.
4. If you want to draw an income gradually over time, you must first transfer your DC savings to an 'income drawdown arrangement' outside of the Scheme.

Your checklist for retirement

Once you have received your retirement pack, you should:

- ☐ **Understand what DB benefits you'll receive;**
- ☐ **Check the value of your DC account and what annuity you could buy;**
- ☐ **Decide how much tax-free cash you'd like to take (up to 25% of all your pension benefits);**
- ☐ **Check with The Pensions Tracing Service (details on page 25) whether you have other pension savings in other schemes;**
- ☐ **Take financial advice or guidance, or both;**
- ☐ **Gather the relevant documents and forms you need to send the Scheme Administrators;**
- ☐ **Not underestimate how long your benefits would take to come into payment, as all the paperwork can take a few months to get through.**

UK PENSION NEWS

Protecting your data

The new EU General Data Protection Regulations (GDPR) came into force on 25 May 2018, along with the UK's Data Protection Act 2018. GDPR improves your rights, tightens the rules around what is considered sensitive data (for example your health records or your race), and increases the duties and responsibilities of those who store and process your data.

The seven key principles for looking after your data are:

- Lawfulness, fairness and transparency;
- Purpose limitation;
- Data minimisation;
- Accuracy;
- Storage limitation;
- Integrity and confidentiality (security);
- Accountability.

In May this year we sent you the Scheme's Data Protection Notice. This sets out your rights over your data, and confirms who controls your data in relation to the Scheme in more detail. It also covers how the Trustees use and share your data. It also set out the queries and complaints procedure for you and your beneficiaries if you have any concerns. The Scheme's Data Protection Notice is available on request from the Agent of the Trustee.

Pension tax limits for 2018/19

Lifetime Allowance increases to £1,030,000

The Lifetime Allowance (LTA) is the maximum value of pension savings you can build up over your working life in any HMRC-registered pension scheme, without a tax charge. The LTA increased to £1,030,000 from 6 April 2018 and the Government currently intends to increase it in line with increases in the Consumer Price Index (CPI) each tax year from now on.

Annual Allowance remains at £40,000

The Annual Allowance (AA) is the maximum amount of pension contributions you and your employer can make to a registered pension scheme in any one tax year, without a tax charge. For the 2018/19 tax year this is £40,000 a year, unless you are a high earner.

The AA for high earners (that is, those with an ***'adjusted income'*** over £150,000 a year) tapers from £40,000 down to £10,000. High earners have to pay an extra tax charge, set at 45%, on any pension savings above their limit.

Your adjusted income is your total UK taxable income, before any contributions have been deducted. This includes your salary, bonus, benefits in kind, commission, rental income, dividends and interest on savings, as well as other sources of income.

You can find more information at **www.gov.uk/guidance/adjusted-net-income**. As the rules are complex, the Trustees recommend you ask a personal tax adviser if you think the high earners' AA affects you.

Free App to help

Willis Towers Watson, our advisors, have produced an App to help you estimate your Threshold and Adjusted Income. It's available for Apple or Android™ devices. Just visit the App Store or Google Play and search for **AA IncomeCalc** or use the QR codes below.

iTunes

Google Play

EXPRESSION OF WISH FORM

For discretionary lump sum death benefits under:

- The City and Guilds of London Institute Life Assurance Scheme; and
- The City and Guilds (1966) Pension Scheme

This expression of wish form is designed for individuals who have benefits in the City and Guilds of London Institute Life Assurance Scheme and/or The City and Guilds (1966) Pension Scheme (together referred to as the "Schemes" in this form). The benefits under the Schemes are held by separate trustees but are together referred to as the "Trustees" in this form.

You are invited to nominate the beneficiaries you would like the Trustees to consider when deciding to whom discretionary lump sum benefits should be paid from the Schemes in the event of your death. Any benefits that are payable from the Schemes on your death will be paid separately from each Scheme. This means that you can, if you wish, make different nominations in relation to the discretionary lump sum benefits payable under each Scheme. Alternatively, you can make the same nominations that will apply to the discretionary lump sum benefits payable under both Schemes.

Where benefits are payable under the Schemes at the discretion of the Trustees, the Trustees will consider any nominations you have made when deciding how to exercise their discretion but will not be bound by these nominations.

