Trustee's report

2024/25

Smith+Nephew

SMITH & NEPHEW UK PENSION FUND

Welcome

The trustee is very pleased to present this year's report for members of the Smith & Nephew UK Pension Fund.

Each year, the fund actuary updates the previous formal valuation of the fund with an estimate of the funding position. On page 8, you will find the results of this update as at 30 September 2024, alongside the results of the last full valuation as at 30 September 2023. I am happy to share that the funding level has remained stable at 107%. Keep in mind that the fund's liabilities are now covered by insurance policies, which means the funding position is expected to be largely protected from movements in financial markets over time.

In this report, you will see the usual summary of the fund's finances, detailing income and expenditure over the year. You will also find an overview of our investments, including a look at our current investment split across our portfolios.

Our news update section on page 11 is on hand to keep you informed about all things pensions.

We've detailed some upcoming changes to inheritance tax and your pension, as well as an update on pensions dashboards. You will also find an article on pension scams, which I would encourage all members to take a look at.

In closing, I hope that the information in this report is useful and helps give better insight into how the fund functions. As a reminder, if you have queries about your benefits, please do contact the fund administrator, Aptia. You can find their contact details on the back cover of this report.

Bob Newcomb
Chair of the trustee

At a glance...

This report looks at the fund's year to 30 September 2024. Here are some highlights:

The fund held assets worth **£431.2m**

Over the year, members received benefits totalling almost **£17m**

There were **4,582** members in the fund

100% of the fund's liabilities are insured

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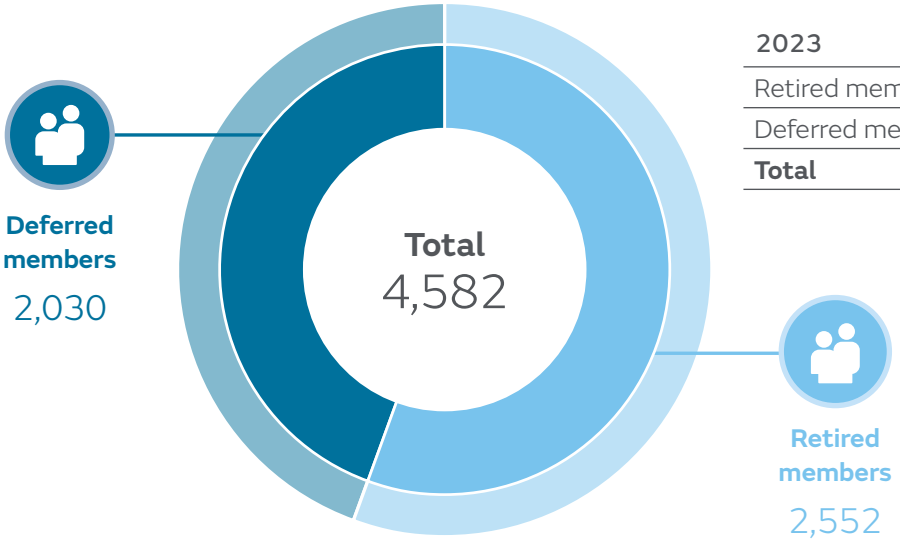
Membership

As at 30 September 2024, there were 4,582 members in the fund.



2023	
Retired members	2,576
Deferred members	2,172
Total	**4,748**

Note: the figure for retired members also includes dependants and those who are receiving a spouse's pension.

The fund account

The information on this page shows how much money has gone into and out of the fund during the year to 30 September 2024.

