

August 2023



# Pensions Update

DXC Pension Plan – Xchanging Sections



# Message from the Chair of the Trustee Board



**On behalf of the Trustee Board, I am pleased to present this year's *Pensions Update*. Unfortunately, 2022 was another difficult year for many of us. The conflict in Ukraine began in February last year and has had a profound effect on the country and its citizens. We look forward to an acceptable resolution as soon as possible.**

The troubles in Ukraine affected financial and commodity markets in 2022, resulting in supply shortages, higher prices and negative returns across most developed world asset classes. You will see later in this update that the DXC Pension Plan was not immune to these headwinds, but owing to the diversified allocation of our assets we did manage to limit the full impact of equity and bond market falls.

The UK Government's mini-budget in October 2022 also had an unwelcome effect on the value of cash and cash-like assets that the Plan holds to support our risk reduction strategy. This effect was felt by most UK pension schemes and though your benefits were never at risk, the Trustee Board was well positioned to respond in a timely manner and rectify the extremely unusual situation; putting in place a framework to future-proof the scheme from similar events.

As you may imagine, the Trustee Board has been very focused in its response to the UK and broader global financial turmoil, and the monitoring and review of our investment portfolio has been ongoing throughout the year.

In 2022 we successfully completed our triennial pension plan valuation, the results of which are included in the Summary Funding Statement on **page 11**. The Trustee Board was pleased with the overall settlement with DXC, and it means that most of our sections reported a funding level surplus on the ongoing funding basis.

I hope you have taken the opportunity to access the new Plan website which went live earlier this year. It brings together all the pension arrangements managed by the DXC Trustee Board and provides useful information, helpful links and the latest pension news. Please take a look if you haven't already done so at **[www.dxcpensions.com](http://www.dxcpensions.com)**

The Trustee Board has been busy consolidating its administration services, so by the time you receive this update the CSC, LPC and Xchanging sections will all be handled by Mercer. Our Rebus members will remain supported by Capita.

As always, the Trustee Board's main priority is to protect your benefits through the difficult times, the volatile times and the changing times. I trust you find the latest *Pensions Update* interesting and helpful.

Mark Greenhalgh  
**Chair of the Trustee Board**





# Contents

Pension matters

Membership

Plan noticeboard

Summary Funding Statement

Investment update

Contact us



# Pension matters

## Changes to the Annual Allowance

Paying into a pension scheme is a tax-efficient way of saving for retirement. However, the government places a limit on the amount of pension contributions you can make in a year that get tax relief. This limit is called the Annual Allowance (AA) and from April 2023, it increased for most people from £40,000 to £60,000.

If you have already accessed any pension savings flexibly, you will have a restricted AA called the Money Purchase Annual Allowance. From April 2023, this increased from £4,000 to £10,000.

If you are a high earner and have an income over £200,000, your AA may be reduced by a tapered amount, and it could be reduced to £10,000 (previously £4,000).

## Abolition of the Lifetime Allowance

The government has previously placed a limit, called the Lifetime Allowance (LTA), on the total amount of tax-free pension savings you could build up over your lifetime. From April 2023, the tax charge for exceeding the LTA has been removed, and the LTA itself will be abolished in April 2024 (subject to a new Finance Bill being passed).

## Thinking of taking some tax-free cash at retirement?

When you take your benefits, you can take a tax-free cash lump sum of up to 25% of the value of your pension pot. A limit of £268,275 now applies to this lump sum from April 2023.

If you have previously applied to HMRC for a Lifetime Allowance protection, this may protect the value of the tax-free lump sum you can take at retirement.



## Current economic environment

Interest rates have increased significantly over the last year, and inflation remains high, although it is forecasted to reduce over the next year.

These economic features have affected the Plan's assets and liabilities in different ways, with high inflation increasing the assets and liabilities, while the interest rates rises have reduced them. The net overall effect has been a larger reduction in the liabilities than in the assets, which has resulted in an improvement in the Plan's funding position. The Plan's investment strategy includes significant protection against future interest rate movements, and the Trustee has further increased the level of inflation-linked assets, so the Plan is well placed to withstand significant interest rate changes in future or continuing periods of high inflation. The Trustee continues to monitor the funding position, which remains strong.

