Trustee's report

2023/24

Smith+Nephew

SMITH & NEPHEW UK PENSION FUND

Welcome

It gives me great pleasure to share with you this year's report for members of the Smith & Nephew UK Pension Fund.

You may have noticed that you are receiving this report later than usual this year, which has allowed us to include the fund's latest summary funding statement. Every three years, the fund's actuary must carry out a full valuation of the fund, with the last full valuation taking place as at 30 September 2020. The most recent update looked at the funding level as at 30 September 2023, and you will find the results on page 8.

These uncertain times have significantly underlined the importance of bringing greater security to members' benefits. In 2023, we purchased a fourth and final buy-in to secure the remaining pensions and benefits with Rothesay. The trustee sees this as a very positive step for the fund.

In this report, you will also find the usual summary of the fund's financial accounts over the year and the performance of the fund's investments, which you may notice look different now that the Rothesay buy-in policy is in place. You can read more about this and see the fund's remaining investments on page 6.

> **Don't forget to take a look at our news update section on page 11, where we cover the latest news about all things pensions.**

We have provided an update on the much-anticipated pensions dashboards system, as well as some news about our fund administrator, Mercer, who are changing their name to Aptia. There's also an important reminder about scams that I would recommend all members take a look at.

We hope you find this report useful. If you have any feedback or ideas for future topics you would like to see us cover, please get in touch using the information on the back page.

Bob Newcomb
Chair of the trustee

At a glance...

This report looks at the fund's year to 30 September 2023. Here are some highlights:

The fund held assets worth **£427.6m**

It provided benefits to **4,748** members

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

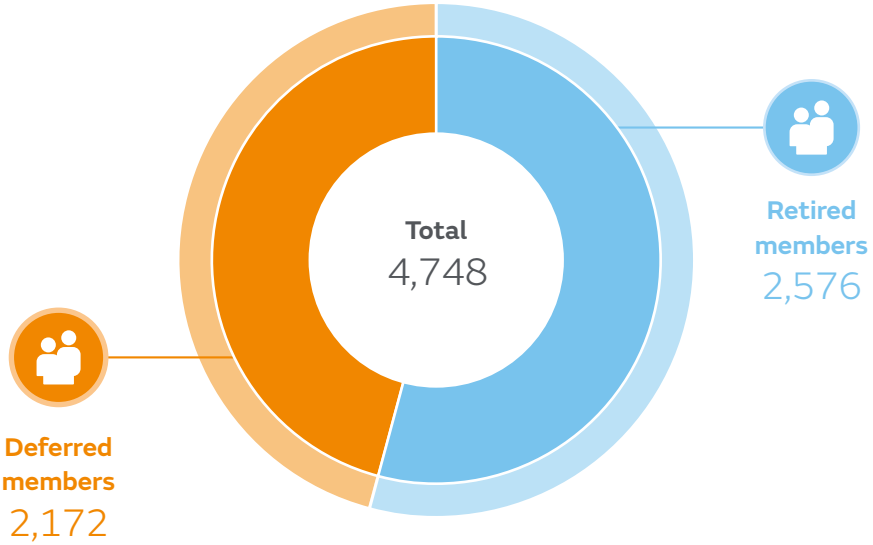
100% of the fund's liabilities are now insured

Contents

Membership	4	The fund website	10
The fund account	5	News update	11
Investment report	6	Running the fund	15
Summary funding statement	8	Contact us	16

Membership

As at 30 September 2023, there were 4,748 members in the fund.



2022

Retired members	2,637
Deferred members	2,279
Total	**4,916**

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 is a summary of the trustee's formal report and accounts for the year to 30 September 2023, which have been independently audited by RSM UK Audit LLP.

For a closer look at the figures, you can find a full copy of the report and accounts on the fund website, **smithandnephewpensions.co.uk**

INCOME

	2023 £'000	2022 £'000
Transfers in	2	-
Other income	187	13
TOTAL	**189**	**13**

EXPENDITURE

Benefits paid to members	(17,070)	(16,415)
Payments to leavers	(1,525)	(10,444)
Advisers' and administration expenses	(1,917)	(1,341)
TOTAL	**(20,512)**	**(28,200)**
INCOME LESS EXPENDITURE	**(20,323)**	**(28,187)**

INVESTMENT RETURNS

	2023 £'000	2022 £'000
Net investment income	11,149	10,887
Change in market value	(55,113)	(201,640)
TOTAL	**(43,964)**	**(190,753)**
Net decrease in funding during the year	**(64,287)**	**(218,940)**
MARKET VALUE OF ASSETS AS AT 30 SEPTEMBER	**427,634**	**491,921**

