

Autumn 2024

Pace DB Members' Report

The **co-operative** bank
Ethical then, now and **always**



Chair's welcome

For many years now, the Trustee board and the Bank have focused on reducing risk to protect your pension benefits.

In last year's report, I explained how the overall financial health of the Scheme had been maintained despite an incredibly turbulent global economy. This was achieved through the extensive de-risking we had undertaken and specifically by ensuring that the value of the Scheme's assets (all the investments) and the cost of the Scheme's liabilities (all the pension benefits that need to be paid) were aligned. This meant that the Scheme's assets and liabilities moved up and down together, therefore ensuring that we should always have enough to pay pensions.

Our de-risking strategy has evolved over time. A key part of this approach has been to insure pension benefits, and you may remember that in 2020 the Trustee purchased a policy with a major insurance company, Pension Insurance Corporation (PIC). This policy covers a large proportion of the pensions payable by the Scheme.

In December 2022, we further reduced risk and improved security by purchasing a second insurance policy with Rothesay Life, another major insurer. This means we have now insured benefits for all our members. We have been able to do this through a combination of the investment and risk management decisions we have made over many years and the significant funding paid by the Bank.

I hope you enjoy reading this *Members' Report* and find it useful. If you have any comments or if there are any topics you would like to know more about in a future issue, please get in touch using the details on page 19.

Chris Martin
Chair of the Pace Trustee board
(Independent Governance Group)



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Your Trustee

There has been a change to the Trustee board that runs Pace since the last Members' Report was issued.

Prior to 15 June 2024, there were four appointed Trustee Directors, all of whom were professional Independent Trustee Directors: Chris Martin (Independent Trustee Services (ITS), part of Independent Governance Group), Christopher Wheeler (BESTrustees Limited), Stuart Benson and Anne Kershaw.

From 15 June 2024, ITS remains appointed to the Trustee board as a sole professional trustee. ITS's main representatives are Chris Martin and Priti Ruparelia, who work primarily on the defined benefit (Pace DB) and defined contribution (Pace DC) sections respectively.

Using ITS gives the Pace Trustee board access to a broad team of pensions specialists drawn from diverse backgrounds and disciplines. This continues to ensure key decisions can be made quickly, in an informed, balanced and impartial way. Chris Martin remains appointed to ensure continuity of experience and knowledge of the Pace Scheme. The Trustee would like to thank Stuart, Anne and Christopher for all their hard work over the years.

You can find out more about the Trustee board on the pensions website, at **bank.pacepensions.co.uk/about-pace/the-trustees**

Funding update

Every three years, the actuary, an adviser to the Trustee, looks at Pace DB's finances to undertake a formal valuation. The actuary also carries out less detailed 'annual check-ups'.

Both the three-yearly valuation and the annual check-ups look at the financial strength of Pace DB on a particular day – in our case, usually 5 April.

The last formal valuation was in 2022 and so the next one is due in 2025.

Having now insured member benefits through the two 'bulk annuity' policies (with PIC and Rothesay), Pace DB is now largely protected against changes that impact its funding level. A bulk annuity is a type of insurance product we hold as an asset within the Pace Trust that provides payments which match the pensions we pay to members. This kind of policy is sometimes referred to as a 'buy-in'. Another advantage of securing this insurance is that it significantly reduces the need to rely on the Bank in the future for further funding.

It also means that comparing the funding level in previous years with this one is not measuring like with like. This is because the combined value of the two insurance policies held by the Scheme matches the value of the Scheme's future pensions.

The 2024 check-up shows there is a funding surplus of £3 million, which equates to a funding level of 100%.

The surplus and funding level are lower than the assessments in 2022 and 2023. This is entirely as expected because it reflects the cost of securing the additional insurance and assumes the value of the Scheme's liabilities (members' pension benefits) is the same as the value of the assets (insurance policies) that we hold.

	2022 – valuation year	2023 – check-up	2024 – check-up
Assets*	£1,982m	£1,276m	£1,104m
Liabilities	£1,750m	£1,249m	£1,101m
Surplus	£232m	£27m	£3m
Funding level	113%	102%	100%

* This doesn't include Additional Voluntary Contributions paid in by members



'Winding-up' or 'risk-free' valuation basis

When doing a formal triennial valuation, as we did in 2022, we are required to assess what the health of the Scheme would be if the Bank Section was wound up. That is, for example, say the Bank became insolvent or we transferred all our assets and liabilities to an insurance company rather than just holding insurance products within our trust/ investment portfolio. This is sometimes known as the 'solvency', 'buyout' or 'risk-free' basis.