On an individual level, members should continue to consider how the current high inflation and interest rate levels might affect their pensions and other savings so that, if required, they can take appropriate action. If you are unsure about what to do, you should seek financial advice, where appropriate.

## Rise in the minimum pension age

In our last issue of *Pensions Update*, we told you that the government is increasing the minimum pension age. Unless you are in ill health, the earliest you can access your pension savings is going up from age 55 to 57 in April 2028. We would like to remind you that if you have plans to take early retirement, this may affect you.

However, depending on which section of the Plan you belong to, you may have a protected early retirement age of 55 or lower. You can check if this applies to you by contacting the Plan administrator, Mercer using the details on **page 19**.



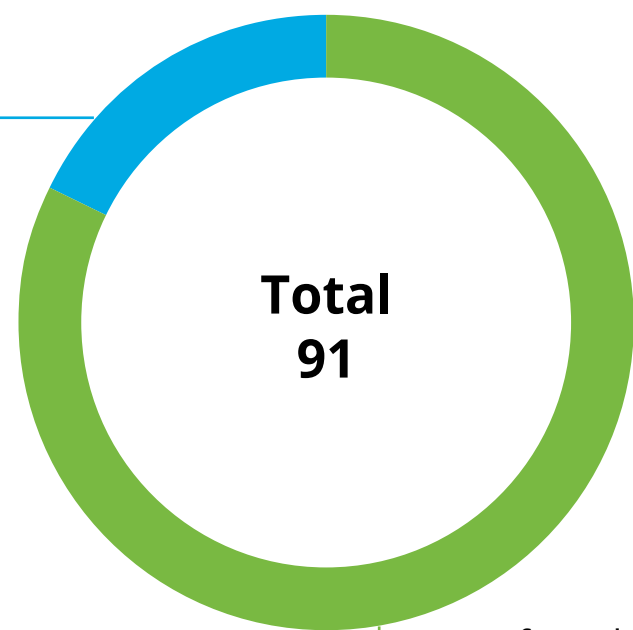
# Membership

**As at 31 December 2022, you were one of 8,269 members in the defined benefit sections of the Plan.**

While the total membership includes other sections, the Xchanging Sections' defined benefit members account for 91 members.

Pensioners

18



Deferred members

73





# Plan noticeboard

## Have you visited the Plan website yet?

Remember to take a look at the new website for the **DXC Pension Plan**. This is the single point of contact for all the Plan's sections, where you can find general pensions information and guidance, as well as information about the Xchanging Section. You will also find links to log in to OneView, the member portal provided by Mercer, the Plan administrator.











## Mercer OneView – keep track of your pension

You can keep up to date with your pension by using Mercer OneView. It allows you to access real-time information about your pension, so that you can update your personal details and use the retirement and financial planning tools.

You can get where you need to be on OneView in just three clicks using your computer, phone or tablet.

### What can you do on OneView?

-  Update your personal details
-  Review your nomination of beneficiaries / expression of wish
-  Find information about the Plan
-  Send queries to the Pensions Administration Team
-  Track the progress of any request you have made
-  Use the retirement modelling tool to get retirement illustrations
-  Change your bank details (pensioners)
-  View your pension payslips and P60 (pensioners)

### How to log in to OneView

Go to <https://v3.merceroneview.co.uk/CSCPENSIONS/login>

Log in with your user ID and passcode.

#### *Trouble logging in?*

If you know your original 10-digit access code, you can reset your OneView passcode online. If you forget your user ID or passcode, follow the instructions online to reset it.

If you have never registered to use OneView, you will need to phone the Customer Relations Centre to register: 0370 607 0054.



## Watch out for pension scams

We continue to remind members to be aware of the danger of pension scams. Research by the Financial Conduct Authority and the Pensions Regulator has found that half of pension savers do not believe that they are at risk of being targeted by a pension scammer. Unfortunately, pension scams can happen to anyone, and no pension pot is too small for a scammer.






Members should also be aware that scammers are now operating as so-called claims management companies and attempting to use 'subject access requests' to obtain personal information and details about a saver's pension arrangements. Please be particularly vigilant if you are approached in this context.

Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing.

They design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then invested in unusual or high-risk investments

like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

### Scam tactics include:

-  contact out of the blue
-  promises of high or guaranteed returns
-  free pension reviews
-  access to your pension before age 55
-  pressure to act quickly.

