

Update

For members of the Amey OS Pension Scheme May 2018

Trust us to keep you informed



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Introduction from the Chair

Welcome to your Spring 2018 newsletter.

Welcome to your latest Update – your newsletter from the Amey OS Pension Scheme (the Scheme). In it, we tell you all the things that have been happening in the Scheme since the last Update. It's been a busy time, as you will see.

Whatever section you are in, your benefits are valuable. We felt it important, given recent events in the wider world, to tell you about the security of your benefits so you can understand the protections in place.

You may have heard recently about the collapse of the construction company Carillion and the money that was owed to its company pension scheme. We want to assure you that Amey (the Company) is fully committed to the Scheme and to paying contributions to protect its long-term future. In addition to this, we have the security of a sole independent trustee, PTL, who always acts in the best interests of members (see page 3 for further details).

The Report and Accounts give you the full picture on the finances of the Scheme. We have included a snapshot of the income and outgoings, and the membership numbers, for your information.

Keeping your personal data safe and secure has always been important to us. We include a statement telling you how we do this.

Update is a key document keeping you informed about the Scheme, so please do take the time to read it carefully. We are also currently working on a member website to make Scheme information more accessible. We'll let you know as soon as the site goes live. We welcome feedback from members on Update. Please pass any feedback to the Scheme Administrators.

Yours sincerely



Kim Nash
For and on behalf of the Trustee



Your Trustee Board

The Amey OS Pension Scheme Trustee is a sole independent trustee. A sole trustee is a corporate trustee, that sits in place of a traditional trustee board. A traditional trustee board is made up of representatives appointed by the employer and nominated by the members. Although such trustee boards have a good track record of managing pension schemes, there can be difficulties when it comes to finding new trustees, and there is potential for conflicts of interest. Also, such trustees are performing the role alongside their day job.

Our independent trustee, PTL Governance Limited (PTL), is a market-leading provider of independent governance services for pension schemes across the UK. It brings an impartial and professional approach to the management of the Scheme, providing technical expertise through a dedicated team. You can find more details about PTL at: www.ptluk.com

Pension News

The security of your benefits in the Scheme

As the Chairperson notes in her introduction, you may have concerns over the security of your benefits in the Scheme, particularly following the collapse of Carillion and the potential impact on its pension scheme. We want to reassure you about the security of your benefits, and to help you understand how your benefits in the Scheme are protected.

The Amey OS Pension Scheme is a defined benefit (final salary) scheme, like Carillion's pension scheme. With schemes like ours, at retirement, the member receives a pension based on their years of service in the scheme and their final pensionable salary. You pay an agreed level of contributions into the Scheme, and the Company pays the balance of the cost, according to a contribution schedule agreed with the Trustee. How much is needed to meet the cost of the benefits is decided by the Trustee on the advice of the Scheme Actuary.

The security of the benefits in the Scheme (a defined benefit scheme), therefore, relies chiefly on two key factors:

1. The willingness of the Company to support the Scheme.
2. The financial strength of the Company to keep making contributions.

Let's look at these two factors in turn.

1. The willingness of the Company to support the Scheme

The Amey OS Pension Scheme has the firm backing and commitment of Amey. This commitment can be seen in the payments Amey has agreed to make (and is making) to the various sections of the Scheme to help improve the funding, with the aim of getting the Scheme funded to self-sufficiency level. This ensures that the Scheme can support itself without additional contributions going forward. Over and above what it is legally obliged to pay, Amey paid an additional £16.7 million in contributions to the Scheme in the 2017 financial year.

The Scheme is, on the whole, well-funded, and there is a plan in place (as described above) to make up the shortfall. You can see the latest funding levels for your section in the Summary Funding Statement on page 10.



2. The financial strength of the Company

Amey is a well-run and well-respected company. It's owned by Ferrovial, one of the world's leading infrastructure management and investment companies. Although Amey had entered into two joint ventures with Carillion, it has taken action to ensure it continues to deliver the services offered by those joint ventures. It has also taken over a number of key rail contracts that were previously run by Carillion. As Andy Milner, Chief Executive of Amey, notes:

"We are excited to be taking on these rail contracts that form a key part of Network Rail's vision for the country's modernised rail network. With a deep understanding of these operations, we are perfectly placed to become the new contractor for these projects. This will mean that our rail business will grow significantly, as we support Network Rail to deliver critical milestones."