If the Bank Section had wound up as at 5 April 2022, it is estimated that its assets covered 107 % of the cost of securing members' benefits with an insurance company.

Other things we have to tell you

As part of this funding update, we are required by legislation to tell you that:

- there haven't been any return-of-surplus payments directly to the Bank from Pace during the last 12 months
- the Pensions Regulator hasn't used its powers in relation to Pace over that period.



Our investments

We no longer hold a wide variety of different assets in Pace.

As explained on page 5, we now have two insurance policies which provide the Scheme with the means to pay the promised pension benefits. The value of the benefits secured by these policies is around £1.1 billion, and the Scheme also holds money in cash funds to meet any uninsured benefits, the future running costs and other expenses.

The Trustee remains responsible for paying pensions to all members of Pace.

Responsible investment

As long-term investors, making sure Pace's assets are invested responsibly and sustainably is important to the Trustee, who wants to invest in order to pay benefits in a way that takes into account broader social and environmental concerns.

In 2023, we published our second climate change risk assessment report, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In addition to Scope 1 and 2 emissions that were previously reported on, Pace also reported its Scope 3 carbon emissions.

You can find out more in the latest responsible investment report and the climate change risk assessment reports available on our website bank.pacepensions.co.uk/useful-information/pace-investments

As part of the selection of Rothesay Life, the Trustee also considered its approach to sustainability, including Rothesay's commitment to transition to a net-zero emissions investment portfolio by 2050 (with an aim to reduce the carbon intensity of its portfolio by 20% by 2025). This is covered in Pace's 2024 TCFD report, which is available now on our pensions website.

Our accounts

Every year, the Trustee produces a formal report and set of accounts for Pace, which are independently audited by Deloitte. The information on this page is a summary of the report for the year ending 5 April 2024. You can download a copy of the full report from co-operativebank.co.uk/pensions under Useful information/Pace DB.

Value as at 6 April 2023	£1,257m
Changes in the year	
Plus income (this is income from the investments; the Bank does not need to pay contributions into the DB Section of the Scheme)	+ £47m
Less expenditure* (including member transfers of £2.5m and pensions and other benefits of £45.1m)	- £51m
Change in market value (a decrease in the value of the assets during the year)	- £117m
Value as at 5 April 2024**	£1,136m

In the year to 5 April 2024, the value of the Bank Section decreased by £121 million to £1,136 million.

* This includes administrative and investment management expenses.

** This includes Additional Voluntary Contributions and places a slightly different value on the buy-in policy to that used in the funding update on page 6.

Who's in Pace?

As at 5 April 2024, the Bank Section of Pace DB had 10,457 members.

Closure members 509

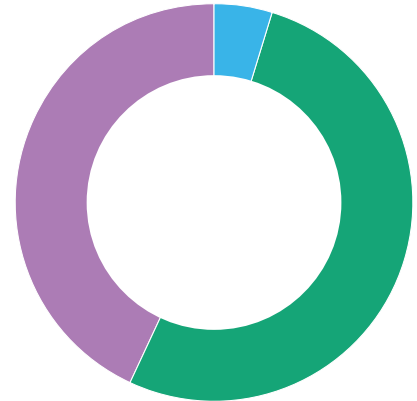
These members were paying contributions into Pace DB before it closed in October 2015. They now pay contributions to Pace DC, the Bank's pension scheme for all colleagues, which has around 4,350 members.

Deferred members 5,457

These members haven't yet started to receive their pension but have a preserved pension in Pace DB.

Pensioner members 4,491

These members are receiving a pension from Pace DB.



Pace noticeboard

Check the website for updates

The pensions website at co-operativebank.co.uk/pensions remains your first port of call for the latest news about Pace or your pension. If service in future is disrupted for any reason, we will post updates on the website as they are confirmed – making this the quickest way to keep in touch with Pace. It's also a good idea to check the website regularly anyway, as it has lots of useful information about Pace and how your pension works.



Unlock the power of convenience with Member Online!

