LET'S TALK PENSIONS

Summer 2023

For members of the Avon Cosmetics Pension Plan

WHAT'S **INSIDE...**

We're going digital

To continue our efforts to reduce our carbon footprint we're moving our communications online.

You can find the newsletter here: **www.avon.uk.com/pages/pensions**

If you would like to continue receiving this newsletter and other Plan communications via post, please let the Pension Team know using details on page 16.

Throughout this newsletter you will see QR codes (like the one on the left) linking to useful websites.

Scan the QR code with your phone camera to access the links.

A MESSAGE FROM **THE CHAIR**

Welcome to the latest issue of ‘**Let’s talk pensions**’. Inside, you’ll find an update on the Plan’s most recent audited finances, as well as more general news and Plan updates.

Michelle Parczuk
Chair of the Trustees

Looking back on the year

The past year has been another eventful one. Russia’s invasion on Ukraine continues to impact the cost of living and there have been some big moves in financial markets, including record interest rates, following the Government’s mini budget.

Despite ongoing market volatility, the Trustees have been closely monitoring the Plan’s cashflow and remain confident in the Plan’s ability to support its members and continue to pay the benefits promised to you.

Inside, you’ll find:

- A summary of the Plan’s latest available funding position as at 1 January 2022 (page 4)
- An update on investment performance over the year to 31 December 2021 (pages 5 and 6) and some commentary on what has happened during 2022
- Tips on how to make your money go further when times are tight (page 14), and
- Tips on how to protect your hard-earned money from scammers (page 11)

Help us help you

We’re always looking to improve the communications we send you. Please share any ideas you have for future issues of ‘**Let’s talk pensions**’, using the contact details on page 16.

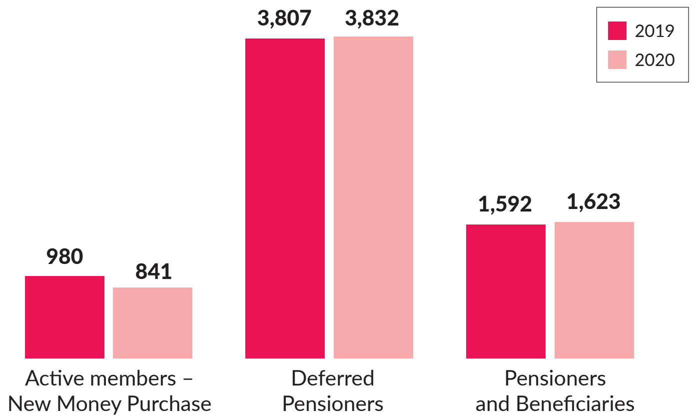
THE **HEADLINES**

Over the year, the Plan's assets increased from **£554.2 million to £568.4 million**.

The figures in the summary table below include the money in all sections of the Plan (NMPS, Final Pay and CARE).

	Assets as of 1 January 2021	**£554.2m**
+	Company and member contributions, investment and other income	£19.4m
+	Increase in market value	£13.5m
−	Benefits paid and leavers	£15.9m
−	Investment management expenses	£2.8m
	Assets as at 31 December 2021	**£568.4m**

How many members?



Please note:

- Certain members of the Final Pay Section also have deferred money purchase benefits
- Certain members of the Defined Contribution Section also have deferred defined benefits

INVESTMENT UPDATE – **FINAL PAY AND CARE SECTIONS**

The start of 2021 was marked by transitions. The UK left the EU after more than four years of anticipation and the Biden Administration team took over leadership of the US.

Cases of COVID-19 were at an all-time peak in many parts of the world, creating a sense of improvement as the year progressed and availability of vaccines increased. However, case counts began to rise again in several countries towards March and April, which meant many restrictive public health measures were extended or reimposed around the world.

Turning to financial markets, equities increased through mid-November before unrestrained inflation, tightening central-bank policy and the emergence of the Omicron variant resulted in a gradual increase to finish the year.

Investors faced unfavourable conditions on multiple fronts during the start of 2022. Global equities declined, delivering their poorest quarterly performance since early 2020. Global bonds fared worse, falling by the most since late 2016.

Moving throughout the year, equities and fixed-interest asset classes alike decreased globally, and the likelihood of recession increased.

Risk management

As we reported last year, over 75% of the Plan's assets are invested in Risk Management assets to limit the risk of assets failing to meet the cashflow required when members' benefits are due. The remainder is invested in return-seeking assets. This meant that the Plan was more resistant to the market volatility that occurred during the year.

