

BOC Pension Scheme



Summary Report and Accounts 2022





Chair's welcome

Welcome to the 2022 Summary Report and Accounts for members of the BOC Pension Scheme (the Scheme).

In this newsletter you can find the latest update on the Scheme's financial position and investment performance. Over the course of the last Scheme year, its funding level rose to 110% as at 31 March 2022, increasing from 107.6% as at 31 March 2021. If you'd like to know more about the Scheme's financials, turn to pages 4 and 5. You can also find more information about how the Scheme's investments have performed on pages 6 and 7.

We've included an important update about one of the Scheme's newsletters that we send to pensioner members – Contact Magazine – on page 12 and you can meet the Trustees (the people who look after the Scheme on your behalf) on page 15.

As we publish this newsletter, the cost-of-living crisis is ongoing, with inflation soaring, and the Bank of England announcing interest rates at their highest level in years. We know that some of you might be worried about your pension from the Scheme. Please be reassured that the Scheme's assets and funding level are being carefully monitored. The assets remain secure and your benefits within the Scheme are protected. We have no concerns about remaining able to pay pensions over both the short and long term.

Day-to-day, we're still doing more and more online – from socialising to banking, to shopping and exercising. Criminals continue to exploit this, so please make sure you stay safe online. You can find out more about how to spot the signs of a scam and keep your finances (including your pension) safe at www.which.co.uk/consumer-rights/advice/how-to-spot-a-scam

As ever, if you have any feedback or suggestions for future issues of this newsletter, please get in touch with us using the contact details on the back page.

Ben Patterson
Chair of the Trustee Board

In this issue

Pages 4-5 – Financials	Page 12 – Scheme news
Pages 6-7 – Investments	Page 13 – Industry news
Pages 8-9 – Summary Funding Statement	Page 14 – State Pension rise confirmed
Pages 10-11 – Retirement Living Standards	Page 15 – Who looks after the Scheme?



The headlines

You can read more details about the financials of the Scheme on the following pages. If you'd just like a quick overview, you can read the summary below.

As at 31 March 2022:

The fund value was

£3.540 billion

This is an increase on the previous year.

Expenditure has increased to

£131.218 million

Net increase in funds was

£79.522 million

Investment performance was **higher** than the target (benchmark) over one, three and five years.

There were

21,003 members

This includes people still working for the Company (active members), people who have left the Company or opted out of the Scheme (deferred members), and people receiving their Scheme pension (pensioner members).

Please note: Figures have been rounded.



Financials

The Trustee creates an Annual Report and Accounts to show how the finances of the Scheme have changed over the year.

You can see the Scheme's level of income and expenditure for the year ended 31 March 2022, compared with the income and expenditure for the year ended 31 March 2021 in the graphic below.

2022	2021
Value at 1 April 2021 £3,459.978m	Value at 1 April 2020 £2,890.138
Income +	Income +
Member contributions £0.248m	Member contributions £0.270m
Company contributions* £17.578m	Company contributions* £22.220m
Group transfers in £0m	Group transfers in £163.109m
Expenditure —	Expenditure —
Benefits (£107.504m)	Benefits (£111.184m)
Leaver payments (£20.504m)	Leaver payments (£14.163m)
Administration expenses** (£3.210m)	Administration expenses** (£3.098m)
Return on investment*** +	Return on investment*** +
Value at 31 March 2022 £3,539.500m	Value at 31 March 2020 £3,459.978m

* Company contributions include member contributions paid via Salary Exchange. It also includes reimbursement of the Pension Protection Fund levy by the Company.

** Administration expenses include the PPF levy.

*** After management charges.

Membership details

You can see how many members were in the Scheme as at 31 March 2022 below:



Want more detail?

We've provided a summary of the key financials in this newsletter, but if you'd like more detail you can read the full Annual Report and Accounts by scanning this QR code or by visiting www.bocpensions.co.uk/boc/status – simply select your member type and go to the 'Resources' page.