Don't let a scammer ruin your retirement. You can find more information about pension scams and how to avoid them at [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)







## Who do you care about?

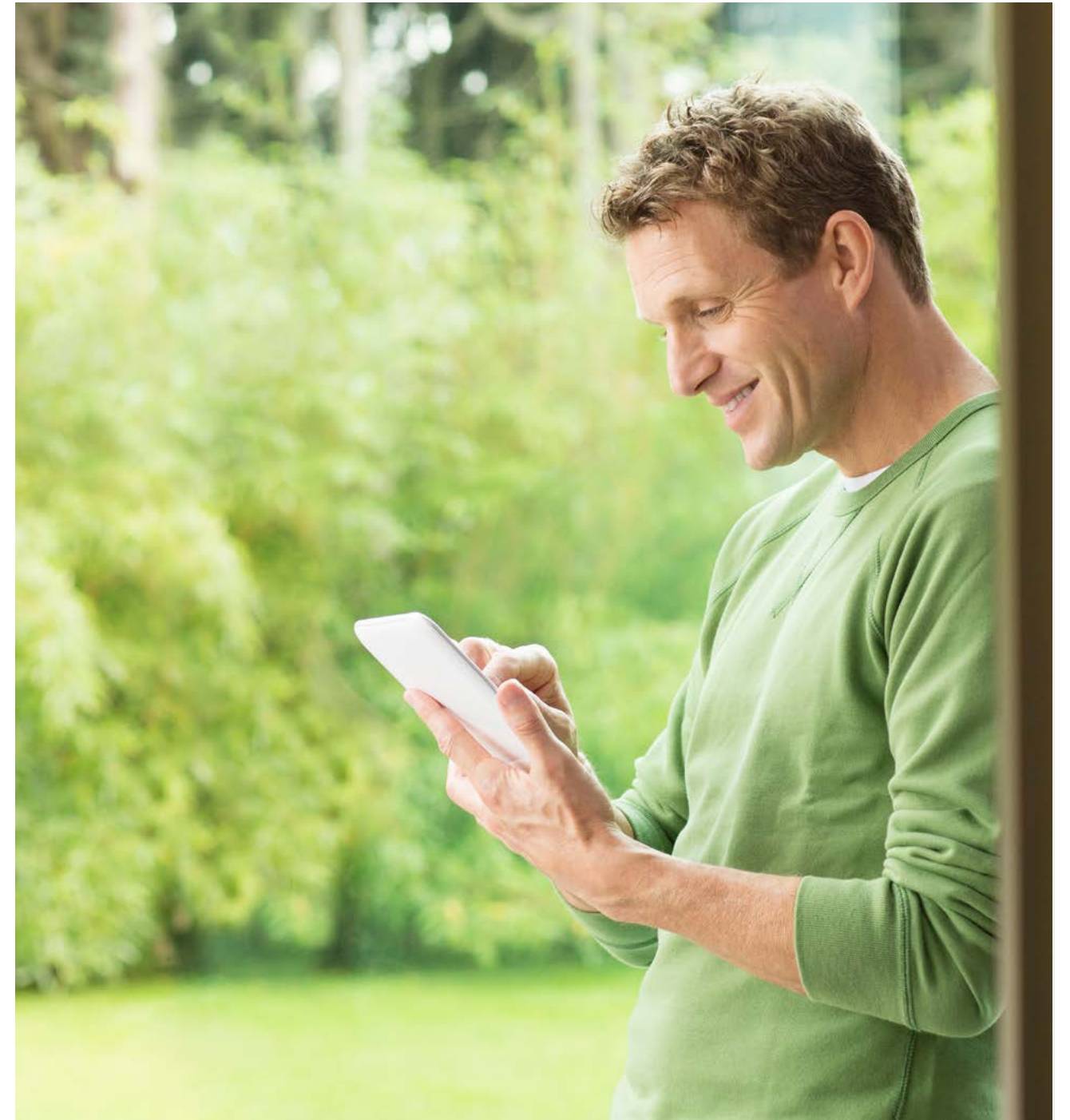
The Plan pays valuable benefits to your loved ones in the event of your death, so it's important that you tell us who you care about by completing a nomination of beneficiaries form.