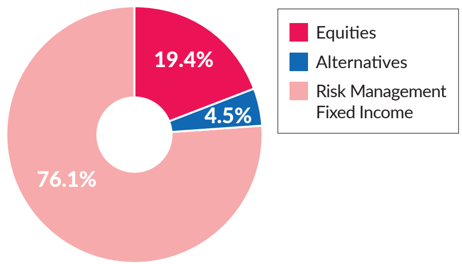
The risk management portfolio is designed to protect the funding level against changes in interest and inflation rates, as these affect the present value of future benefits. This part of the portfolio increased by 1% over the year to 31 December 2021.

Return enhancement

The return-seeking assets of Equities and Alternatives aim to provide returns in excess of gilts and corporate bonds and are diversified across a number of different asset classes and geographies. This diversification reduces risk while maintaining a satisfactory level of return.

The Plan's strategic asset allocation is to hold 19.4% of its assets invested in global developed market equities and 4.5% in emerging market equities. Overall, the Plan's equity improved as return-seeking assets grew by around 15% over the year to 31 December 2021.

How the Plan is invested



INVESTMENT UPDATE – **NMPS**

Market performance after COVID-19

Having largely recovered from the impact of COVID-19 by the start of the year, investment markets encountered another challenging year during 2022 with heightened levels of volatility due to the war in Ukraine, geopolitical uncertainty, and inflationary pressures.

This resulted in global equity and bond markets falling, as many central banks raised interest rates and global inflation continued to rise. On top of this, the Government's 'mini-Budget' in September last year led to unprecedented falls in the value of the pound relative to the US dollar, together with turmoil in UK bond markets that has not been experienced before. As a result, the Bank of England was forced to intervene. While investment markets have settled down and started to recover, it's possible some volatility will continue for the foreseeable future with the UK entering a recession, although this is expected to be for a shorter period according to the Bank of England's latest prediction.

What does this mean for your pension savings?

Members of the NMPS, like all members of Defined Contribution schemes, will have been impacted by the investment market conditions during 2022, with most experiencing falls in the value of their pension savings. Many members of the NMPS are invested in Scottish Widow's Passive Multi-Asset IV and Passive Multi-Asset III funds, both of which are predominately invested in global equity and bond markets.

Both funds produced negative growth during 2022 of -7.93% and -10.72% respectively. However, as investment markets recovered, the performance of both these funds was much improved during the final quarter of 2022, with growth of 2.38% and 2.65% respectively.

Remember, investing in the Plan is long-term

As we have reminded you in the past, for many, pensions are long-term savings, and it's therefore important not to make hasty decisions based on short-term volatility. Making 'knee jerk' decisions like moving everything to cash or redeeming pension savings to try and 'time the market', could be particularly harmful in the current high inflationary environment.

Also, the rising cost of living combined with falling pension values may lead some members to be tempted to stop their pension contributions and even, where eligible, take cash from their pension savings to pay for essential bills. The Trustees strongly promote the importance of saving into the NMPS and we urge members to maintain their pension contributions and pension savings. For some, stopping contributions could have a serious impact on retirement living standards.

It's also important to be aware of the risks from pension scams, especially in times of heightened uncertainty. Please read the 'Knowing how to spot a scam' article on page 11 for what to do if you suspect a scam.

GO ONLINE WITH **SCOTTISH WIDOWS**

If you're a member of the NMPS, your IMA allows you to check your account and access retirement planning tools.

Once you're registered you can:

- See where your money is invested
- Check fund prices
- View fund factsheets
- Switch your investments
- Use calculators, tools and videos

To get started:

1) Visit **www.scottishwidows.co.uk/save/avon**, or scan the QR code on the right