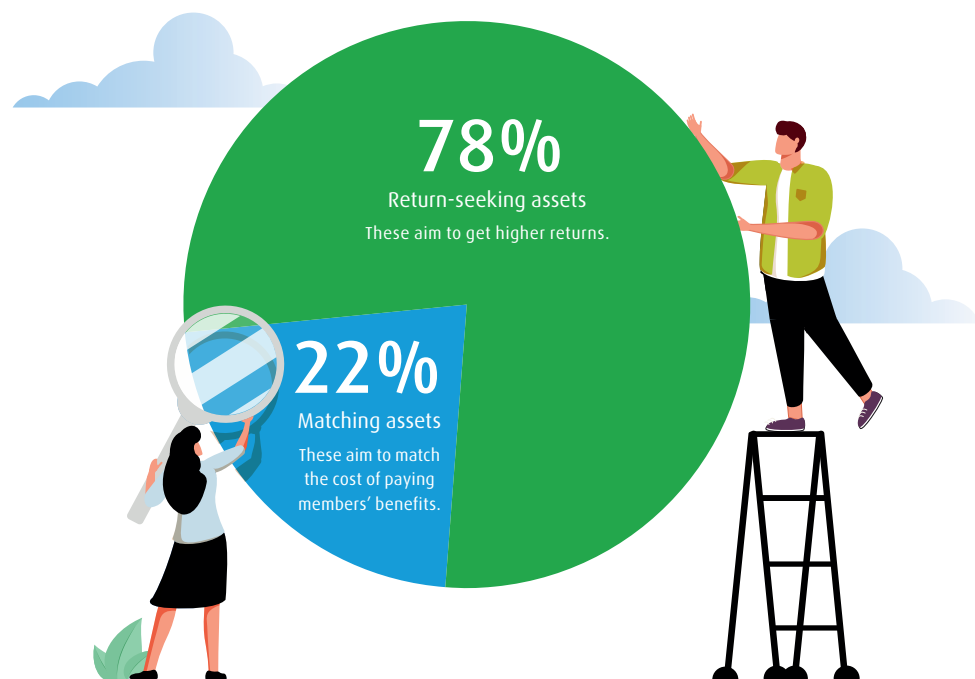
Investments

The Trustee's aim when investing is to make sure that the money in the Scheme (assets) is enough to pay members' benefits (liabilities).

Choosing how to invest

In order to achieve its aim, the Trustee chooses an investment strategy based on the recommendations of its investment adviser. It chooses a balance of return-seeking assets, which aim to get higher returns, and matching assets, which aim to match the cost of paying members' benefits.

You can see how the Scheme's assets were invested as at 31 March 2022 below:



Investment performance

To track the performance of the Scheme's investments, the Trustee uses an independent performance measurement service called BNY Mellon Analytical Solutions.

This service compares the actual investment performance against a target (or benchmark). The graphic below shows how the Scheme's actual investment performance compared with the benchmark over one-, three-, and five-year intervals.

You can read more about the recent gilt market volatility and how the Scheme's investment performance is protected from this on page 13.

One-year performance

Actual
6.1%



Benchmark*
3.1%



Three-year performance**

Actual
6.8%



Benchmark*
3.8%



Five-year performance**

Actual
6.1%



Benchmark*
3.3%



* Benchmark is defined as UK Gilts plus 2.2% a year.

** The three- and five-year figures have been annualised.



Summary Funding Statement

The Scheme's financial health check

Every three years, the Scheme's actuary carries out a financial health check to see how well the Scheme is funded. This is called a full actuarial valuation.