If you'd like to see a full version of the report and accounts, you can find it under 'Trustee documents' on the fund website library. Visit **smithandnephewpensions.co.uk/library**

INCOME	2024 £'000	2023 £'000
Transfers in	-	2
Other income	129	187
TOTAL	**129**	**189**

EXPENDITURE		
Benefits paid to members	(16,773)	(17,070)
Payments to leavers	(443)	(1,525)
Advisers' and administration expenses	(2,855)	(1,917)
TOTAL	**(20,071)**	**(20,512)**
INCOME LESS EXPENDITURE	**(19,942)**	**(20,323)**

INVESTMENT RETURNS	2024 £'000	2023 £'000
Net investment income	18,838	11,149
Change in market value	4,657	(55,113)
TOTAL	**23,495**	**(43,964)**
Net increase/(decrease) in funding during the year	**3,553**	**(64,287)**

MARKET VALUE OF ASSETS AS AT 30 SEPTEMBER	**431,187**	**427,634**

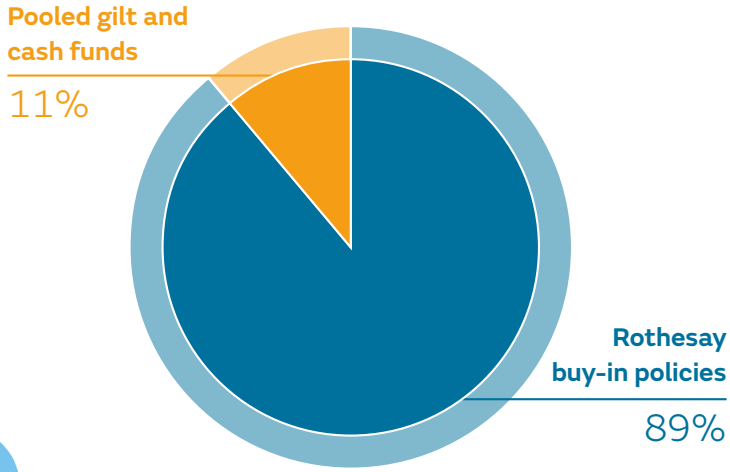
Investment report

The trustee oversees the overall management of the fund's investments, however day-to-day management of the portfolio is the responsibility of the investment managers and buy-in provider, Rothesay.

The fund's investment strategy is set out in a document called the statement of investment principles (SIP), which was reviewed in July 2025. The trustee also produces an annual implementation statement which describes how the policies set out in the SIP have been implemented. Both documents are available in the fund website library, **smithandnephewpensions.co.uk/library**, under 'Trustee documents'.

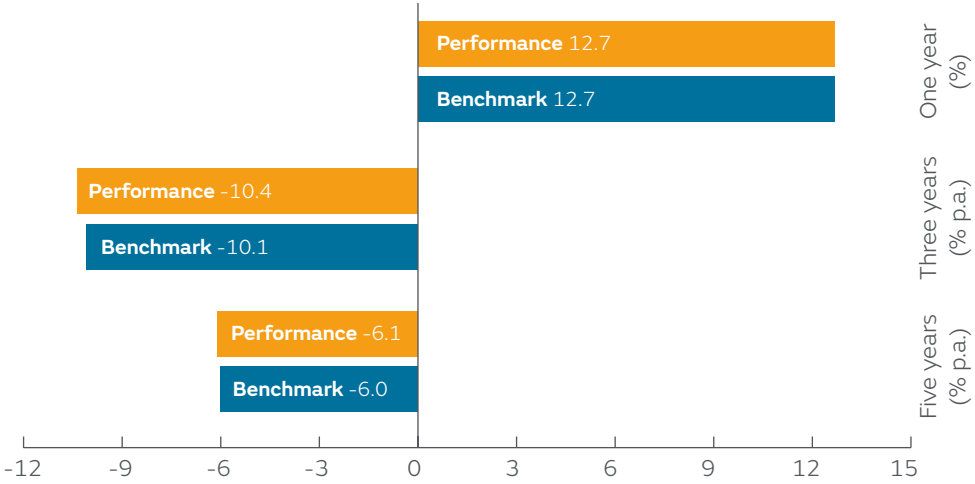
How are the assets invested?