2) Click on Log in towards the top right of the page

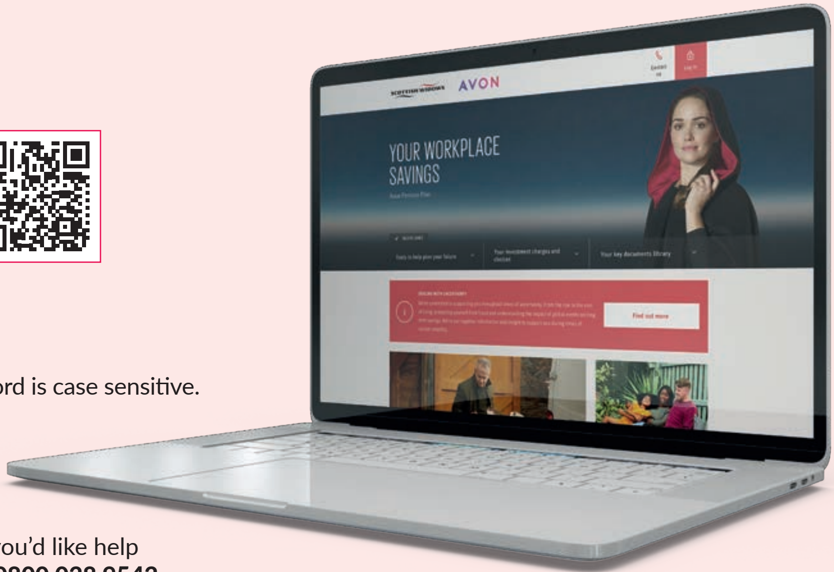
3) Choose to Log in to Money4Life

4) Type your Log in ID into the 'Username' box

5) Type your password into the 'Password' box. The password is case sensitive. Do not disclose your password to anyone

6) Click 'Continue'

7) Enter your email address and memorable word



If you have forgotten your username and/or password or you'd like help accessing and using the website, call Scottish Widows on **0800 028 9542**.

FINANCIAL 'HEALTH CHECK' – **ACTUARIAL VALUATION RESULTS**

Every three years, the Trustees carry out a detailed financial 'health-check' of the Defined Benefit (DB) Sections of the Plan. This is called the Actuarial Valuation carried out by the Plan Actuary and compares the value of the DB Sections of the Plan with the amount of money needed to provide the benefits built up by members in the DB Sections (liabilities).

In addition to these, we carry out funding checks in the years between valuations.

When calculating the cost of providing benefits from the DB Sections, the Plan Actuary makes a number of assumptions about the future. The key assumptions are around future inflation, investment returns and how long members will live.

As part of the valuation process, the Trustees need to agree the assumptions to be used with Avon Cosmetics Limited (the Company), considering the advice of the Plan Actuary. This in turn means the Trustees need to:

- understand the effect of different assumptions on valuing liabilities;
- appreciate where there is a need for a cushion in case actual experience is worse than that assumed; and
- consider whether that cushion is large enough, taking into account the Company's financial ability and willingness to support the DB Sections of the Plan.

The results of the most recent Actuarial Valuation, as at 1 January 2021, showed the funding level to be 112%. Given the Plan was fully funded at that date, the Company was not required to make any contributions to the Plan. The next formal Actuarial Valuation will be as at 1 January 2024.

A funding check was carried out as at 1 January 2022* where the Plan's funding level was estimated to have increased to 114% from 112%.

The main reasons for this were:

1) Assets performing higher than expected
2) Some changes to the actuarial assumptions used to value liabilities, driven by changes in market conditions

*Please note, given market volatility throughout 2022 (as described under the investment sections), asset and liability values will have fallen since this date. However, we expect the funding level of the Plan to have remained broadly unchanged over the period.

Statutory information – what we have to tell you

If the Plan wound up (or came to an end)

The Trustees are pleased to confirm the Plan remains well funded and in a strong position. This means the Plan can continue to ensure members' benefits are paid when they are due.

However, by law, we are required to let you know what would happen in the unlikely event the Plan was required to wind-up today.

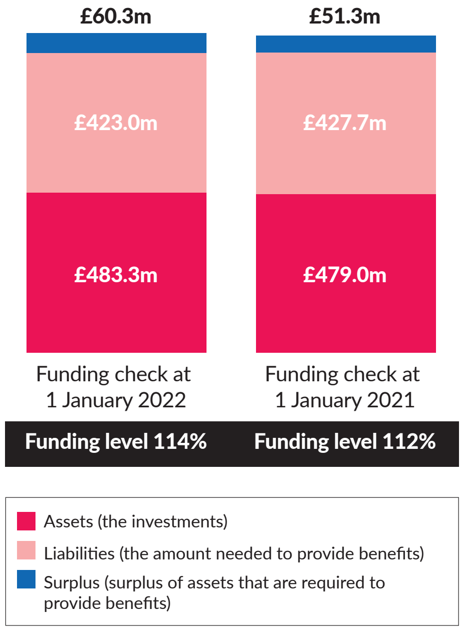
Providing this information does not mean that the Plan is thinking of winding up. We receive regular reassurances from Avon Cosmetics Limited regarding its financial strength and continued commitment to the Plan.