The willingness and ability of an employer to support a defined benefit (final salary) scheme is known as the 'employer covenant'. This is where the employer makes a promise to the Trustee to support the pension scheme. The strength of the covenant rests on the underlying financial strength of the company.

The Trustee keeps a close eye on the strength of the covenant and monitors it with their covenant adviser on a quarterly basis, to protect the security of the Scheme. Currently, the Trustee is satisfied with the support provided by Amey.

We hope that you can now feel reassured about the security of your benefits in the Amey OS Pension Scheme. However, as you will read in the Summary Funding Statement on page 10, in the unlikely event that Amey was no longer able to meet its obligations to the Scheme, your benefits would be likely to pass into the care of the Pension Protection Fund. The Pension Protection Fund is there to provide you with compensation if the Scheme were unable to meet its full obligations.

The level of compensation would depend on your individual circumstance. For example, members who have reached the Scheme's Normal Retirement Date will generally receive compensation at the same level as the pension they were receiving from the Scheme (although the pension increases going forward may be lower). You can find more information about the Pension Protection Fund at: www.pensionprotectionfund.org.uk.



Latest Report and Accounts are available

Since the last Update, a decision was made in conjunction with the Company to change the Accounting Year End of the Scheme from 31 March to 30 September, with effect from 30 September 2017.

The main reason behind this was to bring the Scheme's accounting period in line with triennial valuation dates, which will be as at 30 September in the future. The change is solely in respect of Accounting Year End so the Scheme Year End remains as 31 March for benefit calculation purposes. As a result of the change, in future, accounts will be prepared as at 30 September each year, with the first period being from 31 March 2017 (the date of the last accounts) to 30 September 2017.

The Trustee has published the latest Report and Accounts, for the period 31 March 2017 to 30 September 2017. Remember – each section of the Scheme is audited and funded separately.

In the unlikely event that Amey became insolvent and the entire Amey OS Pension Scheme were to close, the money in each of the three sections would be used to fund the benefits of all the members.

This table shows how the values of the different Scheme sections have changed during the period from 31 March 2017 to 30 September 2017.

		Amey section	Accord section	APS section
	Scheme's assets at 31 March 2017	£48,485,000	£98,370,000	£413,627,000
+	What's been paid in	£164,000	£718,000	£9,575,000
-	What's gone out	£721,000	£1,914,000	£8,784,000
-	The change in the Scheme's investments	£656,000	£558,000	£14,573,000
=	Scheme's assets at 30 September 2017	£47,272,000	£96,616,000	£399,845,000

You will note from the table on page 6 that the investments in all sections have gone down, which was because of poor investment performance in this period.

The Amey and Accord sections fell mainly due to the falling value of bonds (a type of investment).

For the APS section, the poor investment performance was particularly affected by volatile markets during this period, where investments fluctuated widely.

Membership numbers

	Amey section		Accord section		APS section	
	31/03/17	30/09/17	31/03/17	30/09/17	30/04/17 (at date of merger)	30/09/17
Active members	40	36	71	62	0	0
Deferred members	151	148	728	707	1,688	1,643
Pensioner members	307	312	749	768	1,414	1,440
Total	498	496	1,548	1,537	3,102	3,083



Transferring your benefits

You may be thinking about moving (transferring) your benefits from the Amey OS Pension Scheme, especially if you no longer work for the Company. You may even have been contacted by third parties, offering to help you transfer your benefits. Please take care.

