

Reflections

Your newsletter from the ZF UK Pension Plan • Spring 2025



ZF UK Pension Plan

A warm welcome to Reflections

Your annual newsletter from the Trustee of the ZF UK Pension Plan (the Plan).

Latest Actuarial Funding Valuation

At least every three years, we're required to undertake a formal actuarial valuation to assess the financial health of the Plan. The last formal valuation was as at 31 March 2021, and the actuary has carried out their annual interim report as at 31 March 2023 – you can read our summary on **pages 4 - 6**.

Retirement advice and avoiding scams

There has been a rise in criminals trying to get their hands on people's pension benefits. We have provided more details on **page 7** to help you identify scams. We also advise you speak to a regulated, independent retirement adviser before making any decision about taking your pension. The Plan pays for an adviser for deferred members – see more on **page 7**.

Communication preferences

We are sending fewer communications in the post so please register for Clarity from BW (previously called BWebstream) and provide your email address to keep receiving important updates about your benefits. See **pages 2 - 3** for more details.

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Comments

If you have any comments about this newsletter or our other communications, please contact us on: 0330 135 9988 or + 44 121 828 0217 (from overseas) or email us at: ZFUKmembers@Barnett-Waddingham.co.uk

How we communicate with you

We are changing the way we communicate with you

As we announced in our last newsletter, to improve efficiency and reduce costs we are making some changes to how we communicate with you. We aim to cut down on paper use and lower the costs associated with printing and postage by moving to digital communications wherever possible.

How you will receive updates from now on

Deferred members: In the past, we sent regular benefit statements to you by post.

We now provide these annual statements in the summer and exclusively online through the member self-service website: <https://account.claritybw.co.uk> (previously called BWebstream).

These statements are not yet available for ex-WABCO Scheme members, but we're planning on making these available from 2026. In the meantime, if you do need any information regarding your deferred benefits then please contact Barnett Waddingham.

Pensioners: We will deliver annual pension increase statements online from 2026, using the same self-service platform <https://account.claritybw.co.uk>

All members: Newsletters (like this one) will soon be accessible only through the Plan's website: www.zfukpensions.co.uk. We will post one more paper newsletter before we fully transition to digital versions on the website.

Your communication preferences

What you need to know

Before we complete this transition to digital communications, we'd like to update you on a few important points:

Opting out: You have the option to opt out of digital communications, and some members have already done this. Simply send a written request to the Trustee (see back page for the Trustee Secretary's contact details).

Access and usability: We will ensure that all documents are available to access, store, and print in an easily accessible format for you.

Special requirements: We will take into account the requirements of any disabled persons, including any specific needs. Please notify us if you think this applies to you.

This newsletter serves as official notification that we plan to move to digital communication. We will remind you in the next newsletter as well.

What do you need to do?

Already registered and signed up for emails? Great! You will receive an email notification whenever a new document is available.

Not registered yet? We strongly encourage that you sign up so you can continue to receive important updates about the Plan. It is also essential that you provide us with your email address to ensure you stay informed.

To receive email alerts, make sure you have registered an email address with us at <https://account.claritybw.co.uk>

We are also keen for deferred members to register a mobile telephone number with us where possible.

Track your pension online

Barnett Waddingham is responsible for all aspects of the day-to-day administration of the Plan. This includes ensuring the details it holds about you are accurate and secure, benefits are paid correctly and on time, and that relevant information and documents are provided to you.

One of the key features of Barnett Waddingham's online system is that it allows you to view and manage your pension. Use it to:

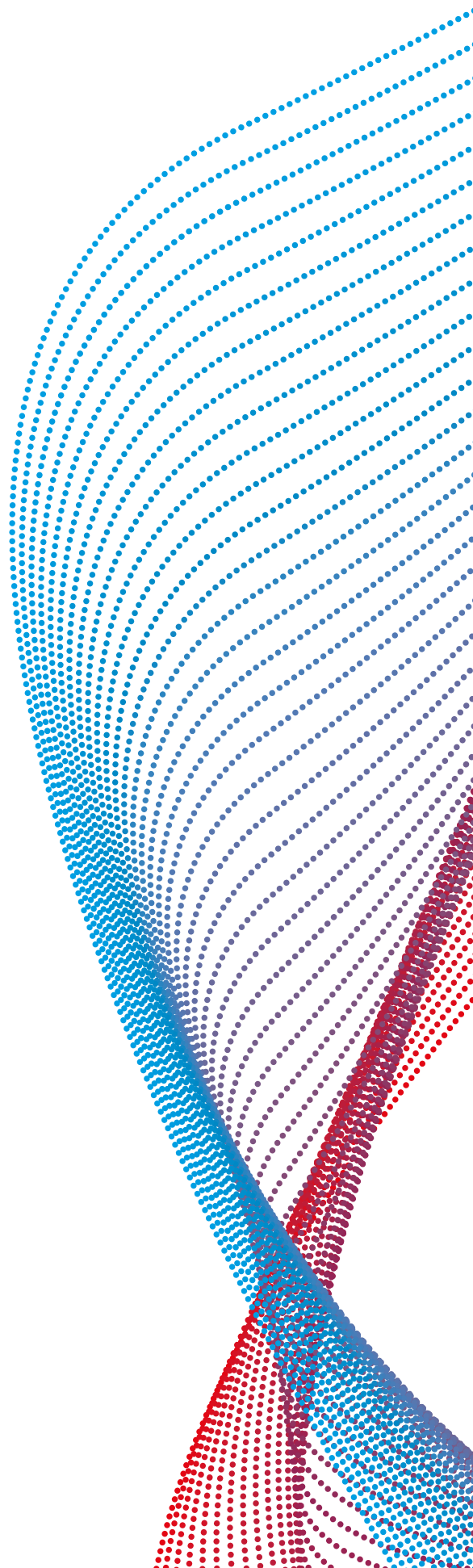
- keep track of your retirement goals;
- update your personal information; and
- view your annual statements, payslips (if applicable) and scheme documents.

The online system has now been extended so that it is also available to ex-WABCO Scheme members, although deferred annual benefit statements are not yet available to view.

Not yet online?

If you have not yet registered on <https://account.claritybw.co.uk> you will need to obtain a new registration key, as the one sent to you previously will have expired.

Barnett Waddingham has set up a dedicated phone number specifically to help you with this. Call them on **0141 447 0799**. This number is for website queries only. If you have questions about your benefits, contact the administration team using the number on the back page.



Latest actuarial funding update as at 31 March 2023

At least every three years, we are required to undertake a formal actuarial valuation to assess the solvency of the Plan and determine whether any contributions are required from the Plan's participating employers: ZF Automotive UK Limited, ZF Lemforder UK Limited, ZF Services UK Limited and ZF CV Distribution UK Limited – the companies with a legal obligation to support the Plan.

The last formal three-year actuarial valuation was carried out as at 31 March 2021 and work is currently underway on the next formal valuation as at 31 March 2024. For now, we have provided an update on the last funding update as at 31 March 2023 and also provided the most recent monthly update which has been provided by the Actuary (as at 31 January 2025).

Key highlights

The results revealed a fall in the funding level as at 31 March 2023 (please read further details below) but a subsequent improvement since that date:

	March 2021	March 2023	January 2025
Plan Assets	£1,674 million	£983 million	£957 million
Plan Liabilities	£1,492 million	£1,051 million	£907 million
Surplus/(Deficit)	£182 million	(£68 million)	£50 million

This means the Plan had a funding level of 112%

This means the Plan had a funding level of 94%

This means the Plan had a funding level of 105.5%

How we arrive at the figures

The actuarial valuation process involves the Trustee's appointed actuaries estimating the amount of each member's future pension payments and how long each pension is likely to be paid. These future payments are then added up to arrive at the "present value" of the Plan's liabilities. The estimates are calculated using certain assumptions, e.g. the interest rate used to discount future pension payments and the life expectancy of members receiving those pension payments. The assumptions must be prudent and also agreed between the Trustee and the Plan's Principal Employer, ZF Pension Sponsor UK Limited.

Once calculated, the value of the Plan's liabilities on 31 March 2021 was compared against the audited value of the Plan's assets on the same date, which was £1,674 million. This comparison revealed the size of the Plan's "surplus" on an "ongoing" or "statutory" basis as £182 million – a "funding level" of 112%. **Because there was a surplus, there was no requirement for the Company to pay any contributions to the Plan at that time.**

As well as the formal valuation, the Plan's actuary calculates an annual update for the Trustee. As at 31 March 2023, the Plan had assets of £983 million giving an estimated "deficit" of £68 million on the "ongoing" or "statutory" basis – a "funding level" of 94%. Details regarding these movements in the values of the assets and the liabilities are covered below and on the following page.