- If the Plan was wound up, one of the options would be for the Plan's assets to be used to buy the equivalent benefits from an insurance company.
- As at 1 January 2021, the Plan's assets were estimated to be sufficient to provide around 85% of the money needed to insure member's benefits with an insurance company.

What happens if the Plan is wound up and there is not enough money to pay all benefits?

The government has set up the Pension Protection Fund (PPF) to pay benefits to members in the event that employers become insolvent and are unable to meet their pension commitments. However, if such circumstances were ever to occur, the pension you would receive from the PPF might be less than the full benefits you had earned in the Plan, depending on your age when your benefits were earned and the size of your benefits.

Further information and guidance is available on the PPF website at **www.pensionprotectionfund.org.uk** or you can write to the PPF at: **PO Box 254, Wymondham, NR18 8DN**.



Other things you need to know

Regulations require the Trustees to confirm that the Company has not taken funds out of the Plan since the funding update provided to you. The Trustees confirm this is the case.

Regulations also require the Trustees to confirm whether the Pensions Regulator has used its powers to modify the Plan, give it directions, or impose a schedule of contributions upon it. The Trustees confirm that the Regulator has not needed to use its powers in this way for the Plan.

MARKET VOLATILITY AND **YOUR PENSION**

As mentioned earlier in this newsletter, the economic environment has been volatile over the last year. Despite this, the Plan remains in a strong position.

We've been working closely with our advisers to carefully monitor the Plan's funding level and ensure your benefits are as secure as possible.

Whether you're already taking money from the Plan, or haven't started receiving a pension yet, your Plan benefits remain unchanged by recent economic circumstances.

Transfer values have reduced

If you're not taking your benefits yet, you have the option to transfer your benefits out of the Plan. It's a significant decision, and if you're considering this, we strongly recommend you speak to a regulated financial adviser before proceeding (see page 16 for details).

If you request to transfer out, you'll be quoted a 'transfer value' (also known as a 'cash equivalent transfer value' or 'CETV'). This is the cash amount you would receive if you chose to transfer out of the Plan.

This figure is updated monthly and indicates how much the Plan believes it would cost to provide your pension in the future, based on a few assumptions.

Your quoted transfer value will vary depending on when it's calculated.

For example, when interest rates increase (like recently) the Plan receives better returns on its investments. This means the cost of providing members' pensions decreases. When the costs of providing pensions decrease, transfer values also decrease. In other words, if you transfer out of the Plan today, you could receive significantly less money than if you had transferred out in 2021 when interest rates were low and transfer values were at historic highs. Even under normal circumstances, transfer values rise and fall all the time. If you're considering this option, you should always make sure you understand your options and the impact of your decisions.

Annuities (regular income) are higher

Due to recent high interest rates, the amount of regular income you can get from buying an annuity has gone up. This is good news as it can offset to some level, the lower value of transfer values.

Key takeaways

- **The Plan is both committed and able** to provide your pension benefits in full when they are due.
- **Transfer values don't impact your Plan benefits.** If you're planning to remain in the Plan and take a regular pension in the future (like most members) you won't see any change to your expected level of pension.
- **Transfer values only matter if you're transferring your benefits out of the Plan.** By transferring out now, while interest rates are high, you could end up with significantly less to live off in retirement.
- **Get financial advice about your retirement options** to make sure you understand the impact of your decisions.

KNOWING HOW TO **SPOT A SCAM**

Last year, we focussed on being vigilant against scams. Although new laws have been introduced and additional checks are now being carried out by pension schemes to reduce the risk to members when transferring out their benefits, scams are still in the news on a regular basis.

Individual losses range from just under £1,000 to as much as £500,000, with an average of £50,949*. Pension scams can be hard to spot, as the scammers are convincing, financially knowledgeable and use credible looking websites.

The most common types of pension scams are offers to release your pension early or to give you a free pension review. If in doubt, check the Financial Conduct Authority's Warning List to see if the pension company is listed as one to avoid: **www.fca.org.uk/scamsmart/warning-list**

Visit **www.fca.org.uk/scamsmart** for more tips on how to spot a scam. If in doubt, put the phone down, delete the email, or put the leaflet in the bin.