If we don't have an up-to-date nomination form for you on record, it makes it very difficult for the Trustee to decide how to pay benefits; and with the best of intentions, it may not be the people you would have chosen yourself. A lot of detailed investigation into your circumstances has to be carried out, which can take many months to complete. This not only adds delays in paying benefits, but it can be intrusive for your loved ones at what is already a very difficult time.

You might not think it's worth completing a nomination form if your pension is small, but it's still money that will be valuable to someone you care about.

Even worse – there have been cases in the past where members' circumstances have changed but they haven't updated their nominated beneficiaries. This means that their ex-husband or ex-wife is the person still named on their nomination form, instead of their new partner.

While the Trustee is responsible for deciding who should receive benefits, it is guided by your wishes. It's a good idea to review your nomination every couple of years or whenever your circumstances change, such as if you get married or divorced, enter or leave a civil partnership or have a child. It only takes a couple of minutes to review and confirm your nominated beneficiaries. You can do this by logging in to OneView or contacting the Plan administrator.





# Summary Funding Statement

**Every three years, the Plan actuary carries out an actuarial valuation, which is a detailed look at the financial position of the Plan to check if there is enough money (assets) to pay the liabilities (the benefits due to members).**

To work out how much the Plan needs to pay members' benefits, the actuary must make some assumptions about what will happen in the future, such as how long members might live, what inflation will be and how the Plan's investments will perform. These assumptions are set by the Trustee.

The valuation shows the Plan's funding level, which is the percentage of the liabilities that can be covered by the assets. If there is a shortfall, the Company may need to pay extra contributions into the Plan. Following the valuation, the Trustee and the Company finalise the results and agree the level of contributions that are needed. This is recorded in a formal document called the schedule of contributions and, if there is a shortfall, a recovery plan.





## What is the Xchanging Sections' latest position?

The most recent valuation looked at the position as at 30 June 2021. Since then, the actuary has also carried out an annual update as at 30 June 2022. The results of both the valuation and the annual update are shown in the table below.

	LPSO Section		LCO Section		Non-marine Section	
	Valuation 30 June 2021	Update 30 June 2022	Valuation 30 June 2021	Update 30 June 2022	Valuation 30 June 2021	Update 30 June 2022
Value of the assets	£5.93m	£4.80m	£2.24m	£1.87m	£2.90m	£2.33m
Value of the liabilities	£5.68m	£4.37m	£2.22m	£1.75m	£2.89m	£2.18m
Surplus	£0.25m	£0.43m	£0.02m	£0.12m	£0.01m	£0.15m
Funding level	104%	110%	101%	107%	100%	107%

### How has the position changed?

Both the assets and liabilities fell significantly in the year to 30 June 2022, mainly because of large rises in gilt yields. The reduction in liabilities was partially offset by deferred revaluations and pension increases being higher than expected as a result of high inflation, which in isolation increased the liabilities. Overall, the funding level improved because the overall reduction in the liabilities was more than the corresponding reduction in the value of the assets.

The figures in the table show the position of the Xchanging Sections on the ongoing basis, which assumes that the Plan continues in its current form.



## What contributions is the Company paying?

As part of the 2021 valuation, the Trustee and the Company agreed that:

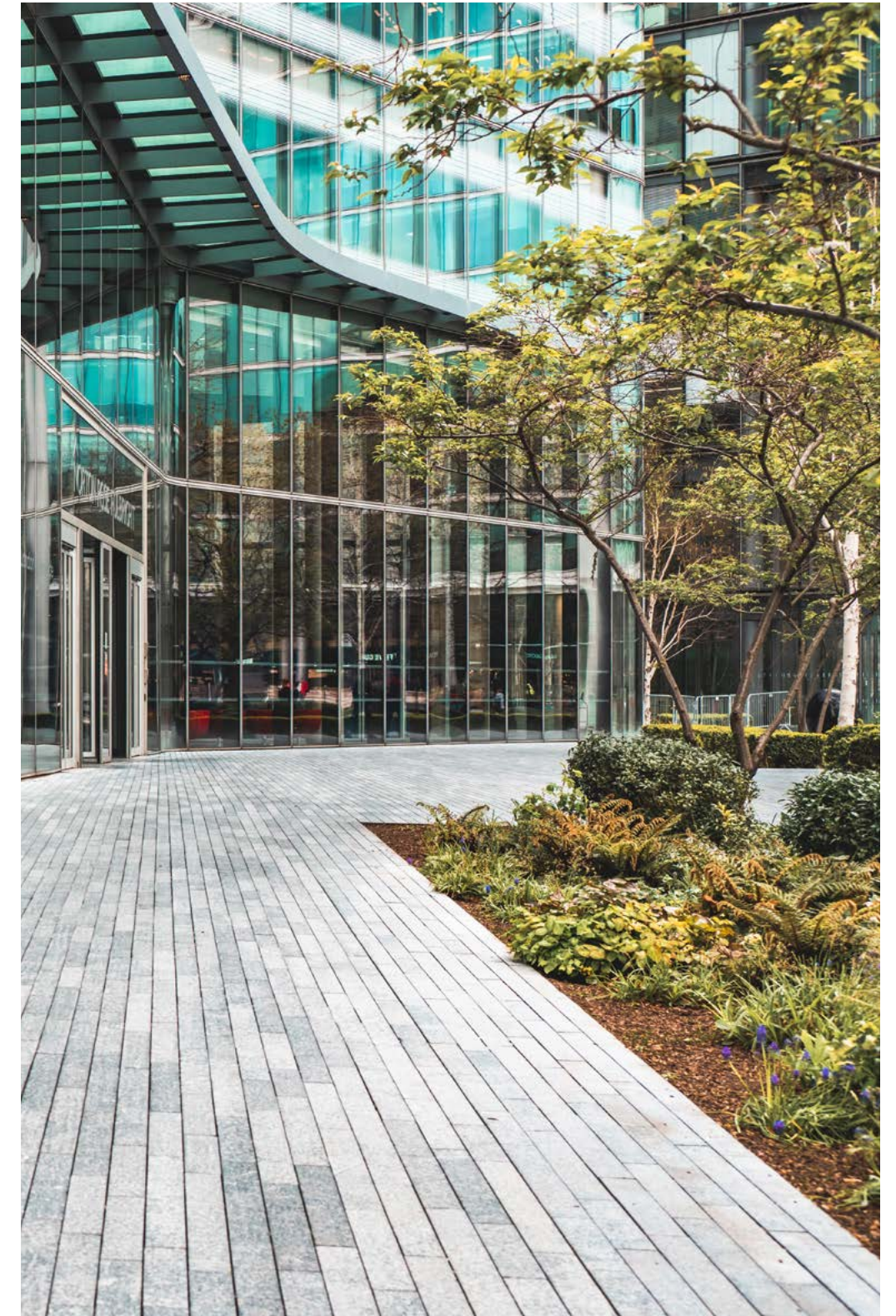
- no contributions are currently due from the Company as the Xchanging Sections had a surplus
- as the recent inflation rate has exceeded the 2021 valuation assumption, if the annual funding update reveals a shortfall, the Company will make additional contributions to the Plan.

The Trustee regularly reviews the Plan's funding position and the future contributions scheduled to be paid by the Company. The Trustee will discuss the required future contributions with the Company again as part of the next valuation, which is due as at 30 June 2024.

## How secure is my pension?

The Trustee's aim remains for the Plan to have enough money to pay pensions now and in the future, but this depends on the Company carrying on in business and continuing to support the Plan. To test the future viability of the Company, the Trustee assesses the 'employer covenant' and receives regular financial information from the Company.

The level of the Xchanging Sections' investment risks was reduced further in 2022 to protect the security of members' benefits.





## What if the Plan was wound up?

If the Company were to decide to stop supporting the Plan, it is expected to pay the Plan enough money to buy all the benefits that members have built up from an insurance company. This is called the wind-up or solvency funding position.

As at 30 June 2021, the solvency funding levels for the Xchanging Sections were:

	Solvency funding level	Shortfall
LPSO Section	87%	£0.90m
LCO Section	88%	£0.31m
Non-marine Section	81%	£0.69m

The fact that we have shown the solvency positions does not mean that the Company is thinking of winding up the Plan. It is simply another piece of information to help explain the financial security of your benefits.