The fund's assets are now mostly invested in the buy-in policies with Rothesay, securing members' benefits for the future. The fund's other assets, which are maintained to preserve surplus value and meet ongoing expenses, are invested in a combination of pooled gilt and cash funds.



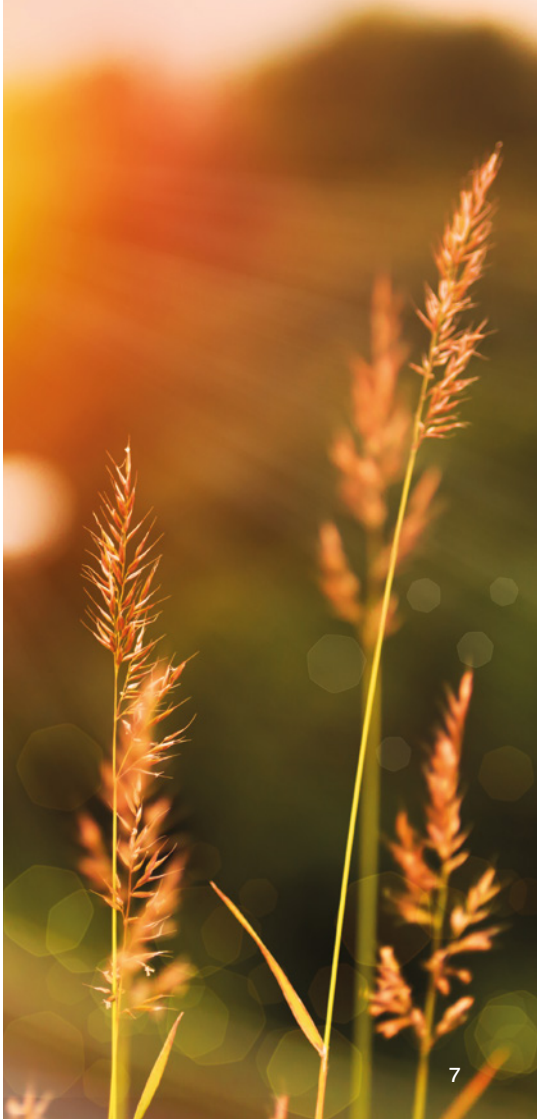
Investment performance

During the 12 months to 30 September 2024, the fund's overall return was 12.7% compared with its benchmark of 12.7%. Investment returns for the one, three and five-year periods are shown below:



The buy-in policies with Rothesay are designed to match the cost of future pensions. When interest rates change, the financial value of this asset and the benefits it secures will move up and down with them in lockstep. This means that despite any future market volatility, your benefits in the fund will always be secure. This is also reflected in the fund's strong funding position. You will find the latest funding update on page 8.

Please note that the figures on this page reflect invested assets only and do not include the bulk annuity policies.



Summary funding statement

Each year, between actuarial valuations, the fund actuary carries out an annual update.

We use the term 'funding' as a way of comparing the money already in the fund with the amount we need to pay future benefits. We send you a summary funding statement like this every year.

What is an actuarial valuation?

At least every three years, the fund actuary investigates the financial position of the fund by comparing the value of the assets with the amount needed to pay benefits. This is called an actuarial valuation. The main purpose is to help set the level of contributions that the fund needs to receive to pay members' benefits now and in the future.

As part of the valuation, the actuary works out a target level of assets. This is an estimate of the amount of money needed to pay benefits as they fall due. If the fund's assets are lower than the target level, extra contributions may be needed to pay for the shortfall.

The most recent actuarial valuation was carried out as at 30 September 2023, with a funding update as at 30 September 2024. The results of both are shown in the table below. The next full valuation is due as at 30 September 2026.

What is the latest position?