In today's fast-paced world, convenience is key. That's why we continue to promote Member Online – your gateway to streamlined pension management right at your fingertips.

With Member Online, gone are the days of rummaging through piles of paperwork or waiting on hold for assistance. Seamlessly access your payslips, P60s and other important documents with just a few clicks. Whether you're at home, in the office or on the go, managing your pension has never been easier.

But that's not all – Member Online offers more than just convenience. Gain insight into your pension details and stay up to date with the latest news, all from the comfort of your own device. Empower yourself with the tools you need to make informed decisions about your financial future.

Simply visit the website to get started. Details of the online service, including how to register, can be found at **memberonline.pacepensions.co.uk**

What's next?

As part of our ongoing housekeeping and commitment to protecting Pace, we are checking the data we hold and how we administer members' benefits. This will ensure that we, and the insurers, are confident all members receive the correct level of benefits to which they are entitled. If we need to confirm any information with you, we will write to you directly. You don't need to do anything.

The pensions website (**bank.pacepensions.co.uk**) is a helpful source of documents and resources relating to Pace and your benefits.

Pensions news

Pensions Scheme Bill

In the King's Speech at the opening of Parliament in July, the new government set out its legislative priorities for the months ahead. This included a new Pensions Scheme Bill, which forges ahead with many of the previous government's proposals.

The main takeaway for pension schemes is a push to deliver better value for savers and to increase investment by pension schemes in the UK economy.

In addition, the new Bill will prevent people from losing track of their pension pots through consolidating small pots (similar to the previous government's 'pot for life' proposal).

Lost a pension?

In 2022, the value of lost pension pots was estimated to have reached £26.6 billion. If you think you may have lost a pension, the Pension Tracing Service is a free government service that can help. You can phone the service directly on 0800 731 0193 or search 'pension tracing' on [gov.uk](https://www.gov.uk).





Stay warm this winter with Pension Credit

If you're a Bank pensioner, we're urging you to check whether you could claim Pension Credit – a benefit that could be worth on average £3,900 per year.

Many people think they won't be eligible for Pension Credit – perhaps because they have a small personal pension or own their own home – but it's not always the case. It's better to check than miss out on this extra income, especially with energy costs as high as they are.

From this year, as you may know, Winter Fuel Payments will only go to pensioners who receive Pension Credit, as the government introduces means-testing of this annual benefit. However, there are other financial advantages to claiming: among other things, you'll get a free TV licence if you're on Pension Credit, free NHS dental treatment and help with rent/mortgage costs.

Applications for Pension Credit can be made at [gov.uk/pension-credit/eligibility](https://www.gov.uk/pension-credit/eligibility) or over the phone by calling 0800 99 1234 (Monday to Friday 8am to 6pm).

You can find out more about the Winter Fuel Allowance at [gov.uk/winter-fuel-payment/eligibility](https://www.gov.uk/winter-fuel-payment/eligibility)

You have nothing to lose by applying for Pension Credit, and potentially a lot to gain – and if you've previously been turned down, you can still make a new claim each year.



Limits on tax-free cash

One of the perks of saving for retirement through a workplace pension scheme is that you can usually take up to 25 % of the value of your benefits as tax-free cash.

When the Lifetime Allowance (LTA) was scrapped earlier this year, the government introduced two new allowances that put a limit on how much tax-free cash you can take from your retirement savings:

- **The Lump Sum Allowance (LSA)**

When you take your benefits, you can usually take up to 25 % tax free, but the LSA caps this amount at the lower of £268,275, your available LSDBA (see below) or the amount permitted under the pension scheme's rules (this applies across all pension schemes, not just Pace DB).

- **The Lump Sum and Death Benefit Allowance (LSDBA)**

A limit of £1,073,100 now applies to the tax-free elements of lump sums that can be paid from all your retirement savings, including any paid on your death or ill health.

Most of our members are unlikely to be affected by the allowances. Whether they affect you or not will generally depend on the total value of your pension savings and whether you've already taken tax-free cash from other pension schemes, as this reduces the amount of LSA and LSDBA available to you. If you want to take part of your Pace DB benefits as tax-free cash when you retire, we'll need to check you have enough LSA and LSDBA available first. If you don't have enough LSA or LSDBA available, your tax-free cash will be restricted to the lower of the allowances you have remaining and the amount allowed in the Pace Rules.