## What if the Company became insolvent?

In the unfortunate circumstance that the Company should go out of business without these benefits having been secured, the Pension Protection Fund (PPF) may take over the Plan and pay compensation to members. If this were to happen, the pensions received from the PPF may be less than the full benefit earned in the Plan, depending on your age and when your benefits were earned. Further information and guidance are available at [www.ppf.co.uk](http://www.ppf.co.uk)

## Important information

The Pensions Regulator has considerable powers to intervene in the running of the Plan, such as imposing a schedule of contributions. It has not needed to use these powers in relation to the Plan.

We need to tell you if there has been any payment of surplus to the Company since the previous Summary Funding Statement was issued. Such payments can only arise in very limited circumstances, and there has never been a payment of surplus out of the Plan's funds to the Company.

## Where can I get more information?

If you would like to know more, please contact the **Plan administrator**.



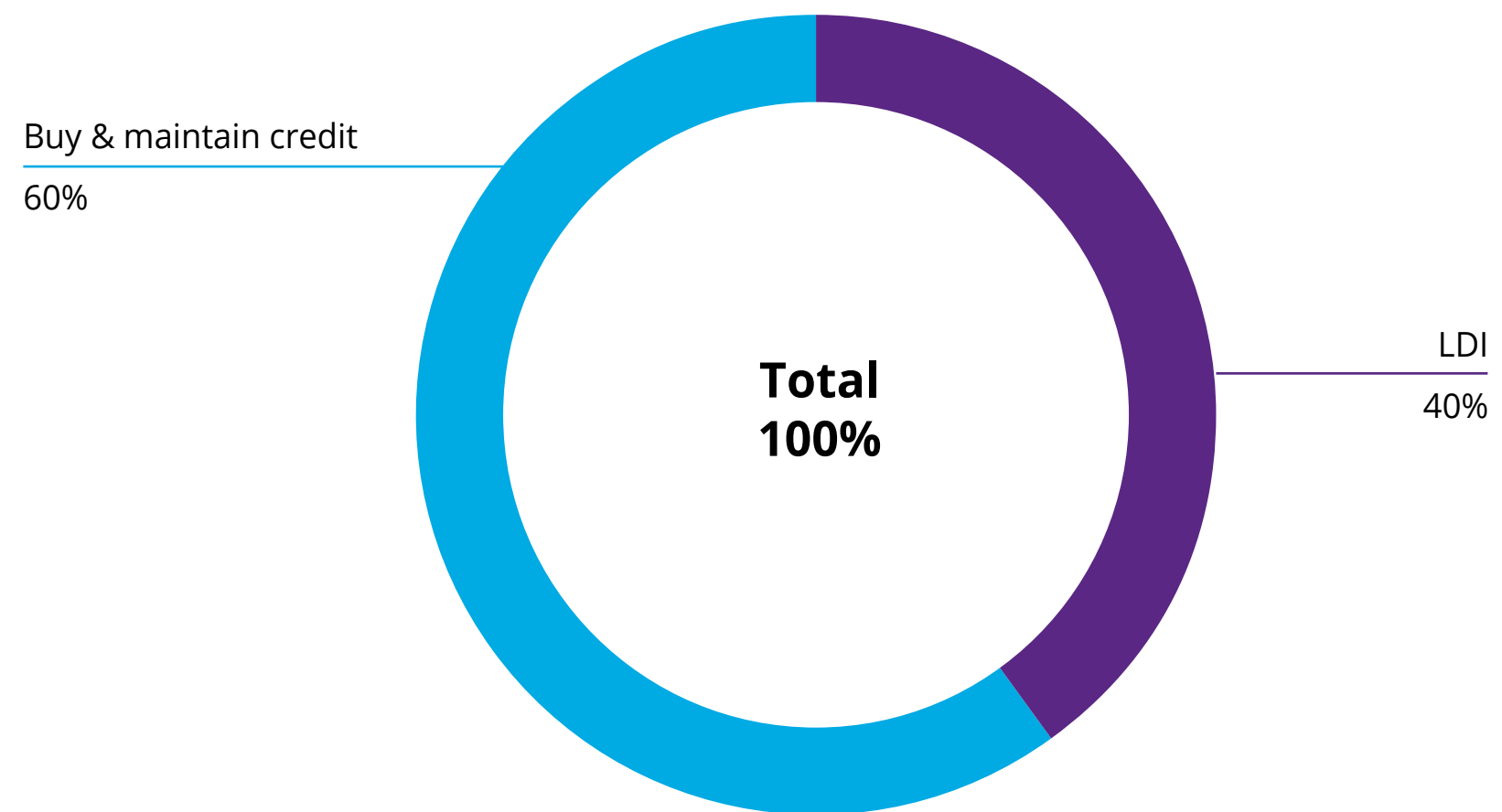
# Investment update

When investing the Plan's assets, the Trustee's main objective is to ensure that the Plan has enough money to pay benefits to members when they are due. Taking advice from its investment adviser, the Trustee also consults with the Company before deciding on a target investment return and an allocation of assets to achieve this.

Although the Trustee is responsible for the overall investment strategy for the Plan, it delegates the day-to-day management of the portfolio to the Plan's investment managers, who act in line with the Trustee's strategy.