*Source: **www.which.co.uk/news/article/pension-scam-average-losses-more-than-double-in-a-year-how-to-protect-your-savings-ah4sv1b7t4kw**

Finding lost pensions (even if you've retired)

It's easy to lose touch with previous pension plans when you change jobs, or if former employers change their name. If you need to contact another employer's pension arrangement, you can use this government-provided service, by visiting **www.gov.uk/find-pension-contact-details**

The Pension Tracing Service is free and can help you trace a pension you've lost track of, even if you don't have the contact details of the pension provider. Before using the service, collect as much information as you can, including:

- The name of your previous employer or pension service (you will need this to get started)
- Any previous names it had
- The type of business it ran
- Whether it changed address
- When you belonged to the scheme

The Pension Tracing Service will only tell you the contact details of the pension's administrator. You will then need to contact the pension administrator to find out whether you have a pension, what value it is and to ask for it to be paid out.

PENSIONS IN **THE NEWS**

The Ukraine conflict

The ongoing crisis in Ukraine is of great concern to all of us and our thoughts are with the people directly impacted at this time. The resulting uncertainty has led to increased investment market volatility, but it's difficult to assess how the situation will develop and what the wider impact on investment markets and global economies will be. The Trustees are carefully monitoring the situation, with the support of our advisers, and will continue to manage any risks, with the aim of protecting your benefits.

Guaranteed Minimum Pension (GMP) equalisation

In 2018, there was a High Court Ruling where they decided GMP earned between 17 May 1990 and 6 April 1997 should be calculated in the same way between genders. The Plan is currently reviewing members' benefits to assess the impact of this ruling.

Most members with GMPs won't see any change in their pension, and even for those whose pension does change, the difference as a result of GMP equalisation is likely to be small. No current or future benefits will go down as a result of equalisation.

If you are impacted by the GMP equalisation ruling, the Trustees of the Plan will be in touch. Remember, if you joined the Plan after 1997 there is no impact for you.

The minimum pension age is increasing

The age at which members may normally start to take their benefits early is increasing from age 55 to age 57 from 6 April 2028. This change was brought into law by the Finance Act 2022 on 24 February 2022.

The legislation includes a provision to protect the current minimum pension age of 55 for certain members of pension schemes. If you are considering early retirement after 6 April 2028, you should check with the Pension Team (or your current pensions provider for benefits outside of the Plan) on the rules that will apply to your savings.

Save more for retirement tax-efficiently

Planned changes* to two pension tax limits have been announced which mean you can now save more toward your retirement, before facing any extra tax charges.

The Annual Allowance (AA) is rising

The AA, which limits how much you can save tax-efficiently each year, is still around but is rising for the first time in several years. The AA varies depending on how much you earn and if you've already started taking your savings:

- For most people, your AA will increase from £40,000 to £60,000 a year from April 2023.
- For higher earners, your AA may be reduced, or tapered from this standard limit as your income rises. But the lowest that this tapered AA could fall to will now be £10,000 (up from £4,000 in the last tax year). The tapered AA also won't start to kick in until you've reached a slightly higher adjusted income of £260,000 (compared to £240,000 in the last tax year).
- If you've started to take any of your pension savings, the Money Purchase AA (MPAA) might apply instead. This limit is rising from £4,000 to £10,000.
- You can carry forward unused Annual Allowance for up to three tax years.
- Excess contributions will incur an Annual Allowance tax charge (at your highest rate of income tax).

*Any changes will need legislative approval.

The Lifetime Allowance (LTA) is being removed

The Lifetime Allowance (LTA), which was how much you could save in total into your pension before paying a tax charge, will be removed. From 6 April 2023, you don't need to report or pay LTA tax charges, although the LTA will only be officially abolished from April 2024.

While the LTA is being removed, there will still be a cap on the maximum amount you can take as tax-free cash when you retire. With effect from 6 April 2023, maximum tax-free cash will be 25% of the value of your benefits, subject to a cap of £268,275 (25% of the LTA for the 2022/23 tax year) unless you have applied for and received one of the LTA protections. Other benefits that are taxed at 55% if you go over the LTA (like some death benefits) will now be taxed at your marginal rate.

Next steps

As always, if you are uncertain about what this means for your own retirement savings or tax situation, we strongly encourage you to speak with an FCA-regulated financial adviser. See page 16 for details.