Investment report

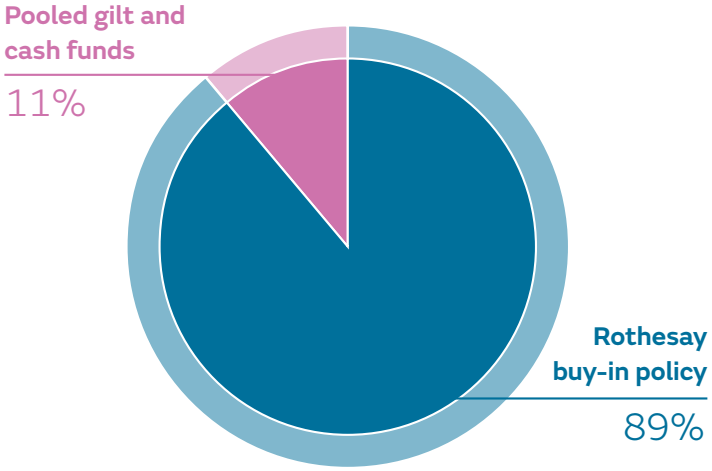
The fund's investment strategy is set out in a document called the statement of investment principles (SIP), which was updated in July 2024.

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 on the fund website, **smithandnephewpensions.co.uk**

How are the assets invested?

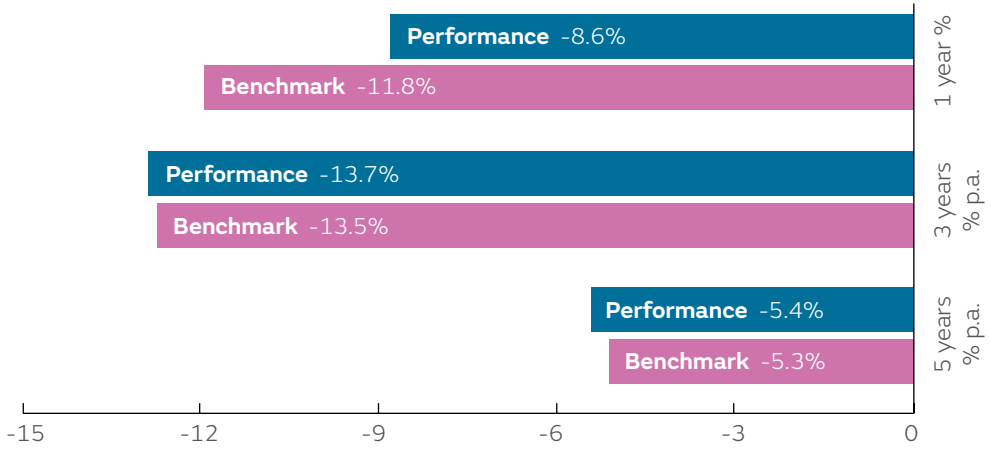
Over the fund year, the trustee made several changes to the fund's invested asset allocation in preparation for the purchase of the buy-in policy with Rothesay. This included selling most of the fund's assets before transferring them to Rothesay in June 2023 to pay the insurance premium due. The fund's assets are now mostly invested in the buy-in policy, securing members' benefits for the future.

The fund's other assets are invested in a combination of pooled gilt and cash funds.



Investment performance

During the 12 months to 30 September 2023, the fund's overall return was -8.6% compared with its benchmark of -11.8%. Investment returns for the one, three and five-year periods are shown below:



Because the buy-in policy matches the cost of future pensions, when interest rates change the financial value of this asset and the benefits it secures will, by design, both move up and down in lockstep. This means that in the event of any future market volatility, your benefits in the fund will always be protected. For a closer look at the funding position, you will find the results of the latest full actuarial valuation on page 8.

Summary funding statement

This summary funding statement tells you about the latest funding position of the fund, based on the most recent actuarial valuation as at 30 September 2023. We use the term 'funding' as a way of comparing the money already in the fund with the amount we need to pay the future benefits.

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, and the results are shown in the table, alongside the results of previous years. At this date, the fund had a surplus of £26m and so the company is not required to pay any contributions.

	Actuarial valuation 30 Sept 2023	Funding update 30 Sept 2022	Funding update 30 Sept 2021	Actuarial valuation 30 Sept 2020
Target level of assets	£395m	£478m	£707m	£751m
Actual level of assets	£421m*	£493m	£719m	£725m
Surplus/(shortfall)	£26m	£15m	£12m	(£26m)
Funding level	**107%**	**103%**	**102%**	**97%**

* the fund's insurance policies have been valued using the data and assumptions applying 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.

How has the position changed since the last update?

Last year we provided you with the results of the valuation showing the position at 30 September 2022, when there was a surplus of £15m. Over the period to 30 September 2023, the funding position has improved further, and the trustee secured its fourth and final buy-in (insurance) policy. This means that all of the benefits in the fund are now covered by insurance policies.

The improvement in the surplus position is due to favourable pricing secured by the trustee on the buy-in policy.

We will update you on the position at 30 September 2024 in the next Trustee's report.

How is the funding position worked out?

The information above 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 £26m as at 30 September 2023.

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.