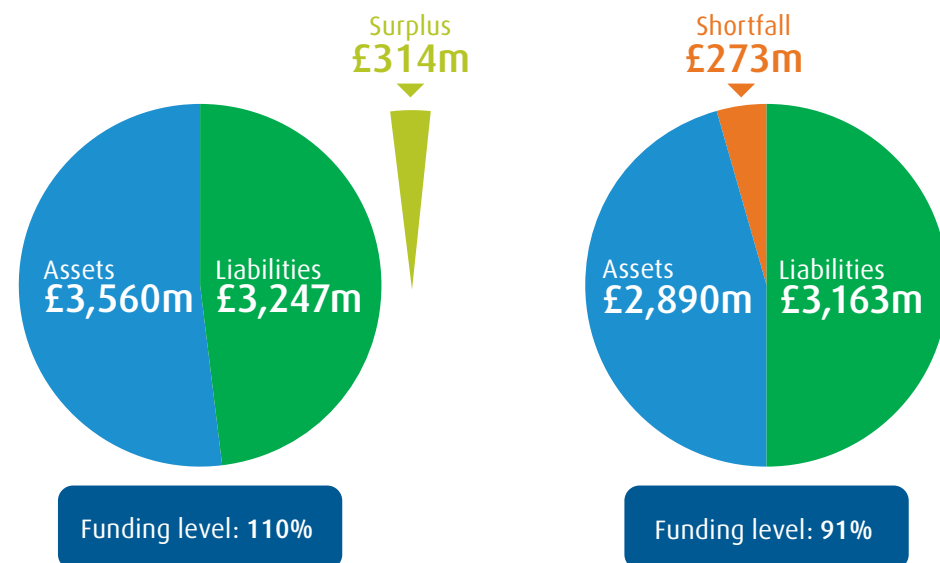
The last actuarial valuation was as at 31 March 2020. The next one is due to be carried out as at 31 March 2023. In the years between actuarial valuations, the Scheme actuary prepares an interim report, which provides a less detailed snapshot of the Scheme's financial health.

Here is the Summary Funding Statement which shows the estimated development of the funding position from 31 March 2020 to 31 March 2022.

Funding position

At 31 March 2022 – Interim funding report

At 31 March 2020 – Last full valuation



The increase is primarily due to strong investment returns on the Scheme's assets.

Please note: Figures have been rounded.

What would happen if the Scheme needed to wind up?

On the previous page we've shown you the Scheme's current funding position. In the last valuation special as at 31 March 2020, we outlined the Scheme's funding level on a discontinuance basis, which assumes the Scheme were to be wound up on the valuation date.



Including this information is a legal requirement and does not mean the Company has any intention of winding up the Scheme.

If the Scheme were to wind up, the Company would have to pay enough into the Scheme to cover the cost of buying members' benefits from an insurance company. The valuation as at 31 March 2020 showed that, if the Scheme had wound up on that date, the funding level would have been 66% compared with 62% in 2017.

Recovery Plan update

At the time of the last full valuation, we reported that as at 31 March 2020, we had agreed a recovery plan with the Company. The recovery plan aimed to end the shortfall of £273m by 31 December 2025. To do this, the Company would make additional contributions of up to £17m by 31 December 2021 and up to £17m each calendar year for a further four years. The remainder would come from investment performance.

However, now that the Scheme is in surplus, the additional contributions required as part of the recovery plan are no longer needed.

We can also confirm:

- The Pensions Regulator has not modified the Scheme, nor has it used any of its powers in relation to the Scheme
- There have been no payments to the Company from the Scheme, other than to reimburse the Company for the costs of administering the Scheme

We shared more details about the last full valuation in a Valuation Special document in 2021. You can still read this by going to www.bocpensions.co.uk/boc/status – simply select your member type and go to the 'Resources' area.

Retirement living standards

Do you know how much you'll need to live on when you retire?

It's good to have a target in mind when saving for retirement, but do you know how much that should be? The Pensions and Lifetime Savings Association (PLSA) wants to help everyone achieve a better income in retirement. To do this, they've developed the Retirement Living Standards to help us picture what kind of lifestyle we could have in retirement.