## How are the assets invested?

As at 31 December 2022, the benchmark allocation for the Xchanging Sections was:





## Changes to the investment strategy

The Trustee keeps the investment strategy under regular review.

Following completion of the actuarial valuation, the Trustee implemented a new investment structure to reduce investment risk and protect the funding levels, resulting in the benchmark allocations shown on **page 15**. Most notably, the Trustee:

- removed the allocation to equities
- increased the allocations to buy & maintain credit and liability driven investment (LDI).

These changes allowed the level of protection provided by the assets, when compared to the Sections' liabilities, to be increased, whilst reducing investment risk. It also responded to the significant change in bond yields over 2022.

Given the strong funding position, the Trustee is currently considering the viability of transferring the assets and liabilities to an insurer in the future. The Trustee has also spent significant time considering the use of liability driven investment and its suitability for the Sections.





## Investment performance (% p.a.)

The investment returns for the Xchanging Sections compared with the return on the benchmark allocations since inception of the new investment structure (22 September 2021) to 31 December 2022 are shown in the chart.

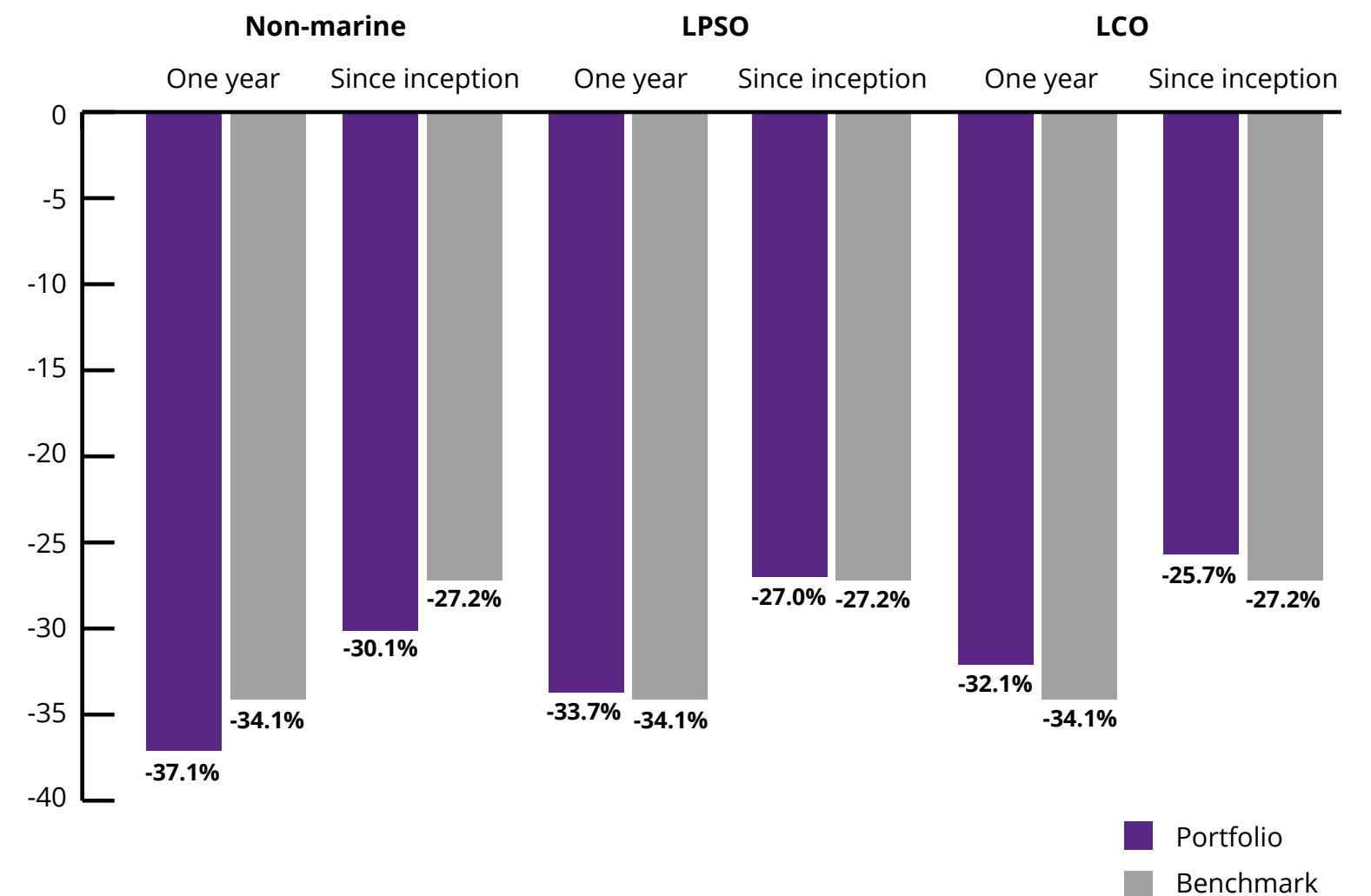
The benchmarks shown represent the return that would have been achieved if the asset allocation was in line with the Trustee's target and each of the investment managers performed in line with their respective benchmarks (which are typically a market index, such as the MSCI World, or a suitable alternative).