If you previously had some sort of LTA protection, you might be able to take more tax-free cash. We've added some information to the pensions website about these two allowances, for anyone who thinks they might be affected: bank.pacepensions.co.uk/useful-information/tax-information



Could you boost your State Pension?

The previous government extended a deadline allowing people to pay voluntary contributions to make up for gaps in their National Insurance (NI) record between April 2006 and April 2016. After 5 April 2025, you'll only be able to pay for voluntary contributions for the past six years.

The extension allows people to rebuild their NI credits so they can get the full State Pension – a boost that is particularly useful for people who took time out to raise a family, carers and those who've worked abroad.

You can use the digital service at gov.uk/check-state-pension to check if you have gaps in your NI record and see by how much your State Pension could increase – and how much it would cost.

Did you know?

It's possible to defer the payment of your State Pension if you want. You can find out how much you're on track to receive at gov.uk/check-state-pension





Are you eligible for a free Pension Wise appointment?

Pension Wise is a service from MoneyHelper, backed by the government. They offer free, impartial guidance to the over-50s. They'll explain the options to take money from your defined contribution pension pots. The Money and Pensions Service (MaPS) has launched 'Pension Wise Digital' to expand the existing Pension Wise service to more people. If you want to understand what an appointment will involve and if you're eligible, visit moneyhelper.org.uk/en/pensions-and-retirement/pension-wise

Changes to the earliest age you can take your pension

The government has confirmed that the minimum pension age (the earliest age at which you can draw your pension unless you are in ill health) is set to increase from age 55 to age 57 in 2028. This won't apply to pension savers who already have a protected early retirement age below 55, and in some cases members may be able to 'lock in' early retirement at age 55 as long as it's set out in the rules of their scheme. The Trustee is reviewing the Pace Rules and will be contacting you if you have a 'locked in' retirement age of 55.

Stay alert to pension scams

Many people have been targeted by pension scammers, who offer seemingly attractive 'investment opportunities' to encourage you to transfer your retirement savings into their funds. These scams could result in the loss of your entire retirement savings, and you could also face significant tax penalties.

Scam tactics include:

- contact out of the blue (this could be via a phone call or via social media for example)
- promises of high or guaranteed returns or better returns on your pension savings
- free pension reviews and/or access to your pension before age 55
- pressure to act quickly and high-pressure sales tactics
- unusual investments, which tend to be unregulated or high risk and/or complicated structures, so it is not clear where your money will end up
- several groups or companies involved which all take a fee, meaning the amount taken from your pension will be significant.

To help you identify a scam and protect your retirement savings, the Financial Conduct Authority has launched an online tool so you can check that the firm you are dealing with is regulated and see if what you're being offered is a known scam or has signs of a scam. You can access this tool and find out more information on scams by visiting **[fca.org.uk/scamsmart/how-avoid-pension-scams](https://www.fca.org.uk/scamsmart/how-avoid-pension-scams)**

We've signed the pledge

The Pensions Regulator is encouraging trustees and administrators to make the pledge to adopt industry best practice to prevent scams. It's a voluntary commitment made by Pace, which recognises the extra steps we will take to help protect members from scammers. The enclosed leaflet provides more details on our pledge.

Get in touch

Please stay in touch with us and update us if you move house or change your contact details.

We will write to you at various points, including before you retire. If we lose contact with you, this could delay you claiming your pension benefits.

We can only pay pension arrears of up to six years (or eight years for that part of your pension which is guaranteed minimum pension, or GMP) once you get past age 75. This means that if you didn't start receiving your pension until age 82, you would receive arrears of your GMP from age 75 but only receive arrears of your non-GMP pension back to age 76.

Please get in touch by email if you can. If not, you can call or write to us.

Email us: staffpensions@coop.co.uk

Phone us: 0330 606 1000

Find us online: co-operativebank.co.uk/pensions

Write to us:

Pensions Department
Dept. 10406
Co-operative Group Limited
1 Angel Square
Manchester
M60 0AG

*Please note: your Pace benefits are determined by and subject to the Pace Rules as amended from time to time ('the Rules'). If there is any conflict between any information in this Members' Report and the Rules, the Rules will be overriding and will determine the benefits you receive. You can download a copy of the Rules under Useful information/Pace DB at **co-operativebank.co.uk/pensions***