Your benefits in the Amey OS Pension Scheme are valuable. As we explained on page 4, the Scheme is a defined benefit (final salary) scheme - at retirement you receive a pension based on your years of service in the Scheme and your final pensionable salary. It is payable for your life, has built in inflation increases, and may, in certain circumstances, continue to be paid to your spouse or dependants after your death. Most schemes nowadays are defined contribution (DC) schemes, where what you receive at retirement depends on the money you have built up before retirement. There is no certainty about what you will receive, however, you choose how to use the money you have built up. The options available from defined contribution schemes are now much more flexible, and members are no longer restricted to just receiving a regular income. You can find more information on the pension freedoms available for defined contribution schemes on the Pension Wise website: www.pensionwise.gov.uk. A defined benefit scheme is an extremely valuable benefit and there are very few of these types of arrangements still open. You therefore need to think very carefully before

deciding to proceed with a transfer. This is why the Government has introduced a requirement that members with defined benefit pensions worth £30,000 or more need to show they have received independent financial advice before they can take a transfer to a defined contribution scheme. Everyone's financial situation is different, so there may be cases where a transfer to a DC scheme is in your best interests - for example, if the cash value of your benefit is small - (under £30,000).

If you do want to look into transferring your benefits, you should get in touch with the Scheme Administrators (RPMI). You can find their details on the back cover. They will then make sure they have all they need to send you a quote of the value of your benefits. This quote is worked out by the Scheme Actuary, using your personal information. We strongly suggest you take independent financial advice once you have received a transfer quote so that you can make sure that transferring your benefits would be in your interest. And, as mentioned above, if the value of your benefits is £30,000 or over you must seek financial advice.

Personal Data Privacy Statement

This May sees changes to the way personal data is handled by organisations, including pension schemes, with the introduction of the European General Data Protection Regulations (GDPR). It comes into effect on 25 May 2018.

One of the requirements is the publishing of a statement explaining how personal data is handled and kept secure. You can find the Scheme's 'Personal Data Privacy Statement' enclosed with this newsletter.

A new UK Data Protection Bill, incorporating the GDPR, is (at the time of writing) passing through the parliamentary system. Once passed, the existing UK law - the Data Protection Act 1998 - will be repealed.

Trust us to keep you informed

There are two key times during the year that you will hear from us as a matter of course. One is every Spring, when we send you our annual newsletter - this Update. We use Update to keep you informed about the Scheme in general.

If you are an active member of the Scheme, you will receive your annual benefit statement every Autumn, to help you keep track of your benefits. It shows the current value of the benefits you have in the Scheme and what they might be at retirement.

If you are a pensioner, instead of the annual benefit statement, you receive your annual pension statement, telling you what your pension will be for the coming year.

Of course, you may hear from us at other times. For example, when you reach six months before your Normal Retirement Date, the Scheme Administrators will be in touch with you to remind you of your benefits under the Scheme and your options.

To help us make sure you are kept informed, please remember to tell the Scheme Administrators if you change your address.



The Summary Funding Statement

This Summary Funding Statement provides you with information about the financial position of the Accord section of the Amey OS Pension Scheme (the Scheme). The Scheme has three separate sections. Each section is separately funded. In the unlikely event that the entire Scheme were to close (wind up), because the Company became insolvent or decided to stop paying contributions, the assets of the three sections would be used to fund the benefits of all the members, rather than each section funding its own members.

The last three-yearly formal actuarial valuation of the Accord section was completed at 31 March 2015, and assessed the financial situation of the section at that date. In between formal valuations, the Trustee receives annual updates showing the position of the Fund. The results of the valuation and the annual updates help the Trustee to plan for the future.

During 2017, the Trustee chose to move the Accounting Year End from 31 March to 30 September. The next formal valuation for the Accord section, therefore, has been brought forward from 31 March 2018 to 30 September 2017.

The latest valuation was completed as at 30 September 2017. The March 2015 results have therefore not been included in the newsletter.

The financial security of the section affects your benefits and the benefits that may be payable to your dependants so you should read this information carefully.