	Funding update 30 Sept 2024	Actuarial valuation 30 Sept 2023
Target level of assets	£406m	£395m
Actual level of assets	£433m*	£421m*
Surplus	£27m	£26m
Funding level	**107%**	**107%**

*The fund's insurance policies have been valued using the data and assumptions that apply for the 'ongoing' valuation described on page 9. This results in a slightly different asset value from the one shown in the fund's accounts on page 5.

How has the position changed since the last update?

The funding level has stayed the same since the actuarial valuation in 2023. As the fund's liabilities are now covered by an insurance policy, the funding position is expected to be largely protected from movements in financial markets over time. The key drivers of the surplus are the returns on the fund's non-insurance assets, any adjustments to the reserves held (for example, to cover data cleansing and expenses) and running costs over time.

We will update you on the position as at 30 September 2025 in the next *Trustee's report*.

How is the funding position worked out?

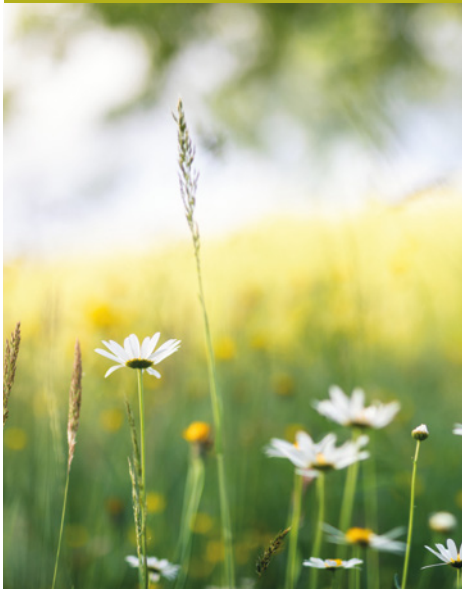
The information in the table on page 8 has been calculated on an 'ongoing' basis. To make this assessment, the actuary has to make a number of assumptions about what will happen in the future: how long people will live, what inflation will be, how the fund's assets will be invested and what returns will be earned on those investments. Each of the assumptions made will affect the target level of assets.

Another approach is to estimate how much an insurance company would charge to take on responsibility for paying the benefits which are due. This is called the 'solvency' basis.

As the fund's benefits are now covered by insurance policies, the funding position on an ongoing basis is the same as the funding position on a solvency basis, i.e., a surplus of £27m as at 30 September 2024.

Is there anything else I need to know?

We are required by law to verify that the company has not taken any money out of the fund in the last 12 months and that the Pensions Regulator has not intervened in the running of the fund. We are happy to confirm this.



Your fund pension, all in one place

If you're looking for more information about the fund or your benefits, the fund website should be your first port of call. To get started, all you need to do is visit **smithandnephewpensions.co.uk**

Through the website, you'll find:

the latest fund news

answers to frequently asked questions

key information about your benefits

useful tools that will help you plan your retirement (deferred members)

access to your personal account via OneView.

By clicking on '**Manage my pension**', you can access OneView, where you can log in to your personal account and keep track of your pension.

Pensioners can:

- ✓ view and update certain personal details
- ✓ look at pension payslips and P60s
- ✓ update bank details.

Deferred members can:

- ✓ view and update certain personal details
- ✓ see benefit statements
- ✓ get an estimate of retirement benefits
- ✓ get a transfer value estimate.

News update

Your benefits are secured – what's next for the fund?

In the last *Trustee's report*, the Trustee confirmed it had entered into a fourth and final insurance policy with Rothesay, which means that future pension and benefit payments for members of the fund are now insured in full. The Trustee is currently reviewing options for the future of the fund and will write to you soon with further details, so please look out for this letter.

We have sent this newsletter to all fund members whose contact details are up to date. If you know any former colleagues who think they might have a pension in the fund but haven't received this update, please encourage them to contact Aptia so we can make sure their details are correct.

Taking your pension at retirement

Aptia, the fund administrator, will usually contact you around six months before your normal retirement date (NRD) with useful information about your benefits and how they will be payable. With this in mind, it's very important that you notify Aptia of any changes to your address so that we can keep in touch with you.