What has impacted the funding level since the last update?

In September 2022, the UK government's mini-budget caused significant disruption in the financial markets, hitting defined benefit pension schemes like ours that were relying on Liability Driven Investment (LDI) strategies. These strategies focus on matching a pension scheme's assets with its liabilities to ensure future benefits can be paid, often through investments in government gilts and borrowing. The budget led to a sharp drop in gilt prices and rising yields, which increased interest rates and created shortfalls in pension funding, affecting the financial position of our Plan.

However, you will be pleased to know there has been a subsequent improvement in the funding level and the Actuary's latest estimate is that the funding level has risen back above 105% as at the end of 2024. In part this was helped by an agreement between the Company and the Trustee back in 2022 which meant that the drop in the funding level required the Company to contribute an additional £35 million to bring the funding level back above 101%.

In addition to the extra funding from the Company, in May 2023 the Trustee appointed a new investment consultant, Isio Group Limited, to help regain and improve the Plan's funding. This has also led to the Trustee reviewing and updating their investment strategy. The new strategy is reflected in the Trustee's latest Statement of Investment Principles, and changes to some of the fund managers are detailed in the latest Trustee Annual Report & Accounts.

Both documents are available on the Plan's website at www.zfukpensions.co.uk or upon request to Barnett Waddingham at the address shown on the back page.

Some questions answered:

How does the Plan operate?

The Plan is a closed defined benefit pension plan. With this type of plan, when required, the Company pays contributions in accordance with any Recovery Plan and its Schedule of Contributions. These contributions are then invested in funds that are expected to provide income, and to increase in value. The combination of contributions, investment income and growth is then used to pay members' pensions. The money to pay for members' pensions is held in a common fund. It is not held in separate individual funds for each member.

Why is the Company's support important?

The Trustee's objective is to have enough money in the Plan to pay pensions now and in the future. However, the success of the Plan relies on the Company's continuing support. More money may be needed in the Plan if:

- the funding level fluctuates to the point there is a shortfall;
- the target funding level did not turn out to be enough.

Leaving the Plan before you are due to retire?

If you have not yet taken payment of your pension and you are thinking of leaving the Plan for any reason, (for example, transferring your benefits to another pension arrangement) you should consult a regulated independent financial adviser (IFA), before taking any action.

If you are a deferred member, you can speak to a specialist regulated retirement independent adviser paid for by the Plan – see **page 7**.

You can also find a list of IFAs in your area at www.unbiased.co.uk.

How are the Plan's assets invested?

The Plan's investment managers invest the Plan's assets with the aim of managing key financial risks and to ensure there are sufficient funds to meet its pension liabilities as they fall due. The Plan's investment strategy is to target returns necessary to provide long term self-sufficiency of funding, with minimal risk.

Payments to the Company

There have not been any payments to the Company out of Plan funds in the period since the 31 March 2021 valuation, and no such payments are anticipated. No such payment is possible unless the Plan's funding position is sufficiently strong to secure all benefits with insurance policies.



Latest actuarial funding update as at 31 March 2023 - Continued.

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

While the Plan remains ongoing, benefits will continue to be paid in full. If, however, the Company goes out of business or decides to stop paying for the Plan, it is expected that it will pay the Plan enough money to enable members' benefits to be completely secured with an insurance company. This is known as the Plan being "wound up". The comparison of the Plan's assets to the cost of buying the benefits from an insurance company is known as the "solvency position".

Every Trustee has to prepare an estimate of what their pension plans are worth should their sponsoring employer go out of business. Should this happen, member benefits would typically be 'bought' by an insurance company. The cost of doing this is high, so actuaries use very conservative calculations to work out whether the Plan has enough funds to do this.

As at 31 March 2021, the Plan Actuary has estimated the Plan had a funding shortfall on this basis of approximately £213 million. We are required by law to give you this information. The fact that we have shown this funding position does not mean that the Company is thinking of winding up the Plan. It is included here in order to provide further information as to the financial security of your benefits.