The figures

The Scheme Actuary values the section each year at the Scheme's Year End and carries out an in-depth look into the section's funding once every three years (the triennial valuation). Here are the figures from the last annual updates and the latest triennial valuation (30 September 2017):

	at 31 March 2016	at 31 March 2017	at 30 September 2017
Value of the section's assets:	£91,416,000	£62,938,000	£61,593,000
Value of the section's liabilities:	£94,797,000	£73,729,000	£66,151,000
This means there was a deficit of:	£3,381,000	£10,791,000	£4,558,000
This means that the ratio of assets to liabilities was:	96%	85%	93%

The Scheme purchased annuities from an insurance company for a large number of pensioner members of the Scheme in July 2017. The annuity asset held for these members is precisely equal to their corresponding liabilities, and so has been excluded from the assets and liabilities shown in the table above.

This is the primary reason why both assets and liabilities appear to have fallen since the March 2016 valuation. The assets shown on page 6 are higher than shown on this page because the accounts include the value of these insured annuities.

The solvency position

The funding position of the section is based on the assumption that it continues to be funded by the Company; we also have to tell you what the situation could be if the section were to have been wound up (closed) at the valuation date. The Scheme Actuary's estimate of the amount needed to 'buy out' the benefits in the section with an insurance company, called the 'solvency position', at 30 September 2017 was £131.5 million.

On this basis, the section had a shortfall (see below for definition) at 30 September 2017 of £69.9 million – that is to say it was 47% funded. By law, we have to give you this information.

Answering some of your questions

Why have you produced this statement?

Legally, we must provide members with a statement of the section's financial position every year.

How is the Scheme's financial position measured?

The Scheme Actuary uses the section's data to compare the assets of the section (the amount of money invested) with the liabilities (the total value of all the benefits that are in payment and due to be paid by the section). If the section has fewer assets than liabilities it is said to have a 'shortfall' and if there are more assets than liabilities then there is a 'surplus'. To work out the amount of the shortfall (or surplus), the Scheme Actuary makes assumptions about the future, such as the rate of investment returns and changes to the membership.

Do you always calculate the Scheme's liabilities in the same way?

Each time we ask the Scheme Actuary to work out the section's liabilities, we review our previous approach to ensure that the calculation takes into account the most up-to-date information available.

The Statement of Funding Principles includes details of how we work out the section's liabilities. You can get a copy of this from the Scheme Administrators.

How much money is paid into the Scheme each year?

Member contributions to the section are paid as set out in the Scheme's Trust Deed and Rules. From 1 April 2018 the Company is paying contributions at the rate of 9.45% of members' pensionable salaries (or actual pay received if lower) each month together with 31.9% of pensionable salaries for the cost of future service accrual. These will continue until 31 May 2026. The Company also pays £20,000 each month to cover the expenses of the Section, and contributes directly to the Pension Protection Fund (PPF).

In addition, the Company is contributing £51,623 per month from 1 April 2018 to 31 May 2026 into an Escrow account - an account that operates separately from the main assets of the Scheme. There is an agreement in place between the Company and the Trustee that funds can be transferred to the section from the Escrow account when certain conditions have been met.

On 22 December 2017, a payment of £11,661,793.62 was made to the section from the Company (Amey) via an Escrow account. This payment removed the deficit at that date.

At least 50% of the contribution towards the shortfall is expected to have been paid by 1 April 2018.

How do you know what contributions should be paid into the section?

The Scheme Actuary works out the contributions that need to be paid, based on the information in the actuarial valuation. The Trustee and the Company agree on the level of contributions and record this in the 'Schedule of Contributions'. The Schedule of Contributions is reviewed whenever we carry out a valuation to ensure that the contribution rates set out in the document are still appropriate for the current circumstances of the Scheme funding.

If the section has fewer assets than liabilities, the Trustee produces a Recovery Plan to show, in detail, how the shortfall will be paid. This includes details of the contributions the Company has agreed to pay.

Why might the Scheme have a shortfall?

The amount of money available to pay benefits, the assets, depends not only on the contributions paid by the Company, but also on the performance of the investments, and the estimated cost of providing future pensions. Increases to life expectancy, and expected future increases, also increase the estimated cost of providing future pensions.

However, even when there has been a shortfall, all retirement and dependants' benefits and all transfers have been paid in full.