If the portfolios perform better than the benchmark, this indicates that either any differences in asset allocation versus the target have been beneficial and/or the investment managers have, on average, been successful in beating their benchmarks. In turn, this generally means that progress towards the Trustee's ultimate funding objective has been better than it otherwise would have if the asset allocation or managers had not had such success.

Over the year to 31 December 2022, the portfolios have generally performed better than the benchmarks. The significant negative performance of bond assets, and in particular UK Government Gilts following the mini-budget in September 2022, resulted in the Sections' absolute returns being materially negative.

However, it should be noted that bond assets are held to help match movements in the Sections' liabilities and that the funding level remained relatively stable throughout the period, as decreases in the value of bonds also resulted in falling liabilities.

The Sections have in place frameworks which were successfully utilised during the volatility in bond markets, and which protected the Sections. Since then, the Trustee, in conjunction with its investment consultant, has reviewed the Sections's strategy in detail, particularly the amount of assets required to support the liability driven investments. The Trustee continues to keep the arrangements under review.





## Find out more

If you would like to know more about the Plan's investments, you can read more in these two formal documents, which are available on **Mercer OneView** and via the Plan website.

- The Plan's **Statement of Investment Principles (SIP)** sets out the Trustee's policies on investments and on environmental, social and governance (ESG) issues including climate change.
- The Plan's **Implementation Statement** explains how the policies outlined in the SIP have been carried out during the year.

The Trustee is currently in the process of creating its first Taskforce for Climate-related Financial Disclosure (TCFD) Statement, setting out the risks and opportunities of climate change and how the Trustee governs these risks. It will be available online from the start of January 2024.





# Contact us

**If you have any questions about the Plan or your benefits, please contact the Plan administrator, Mercer.**

**Contact portal:**

[www.contact.mercer.com](http://www.contact.mercer.com)

**Email:**

[DXCpensions@mercer.com](mailto:DXCpensions@mercer.com)

**Phone:**

0370 607 0054 (deferred members)

0345 602 4710 (pensioners)

**Write to:**

DXC Pensions Team, Mercer Limited, Maclaren House,  
Talbot Road, Stretford, Manchester M32 0FP

**Plan website:**

[www.dxcpensions.com](http://www.dxcpensions.com)