There are three living standards:

- **Minimum** – Covers all your needs, with some left over for fun
- **Moderate** – More financial security and flexibility
- **Comfortable** – More financial freedom and some luxuries

The Retirement Living Standards give you an idea of how much you'll need a year if you're single or living as a couple.

Single
£37K
Comfortable

£23K
Moderate

£13K
Minimum



Couple
£55K
Comfortable

£34K
Moderate

£20K
Minimum

Please note, the figures provided have been rounded.

Your options at retirement

How you take your Scheme pension is up to you. Here's an overview of your options.



Option 1 – Pension only

If you want to maximise your pension, you could take it without taking any tax-free cash.



Option 2 – Maximum tax-free cash and a reduced pension

You can currently take up to 25% of the value of your benefits as tax-free cash. Your pension will be reduced to reflect this.



Option 3 – A smaller amount of tax-free cash and a reduced pension

You can choose any amount of tax-free cash up to the maximum. This is a great idea if you want to use your tax-free cash for a specific purpose (perhaps paying off your mortgage), but you still want to maximise your remaining pension.



Option 4 – Transfer your benefits out of the Scheme

This may be an option if you'd prefer to access your Scheme benefits even more flexibly. Remember, if you leave the Scheme, you won't be able to join it again if you change your mind. You would need to prove you'd taken financial advice before your transfer request is considered. Find an adviser near you at moneyhelper.org.uk

When you take your pension



Early retirement

You can currently take your Scheme benefits from age 55 (this will rise to age 57 in 2028). Your benefits may be reduced by an early retirement factor because we expect that they'll be paid for longer.



Late retirement

You can work beyond the Scheme's Normal Retirement Age. You'll be able to continue making contributions of your own and receive Company contributions and your pension will be increased by a late retirement factor because we expect that it'll be paid for less time.

Scheme news

An update on Contact Magazine

For a number of years, we have sent a quarterly magazine, called Contact, to retired members of the Scheme to help them keep in touch with the company and read about what fellow colleagues have been up to since retiring.

Earlier this year, the Trustees of the Scheme made the decision to stop issuing Contact. This is to help the Scheme save on costs and continue to reduce its overall carbon footprint. Former recipients of the magazine will still be able to get in touch with us by emailing hello@yourcontactmag.com

Previous versions of the magazine, along with the continued quarterly publication of new obituary lists, will be available at www.bocpensions.co.uk/boc/pensioner/magazine



Industry news

Market volatility

What has happened in the markets?

Changes to government policy and the Bank of England's buying of government bonds in September affected the valuation of government debt (gilts), which led to a drop in gilt yields. Gilts often form part of pension scheme investments, sometimes as part of what are known as liability-driven investment (LDI) portfolios. The decrease in gilt yields has affected LDIs and therefore, some pension funds.

The Scheme invests in LDIs because these portfolios aim to limit the Scheme's exposure to changes in interest rates and inflation, so if interest rates fall, the Scheme's funding level won't decrease as sharply.

When interest rates rise, pension schemes are required to use cash to back up their investments. The Scheme's strategy is modelled against this in long-term gilt yields (which are affected by interest rates and inflation).

However, during September and October we saw a much larger movement in these rates than most pension schemes' strategies are designed for. Like many other schemes, this has affected the Scheme's funding level.

Remember, the Scheme remains in a strong position because:

- There is a strong financial covenant in place with the Company, which means it pays any shortfall that may arise in the Scheme's funding level.
- The Scheme's assets are invested with the aim of growth over the long term, and it's normal for their value to go up and down in the short term.
- The Trustee is considering a number of actions in regards to the Scheme's investments, and is taking an active role in managing the current situation. We have no concerns about remaining able to continue to pay pensions over both the short and long term.

If you have any questions, please get in touch with us using the contact details on the back page.



State Pension rise confirmed

The government announced in November 2022 that the State Pension in April 2023 will rise in line with September 2022's CPI inflation rate of 10.1%.