Notes

- City & Guilds provides a lump sum of six times salary (subject to your flexible benefits choice) as a death-in-service benefit to all eligible employees, which is payable from the City and Guilds of London Institute Life Assurance Scheme. In addition, benefits may be payable on your death through the City and Guilds (1966) Pension Scheme, which may include a lump sum and spouse's or dependant's pension (this form does not apply to the nomination of any dependant for a dependant's pension – please ask the Agent of the Trustee for further information about nominating a dependant).
- Each Scheme has a separate Board of Trustees. This form will be used by both Boards of Trustees when they are exercising their discretion as to who should receive any lump sum death benefits payable.
- Under the Rules of both Schemes, the Trustees have discretion to pay lump sum death benefits to any one or more of a wide class of persons. This class includes your spouse/civil partner, relatives, dependants and personal representatives (a fuller list is set out in the Rules of each Scheme). It also includes any individuals nominated by you in a written notice to the Trustees received by them before your death.
- This form can be used to include individuals who would otherwise not be included in the class of persons to whom the Trustees may pay lump sum death benefits. It can also be used to indicate the way in which you would like the Trustees to exercise their discretion. The Trustees will not, however, be bound by your request.
- The information in this form will be processed only in relation to the payment of lump sum benefits on your death and will be used in accordance with the Trustees' policies, the Rules and all applicable data protection legislation. For more information please refer to the Trustees' privacy notices which are available as follows:
- Life Assurance Scheme: On the policy page of the GDPR section of CityNet at the link below: **https://cityandguilds.sharepoint.com/sites/dp/Policies/Employee%20Privacy%20Notice%20-%20May%202018.pdf**
- Pension Scheme: On the pension pages of CityNet (under policies and procedures) at the link below: **https://cityandguilds.sharepoint.com/teamsite/supportservices/finance/pensions/Pages/default.aspx**

Please turn over to complete the form

EXPRESSION OF WISH FORM

To be completed in BLOCK CAPITALS

Personal details

Full Name:	
National Insurance Number:	
Staff Number:	

In the event of my death, I should like the Trustees to consider paying any lump sum death benefit payable from the Schemes as follows:

The City and Guilds of London Institute Life Assurance Scheme

Name and Address	Proportion:
	Total 100%

The City and Guilds (1966) Pension Scheme

Name and Address	Proportion:
	Total 100%

I understand that the Trustees are not bound by this nomination and that this request cancels any previous requests made by me. By signing this form, I give my consent to enable my information to be processed by the Trustees of the City and Guilds Life Assurance Scheme and/or the City and Guilds (1966) Pension Scheme in relation to the payment of benefits on my death.

Signed:	Date:

This request may be cancelled in writing at any time or replaced with another.

This form should be returned to the Agent of the Trustees at City and Guilds (1966) Pension Scheme, 1 Giltspur Street, London EC1A 9DD.

To be completed by the Schemes' administrator
Date received
PDF no
Date confirmed

HELP AND ADVICE

You can find more information on pensions and money from a number of organisations including:

Money Advice Service

The Money Advice Service is designed to help everyone manage their money better. It has specific pages on pensions as well as guidance on how to choose a financial adviser.

Visit **www.moneyadviceservice.org.uk** or call **0800 138 7777**

The Pensions Advisory Service (TPAS)

TPAS is an independent non-profit organisation that provides free information, advice and guidance on the whole spectrum of pensions, including State pensions, Company and Stakeholder Schemes.

Visit **www.thepensionsadvisoryservice.org.uk** or call **0300 123 1047**

Pension Wise

If you're over 50, and have savings in the DC Section of the Scheme, you can contact Pension Wise, a free and impartial service provided by the Government.

To arrange an appointment or find out more visit **www.pensionwise.gov.uk** or call **0800 138 3944**

Financial Advice

If, after exploring your pension options, you are still not sure what decisions to make either during your career or at retirement, you should speak to a financial adviser. A financial adviser will examine your personal circumstances and overall finances with you and provide specific advice, but they will charge for their service.

You can find details of a financial adviser at: **www.fca.org.uk/consumers/finding-adviser**

The Pensions Tracing Service

You can also track down pensions from previous employers using the Pensions Tracing Service who can provide you with an up-to-date address of that scheme.