We also have to tell you if there have been any payments from the section to the Company since the last Summary Funding Statement and we can confirm that there have not.

Is my pension guaranteed?

The Trustee and the Scheme Actuary assess and monitor the financial health of the section to make sure that there is enough money in the section to pay pensions as they fall due, now and in the future. However, the section's ability to do this relies on the Company continuing to be able and willing to support the section through contributions.

If the Company were to become insolvent or decided to stop paying contributions it could wind up the section. This would involve the Company paying a lump sum to enable the section to buy a contract with an insurance company to pay all of the benefits (those in payment and those that are not yet being paid).

The 'solvency position' figures on page 10 show how much the Scheme Actuary estimates would be needed if the Company were to wind up the section.

If the whole Amey OS Pension Scheme were to be wound up, because the Company became insolvent or decided to stop paying contributions, the assets of all three sections would be used to fund the benefits of all the members.

How are the section's funds invested?

One of the Trustee's responsibilities is to invest the contributions paid by the Company in the best interests of all of the members of the section. You can find our policy on investment in the Statement of Investment Principles.

What happens if the status of the Company changes?

If the Company were to be bought, the purchasing company would take responsibility for the section. However, if the Company were to become insolvent and the section did not have enough money to buy an insurance contract to cover all the promised benefits, the Trustee could apply to the PPF for help to provide compensatory benefits to members.

The PPF acts as a safety net for those members of a pension scheme, where the employer can no longer afford to provide those benefits. It pays a legally defined level of benefits to members of eligible UK pension schemes which are wound up, when the scheme does not have enough money to cover the cost of buying this level of benefits for members with an insurer and the Company is insolvent and so cannot provide extra finance.

Further information and guidance is available on the PPF website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.

What other information is available to me?

The following documents are available on request:

The Statement of Investment Principles explains how we invest the money paid into the Scheme.

The Schedule of Contributions shows how much money is being paid into the Scheme by the Company and includes a certificate from the Scheme Actuary showing that it is expected to be sufficient.

The Recovery Plan shows how much money is being paid into the section by the Company in respect of the shortfall in funding as at 31 March 2015.

The formal Actuarial Valuation Report as at 30 September 2017 contains the details of the Scheme Actuary's check of the Scheme's situation as at 30 September 2017.

The Actuarial Report as at 31 March 2017 contains the details of the Actuary's check of the Scheme's situation as at 31 March 2017.

The Statement of Funding Principles sets out how we will manage the Scheme with the aim of ensuring it has enough money to pay members' benefits.

The Annual Report and Accounts of the Scheme shows the Scheme's income and expenditure in the year.

The Scheme Members' guide is your guide to how the Scheme works and sets out your benefits.

What if I have more questions?

For access to any of these documents, or if you have any questions about this statement, you should contact the Scheme Administrators. Their contact details can be found on the back cover.

Contact details – yours and ours

We need to know how to contact you when we need to send you important documents, such as the Summary Funding Statements, or tell you about your benefits.

It's also important that you keep your Expression of Wish form up-to-date so that the Trustee will know who you would like to receive any benefits in the event of your death.

If you're still working for Amey, you should let us know about any changes to your address or personal circumstances by contacting the Amey HR Service Centre.

Tel: 01865 713101

Email: HRHelpdesk@amey.co.uk

Amey HR Service Centre
Amey
The Matchworks
142 Speke Road
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L19 2PH

If you no longer work for Amey, please make sure you contact RPMI, the Scheme Administrators.

Tel: 0845 299 6996

Email: amey@rpmi.co.uk

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Please also contact RPMI if you have any questions or comments about this newsletter, a query about the Scheme, or would like a copy of any of the Scheme documents.

Neither the Trustee nor the Scheme Administrators can give you financial advice specific to your own personal circumstances. You can get in touch with a financial adviser in your local area by visiting www.moneyadviceservice.org.uk, and looking for the Retirement Adviser Directory, under Pensions and Retirement.

We have taken every effort to ensure that the information in this newsletter is accurate. In the event that there is any difference between this information and the Trust Deed and Rules, the Trust Deed and Rules take priority.