In September last year, the government announced a one-year suspension of the 'triple lock' formula it applies for calculating increases to inflation-linked benefits like State Pensions, raising speculation that the government would continue this suspension after the autumn statement.

How does the triple lock work?

Under the triple lock, pensions increase either by inflation, as measured by the Consumer Price Index (CPI), the average increase in earnings, or 2.5% – whichever is greater.

How much will my pension rise by?

The Chancellor, Jeremy Hunt, confirmed that the State Pension would rise with CPI inflation. This means that the following changes will apply.

From April 2023, the State Pension will be:

New State Pension* 2023/2024	New State Pension 2022/2023	% increase	£ increase
£203.85 per week	£185.15 per week	10.1%	£15.70 per week

From April 2023, the Basic State Pension will be:

Basic State Pension 2023/2024	Basic State Pension 2022/2023	% increase	£ increase
£156.20 per week	£141.85 per week	10.1%	£14.35 per week

* You'll receive the New State Pension if you reached State Pension age on or after 6 April 2016, otherwise you'll receive the Basic State Pension, which is the core amount in the old State Pension system.

Could you be missing out on any other benefits?

According to Age UK, up to £2.2 billion of Pension Credit and Housing Benefit goes unclaimed by older people each year. Use the Age UK Benefits Calculator to check whether you're missing out on any other benefits. Go to bit.ly/AgeUKcalc



Who looks after the Scheme?

The Trustee manages the Scheme on a day-to-day basis

The Trustee is made up of Directors appointed by the Company, and Directors who are nominated and elected by members of the Scheme.

Your Trustees

Company-Appointed Directors:

- Ben Patterson (Chair, Gases, Woking)
- George Emmerson (Capital Cranfield, Professional Trustee)
- Dale Gowland (Gases, Woking)
- Julian Bland (Gases, Brinsworth)

Member-Nominated Directors:

- David Beech (Retired member)
- Simon De Vall (Gases, Woking)
- Stuart Peet (Gases, Woking)
- John Whiting (Retired member)

Updates to your Trustee Board

Julian Bland became Chair in November 2022, replacing Andrew Smith.

We also welcomed Stuart Peet in May 2022 and Ben Patterson in October 2022, replacing Clive Morton and Keith Russell respectively.

We'd like to thank Andrew, Clive and Keith for their work on the Scheme and wish them all the best.

The Trustee is also supported in the running of the Scheme by several advisers and administrators:

Advisers

- Scheme Actuary (Richard Shackleton (FIA); Hymans Robertson LLP)
- Investment Adviser (Mercer Limited)
- Bank (HSBC Bank plc)
- Auditor (Ernst & Young LLP)
- Investment Manager (BOC Pensions Limited)
- Benefits Administrators (BOC Pension Services & ADP (Pension Payroll))
- Legal Adviser (Mayer Brown International LLP)
- Medical Adviser (Medigold Health)
- Covenant Adviser (Penfida Limited)

Contact us

The best place to find information about your pension is at www.bocpensions.co.uk by using this QR code with your smart phone or tablet.



However, if you can't find what you're looking for there, you can contact us using the details below.

Email: pensions.uk@boc.com



Write to:
BOC Pension Services
Forge, 43 Church Street West
Woking
Surrey
GU21 6HT

Legal note

Please note that this newsletter is intended to provide information and nothing in it grants any legal right to benefits. Your entitlement to benefits is defined in the Trust Deed and Rules (as amended from time to time). You can download a copy of the current Trust Deed and Rules from the website at www.bocpensions.co.uk or request one from BOC Pension Services. If you are a pensioner or a deferred member, you should ask for a copy of the edition which applied when you retired or left service. Nothing in this newsletter constitutes financial advice. It is your responsibility to obtain financial advice if you decide that you need it. To find details of financial advisers in your area visit moneyhelper.org.uk