You can fill in a form online at: **www.gov.uk/find-pension-contact-details** or call **0800 731 0193**

State Pension forecast

You can check how much State Pension you could get and the age at which you will start to receive your State Pension online at

www.gov.uk/check-state-pension

CONTACT US

We're here to help

Depending on your query, there are different people who can help you.

For questions about your benefits

If you have any questions about your benefits or if you would like a copy of the Report and Accounts, please contact the Scheme's Administrators, Willis Towers Watson:

Phone: **01737 788114**

Post: **The City and Guilds (1966) Pension Scheme**
PO Box 545
Redhill
Surrey RH1 1YX

Email: **cityandguildspensions@willistowerswatson.com**

To monitor and manage your DC investments

Aviva provides an online investment platform to help you monitor and manage your DC investments easily. You can access your online account at any time by visiting **www.aviva.co.uk/membersite**

For questions about the Scheme

If you have questions about the running of the Scheme, or would like to request information that the Scheme's Administrators are unable to provide, you can contact the Agent of the Trustee:

Phone: **0207 294 2828/3550**

Post: **Sonia Ricketts**
City and Guilds
1 Giltspur Street
London EC1A 9DD

Email: **sonia.ricketts@cityandguilds.com**
or **pensions@cityandguilds.com**

PLEASE NOTE

The information in this report should not be used as the sole basis for any investment decisions you make in the Scheme. Whilst the Trustees believe the information contained in this document accurately represents the Scheme's investment arrangements, they accept no responsibility for any decision made by any person based solely on the information it contains.

The Trustees encourage all members to seek financial advice before making decisions about their pension benefits. You can find out how to choose a financial adviser on page 25.

References to taxation are based on the Trustees' understanding of the current tax law. The value of investments can go down as well as up.

JARGON BUSTER

If you need help understanding the more technical aspects of the Scheme, contact the Agent or the Scheme's Administrators. Here are explanations of some of the pension terms used in this report.

Annual Management Charge (AMC) – DC Investments

The charge for managing pension scheme investments, expressed as a percentage of the assets. It is usually deducted prior to the calculation of the unit price. It may incorporate both administration and investment charges.

Annuity

A pension policy sold by an insurance company, to provide regular payments after retirement in return for a pension pot. The pension payments usually continue until death or can be converted to secure a surviving dependant's pension. Payments can be secured at the time of purchase to remain level or increase at a fixed rate or linked to inflation.

AVCs

Additional Voluntary Contributions or top up contributions.

Benchmark

A yardstick against which the investment performance of an investment manager can be compared. For a particular asset class the benchmark might be a relevant market index return (for example, FTSE All-Share Index).

Bonds

Bonds are loans to a company or government (for example, UK government bonds are called gilts). Bonds typically give lower returns over long periods compared to shares, but their values are usually more stable. The cost of buying an annuity is closely linked to the return from bonds, so investing in them in the run up to retirement can help protect the buying power of your pension savings.

Career Average Revalued Earnings (CARE)

A type of Defined Benefit (DB) scheme. However, instead of using the member's final salary, the calculations use each year of salary paid over the member's career until they leave or the scheme closes.

Closed Category Member

An employee who was an active member of the Scheme on 30 June 2018 in one of the now closed Categories A, B, C or D. This includes previously active members of the DB Section as at 30 June 2018, who became active members of the DC Section from 1 July 2018.

Default option

The Scheme's default option is Aviva's **My Future Target Annuity Lifestyle.**

Defined Contribution (DC)

An arrangement in which the amount of contributions is defined. Sometimes referred to as 'money purchase'.

Income drawdown

A method of drawing income from DC investments without buying an annuity.

Retail Prices Index (RPI)

A measure of the change in consumer prices over time, and by including mortgage interest payments, RPI reflects interest rate changes, in contrast with the Consumer Prices Index (CPI), which does not include housing costs.

Risk

The uncertainty associated with an investment, such as being unable to guarantee the future return, volatility of return and security of an investment. In DC schemes the most significant risks are capital risk, inflation risk, pension conversion risk and manager selection risk.

Shares

Ordinary shares of UK or overseas companies are traded on stock markets. Their value rises and falls according to demand, which is normally related to company growth, profits and economic conditions. In addition to changes in the share price, returns are dependent on dividends paid by the companies.