For more information about the changes being introduced, visit the HMRC's website: **www.gov.uk/government/publications/spring-budget-2023-overview-of-tax-legislation-and-rates-ootlar/spring-budget-2023-overview-of-tax-legislation-and-rates-ootlar**

WHEN MONEY'S TIGHT, **MAKE EVERY PENNY COUNT**

The rising cost of living is affecting us all. After decades of not having to think about inflation, it's now the highest it's been for 40 years, hitting 10% in December 2022. With prices rising faster than income, many of us rethink our priorities, behaviours and spending patterns.

There are lots of things you can do as an individual to help manage increases in price, during the cost of living crisis. Spend some time working through your bills, track your income and payments and pull together a detailed picture of your money. This knowledge might help you find areas for potential savings, or at a minimum you'll be much more aware of your day-to-day finances.

For example, are you paying for any apps you barely use? Could you walk or cycle more to save on fuel, or wash your clothes on a cooler setting to reduce your energy bills?

These are just a few of the 50 money saving tips available on which.co.uk: **www.which.co.uk/money/money-saving-tips/saving-money/50-ways-to-save-money-a9g329r4s8hm**

Here are four other ways to help you manage your finances today

Scan the QR code with your phone camera to access the links below.

How to live on a squeezed income and make your money go further

www.moneyhelper.org.uk/en/money-troubles/way-forward/squeezed-income

Prioritise your bills

www.moneyhelper.org.uk/en/money-troubles/way-forward/bill-prioritiser

Compare prices at UK shops to make sure you're getting the best deal

www.trolley.co.uk

Create a budget to help you stay on track

www.moneyhelper.org.uk/en/everyday-money/budgeting/budget-planner

MEET YOUR **TRUSTEES**

Michelle Parczuk	Chair of the Trustees, nominated by Avon Cosmetics Limited
Karol Lewandowski	Member Nominated Trustee
Anna Tolley	Nominated by Avon Cosmetics Limited
Nereu Daltin	Nominated by Avon Cosmetics Limited (appointed 16 July 2021)
Dalriada Trustees Limited (Vassos Vassou)	Nominated by Avon Cosmetics Limited (appointed 4 August 2022)
Iain Watson	Member Nominated Trustee (appointed 14 June 2022)
Femi Adeleye	Nominated by Avon Cosmetics Limited (resigned 16 July 2021)
Victoria Wright	Member Nominated Trustee (resigned 2 March 2022)
Samantha Hutchison	Nominated by Avon Cosmetics Limited (resigned 4 August 2022)
Secretary to the Trustees	Daniel Jackson
Actuary	WTW (Charles Rodgers is the appointed Plan Actuary)
Auditors	Grant Thornton UK LLP Leicester
Investment Managers	SEI Investments (Europe) Ltd London

USEFUL **TOOLS AND RESOURCES**

Get help with your pension

uk.pensions@avon.com

Pensions Department Avon Cosmetics Ltd
Nunn Mills Road
Northampton
NN1 5PA

If you have a pension question, call your Pension Team directly at Avon Cosmetics:

01604 617786

01604 617363

Review further information about the Plan

Finding out more detail about the Plan is easy. Go to the below web address to read the Chairs Annual Statement, Statement of Investment Principles and Implementation Statements.

www.avon.uk.com/pages/pensions

Citizens Advice Bureau

The Citizens Advice Bureau provides free, confidential advice on issues around buying goods or services.

0345 404 0506

www.citizensadvice.org

Make sure your loved ones don't lose out

As a member of the Plan, it's important that your Nomination form is kept up to date to ensure the Trustees know who you would like to receive your benefits when you die. This is particularly important when there is a significant change in your circumstances such as marriage, divorce, or having children. If you have not submitted your Nomination form or if you would like to make any updates to your nominations, you should contact the Pensions Team, using the details on the left.

MoneyHelper

MoneyHelper joins up money and pensions guidance to make it quicker and easier to find the right help. MoneyHelper brings together the support and services of three government-backed financial guidance providers: the Money Advice Service, the Pensions Advisory Service and Pension Wise.

www.moneyhelper.org.uk

Getting financial advice

Pensions and investments are complicated and by law, neither Avon Cosmetics nor the Trustees can give you financial advice. If you want to speak to a financial adviser, make sure the adviser you choose is authorised and regulated by the Financial Conduct Authority (FCA).

www.fca.org.uk