When can I take my fund pension?

The current State pension age is 66, rising to 67 from April 2028, but your Smith & Nephew pension is payable to you from the age of 65. This means you don't need to wait until your State pension payments begin to start taking your pension from the fund.

I've moved house, how do I let Aptia know?

If your personal details have changed, it's very important you get in touch with Aptia as soon as possible. The best way to do this is by using Aptia's contact portal: **pensionuk.aptia-group.com**

Changes ahead for inherited pensions

In the autumn budget, the chancellor announced that unused pension pots will form part of an individual's estate for inheritance tax purposes from April 2027.

This means that pension lump sums and death benefits from a pension can no longer be passed on tax free to your beneficiaries but will be added to the rest of your estate: property, money, possessions, etc. when working out if any inheritance tax is due. A proposed exception to this is for pension benefits left to a spouse.

The rules are complex, and a government consultation is under way to determine how this new approach will be put into practice. The consultation closed on 22 January, and further details are still to be announced.

State pension increases

The government increases the State pension every year by an amount determined by the 'triple lock', ensuring that the rise is the higher of either 2.5%, CPI inflation or average earnings growth.

From April 2025, the State pension has increased by 4.1% in line with the increase in average earnings.

Pension scams: Pauline's story

The Pensions Regulator recently released a video featuring critical care nurse, Pauline Padden, who lost £45,000 from her pension after she was preyed on by scammers. Pauline, 60, was targeted at a vulnerable time in her life and has bravely shared her story to help warn others.

You can watch Pauline's story by visiting this link:
youtube.com/watch?v=5gAHiUxo__4&t=4s

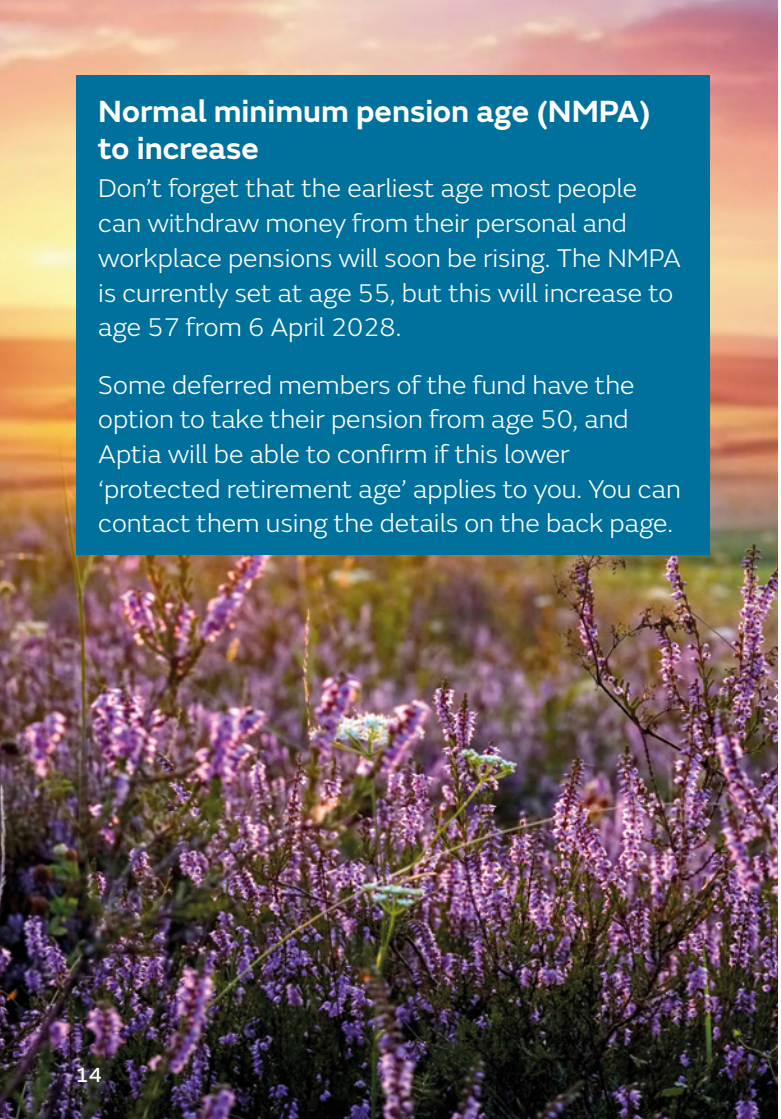
A scammer stole Pauline's pension. Don't let it happen to you. Stay vigilant and know the warning signs of a scam:

- **Out of the blue contact:** if you're approached unexpectedly about your pension, it could be a scam.
- **Pressure to act quickly:** scammers will make you feel like you need to make a snap decision.
- **Unregulated advisers:** always check that the person or company you are speaking to is registered with the Financial Conduct Authority at **https://register.fca.org.uk/s/**

You can learn how to protect yourself from pension scams by visiting the FCA's ScamSmart website:
fca.org.uk/scamsmart/how-avoid-pension-scams

If you think you have been scammed or are being targeted by a pension scam, you should contact Action Fraud on 0300 123 2040.

Remember — if it sounds too good to be true, it probably is!



Normal minimum pension age (NMPA) to increase

Don't forget that the earliest age most people can withdraw money from their personal and workplace pensions will soon be rising. The NMPA is currently set at age 55, but this will increase to age 57 from 6 April 2028.

Some deferred members of the fund have the option to take their pension from age 50, and Aptia will be able to confirm if this lower 'protected retirement age' applies to you. You can contact them using the details on the back page.

An update on pensions dashboards

The Department for Work and Pensions (DWP) has released new guidance for pension schemes to connect to the pensions dashboards ecosystem. Aptia, the fund administrator, is now working to meet this deadline. The DWP plans to launch pensions dashboards for all schemes simultaneously, with the rollout currently expected in late 2026.

The dashboards will provide a single place where you can get information about all your pension savings across all schemes, as well as track down any lost pension pots.

Lost a pension?

The government has a free pension tracing service that helps reunite people with their lost pensions. You can contact them by telephone on 0800 731 0193 or via the website **gov.uk/find-pension-contact-details**

Running the fund

The trustee board that looks after the fund is managed by six trustee directors. Three are appointed by the company and two have been nominated by the fund's members. There is also an independent trustee.

Your trustee directors

Company appointed

Bob Newcomb, Chair
Tim Allison
Lucy Fuller

Member nominated

Len Pendle
David Webster

Independent

Nigel Moore, Independent Governance Group (IGG)

Fund advisers

Secretary to the trustee	ZEDRA Inside Pensions Limited
Principal employer	Smith & Nephew UK Limited
Actuary	Clive Wellsteed FIA, Lane Clark & Peacock LLP
Investment adviser	Lane Clark & Peacock LLP
Investment manager	Columbia Threadneedle Investments
Buy-in policy provider	Rothesay Life Limited
Auditor	RSM UK Audit LLP
Solicitor	Travers Smith LLP
Banker	HSBC Bank PLC
Fund administrator	Aptia UK Limited (formerly Mercer Limited)

Contact us

If you have any questions about your benefits in the fund or the payment of your pension, please contact the fund administrator.

Call:
0345 646 0643

Write to:
Smith & Nephew UK Pension Fund
Aptia Limited
Maclaren House
Talbot Road
Stretford
Manchester
M32 0FP

Submit a query online:
pensionuk.aptia-group.com

Fund website:
smithandnephewpensions.co.uk

Contacting the trustee

If you have any comments about this newsletter or would like to get in touch with the trustee, please write to: **sta.smithandnephew@zedra.com**