The fund website is just a click away

If you have any problems accessing OneView, get in touch with the fund administrator using the details on the back page.

Our fund website is a great place to start if you need more information about the fund and your benefits. Simply visit **smithandnephewpensions.co.uk**

Through the website, you'll find:

the latest fund news

answers to frequently asked questions about the fund

key information about your benefits

useful tools and information to start planning your retirement (deferred members)

access to your personal account via OneView.

You can also click on 'Manage my pension' to 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

Securing your benefits with Rothesay

We wrote to members in June 2023 to announce that the trustee has purchased a fourth and final insurance policy from Rothesay Life PLC that will meet the cost of all future benefit payments to members. This type of transaction is commonly referred to as a 'buy-in'.

This follows the purchase of similar buy-in policies in 2013, 2017 and 2022, also with Rothesay, that covered some of the fund's liabilities. This fourth and final transaction removes the remaining investment, demographic and funding risks the fund could face in the future.

We wanted to reassure you that as a result of the buy-in there will be no change to the pension you are entitled to receive.

Mercer have changed their name to Aptia

On 1 January 2024, Aptia UK Limited (Aptia) purchased Mercer's UK pension administration business. As a result of this change, your pension benefits are now being administered by Aptia.

Aptia is now beginning the process of rebranding all communications. Any Mercer-branded information you are used to receiving is going to change to the branding of Aptia. Any information you usually receive in the branding of the fund or 'Smith+Nephew' will not be changing.

From July 2024, you will have started to see changes to regular communications, ad-hoc communications and the online portals that you currently use to contact Mercer. You may see or receive communications in both Mercer and Aptia branding for a period, and this is not something to be concerned about.

Please be assured that this change has not, and will not, impact the service you receive or your pension benefits.

You do not need to take any action but if you have any concerns, please contact Aptia using the details on the back page. If you'd like to know more about Aptia, you can visit their website at **aptia-group.com**

Member-nominated trustee directors

In September 2024, the trustee board met to consider the arrangements for the fund's member-nominated trustee directors (MNTDs) in light of the buy-in with Rothesay.

The board felt it was important to retain the experience of the current MNTDs, who have been very effective, particularly as a period of data cleansing is now under way. It was therefore agreed that the existing MNTDs would have their terms extended by four years, with the option to further extend, if necessary, at the end of their term period. This means that the existing MNTDs will serve until 2029.

When can I take my fund pension?

You don't need to wait until your State pension payments begin to start taking your pension from the fund. 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. Aptia will send you a quote a few months before your 65th birthday if they have your current address.

You can opt to receive your benefits before age 65, although the amount payable may be reduced to account for a longer payment period.

If you'd like to request a retirement quotation, please contact the fund administrator, Aptia, using the details on the back page.

Thank you

Earlier this year, we wrote to all our members and asked them to check that the details we hold for them are correct. This helps ensure that the data we have is as complete and accurate as possible. The trustee would like to thank members for their cooperation and for sending the personal details forms back to us.

If you haven't updated your personal details this year and need to, visit the fund website, **smithandnephewpensions.co.uk**, and click 'Manage your pension' to log in to OneView. Alternatively, you can contact the fund administrator using the details on the back page.

Pensions dashboard faces delays

Despite hopes that the pensions dashboard would be launched by now, the timetable has been pushed back to give the pensions industry more time to get ready for this major project.

When it's launched, the dashboard will provide a single place where you can find information about all your pension savings across all schemes, as well as track down any lost pension pots. The project has been given a new connection deadline of 31 October 2026, so many funds – including ours – are working hard to get everything ready before then.

Think you can't be scammed?

Nobody is immune from fraud, but according to recent research, half of pension savers don't think they're at risk of being targeted by a pension scammer. Criminals will use a variety of psychological tactics to push your buttons and get what they want, and it's important you remain vigilant against these attempts to persuade you.

Psychological tactics you should be aware of include:

Using a voice of authority and trust: scammers will claim they are someone official, often pretending to be from well-known organisations, including government departments. They do this because you're more likely to take notice of a name you're familiar with.

False urgency: you might find that the service you are being offered is for a limited time only. Scammers will even make threats of fines or negative consequences if you do not act quickly enough. Anyone who tries to rush you into a decision should not be trusted.

Emotion: scammers may use specific language that makes you feel fearful, hopeful or even curious. Criminals will often use emotional levers to make you follow your heart and not your head.

Current events: sometimes, fraudsters will exploit current news stories, big events or specific times of the year (such as tax deadlines) to make their approach seem more relevant and genuine. If a message seems unusually timely, it could be a scam.

Fraud can come in all shapes and sizes, and many scammers will use a mixture of the above tactics to steal your hard-earned savings. You can find more information about pension scams and how to avoid them at **fca.org.uk/scamsmart**

Running the fund

The fund is managed by a board of six trustees – 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 managers	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:
0330 102 7570

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

Or use the Aptia online portal to submit a query using the link below:
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**