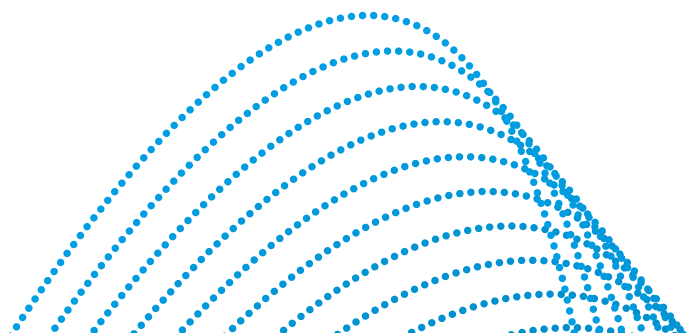
If the Plan is wound up and the Plan and the Company does not have enough money to cover the cost of buying all members' benefits with an insurer, the Government has set up the Pension Protection Fund which might be able to take over the Plan and pay compensation to members.

The Pension Protection Fund (PPF) became operational on 6 April 2005. The purpose of the PPF is to ensure that those who are members of plans similar to the ZF UK Pension Plan receive pensions even if their company goes out of business. The PPF is not intended to replicate a member's pension but ensures that if a Plan gets into difficulties, members will receive the majority of their pension. This is, currently, around 90% of the pension earned for most members who have not reached retirement age and 100% for those over retirement age. The actual amount a member receives will depend on when they retire and how much benefit they have earned. In addition, benefits will increase on a basis set down by the PPF, which may be less than those provided by the Plan.

Further information and guidance is available on the Pension Protection Fund's website at ppf.co.uk. Alternatively, you can email the Pension Protection Fund at information@ppf.co.uk or write to them at PO Box 254, Wymondham, NR18 8DN.

Further information

Copies of the Trustee's Report and Accounts, Taskforce on Climate-related Financial Disclosures Report, Trustee's Environmental, Social and Governance (ESG) Policy and Beliefs, and Statement of Investment Principles, are all available on the Plan's website at www.zfukpensions.co.uk or upon request to Barnett Waddingham at the address shown on the back page.



New independent adviser for deferred members

To help deferred members to get to grips with their retirement planning, we have appointed a new financial adviser specialising in retirement advice: WPS Advisory Ltd (WPSA). This service is paid for by the Plan.

Why speak to an independent adviser?

WPSA can help you work out if you are in a position to retire and the best way for you to take your Plan retirement benefits, whether that is to take your pension directly from the Plan or to transfer out and receive your retirement benefits via a different provider.

If you are under 55, you can't retire just yet, but WPSA can still advise whether it is better to keep your benefits in the Plan or transfer them out.

Can I trust the advice they give me?

A financial adviser can help you understand your options and how to reach your financial goals. Ultimately, though, all financial decisions are up to you. Authorised advisers like WPSA are legally bound to give you impartial advice and are regulated by the Financial Conduct Authority (FCA).

How to use WPSA's service:

If you request a transfer value or a retirement quote from Barnett Waddingham then you can contact WPSA using the details contained within the paperwork.

You should contact WPSA as soon as possible as the advice process can sometimes take a while to complete. You have three months from the date of a transfer quotation to complete the process, otherwise your transfer value will change, and it could go up or down.

What might WPSA ask you?

- **Your personal details** (Date of birth, marital status, occupation, and NI Number) The same will be asked about your partner (if applicable);
- **Information about your children and any other dependants** (Date of birth and relationship);
- **Your employment status;**
- **A breakdown of your household income** (gross annual salary, taxable benefits in kind, other income etc);
- **How you currently spend your money and an estimate of how you will spend your money in retirement;**
- **Information about any savings or debt** you may have. If you have a mortgage, WPSA will ask for details about your arrangement and property;
- **Your retirement plans** (when you want to retire and how you plan to spend your time).

Avoiding scams

Pension scams are on the rise. Between 2020 and 2022, it was reported that over £26.4 million was lost to pension scams across England and Wales.

The Financial Conduct Authority (FCA), which authorises financial advisers, has published a guide which sets out warning signs along with contacts if you suspect a scam: www.fca.org.uk/consumers/pension-scams

A pension scammer will hope to persuade you to release some or all of the money you have saved for your retirement, using strategic tactics such as offering a free pension review or investment opportunities giving unusually high returns.

Remember, obvious warning signs include time-limited offers forcing you into a quick decision, being asked personal details (like your bank details) over the phone, and cold-calling contact.

It is your money for your retirement – don't let someone else get their hands on it.

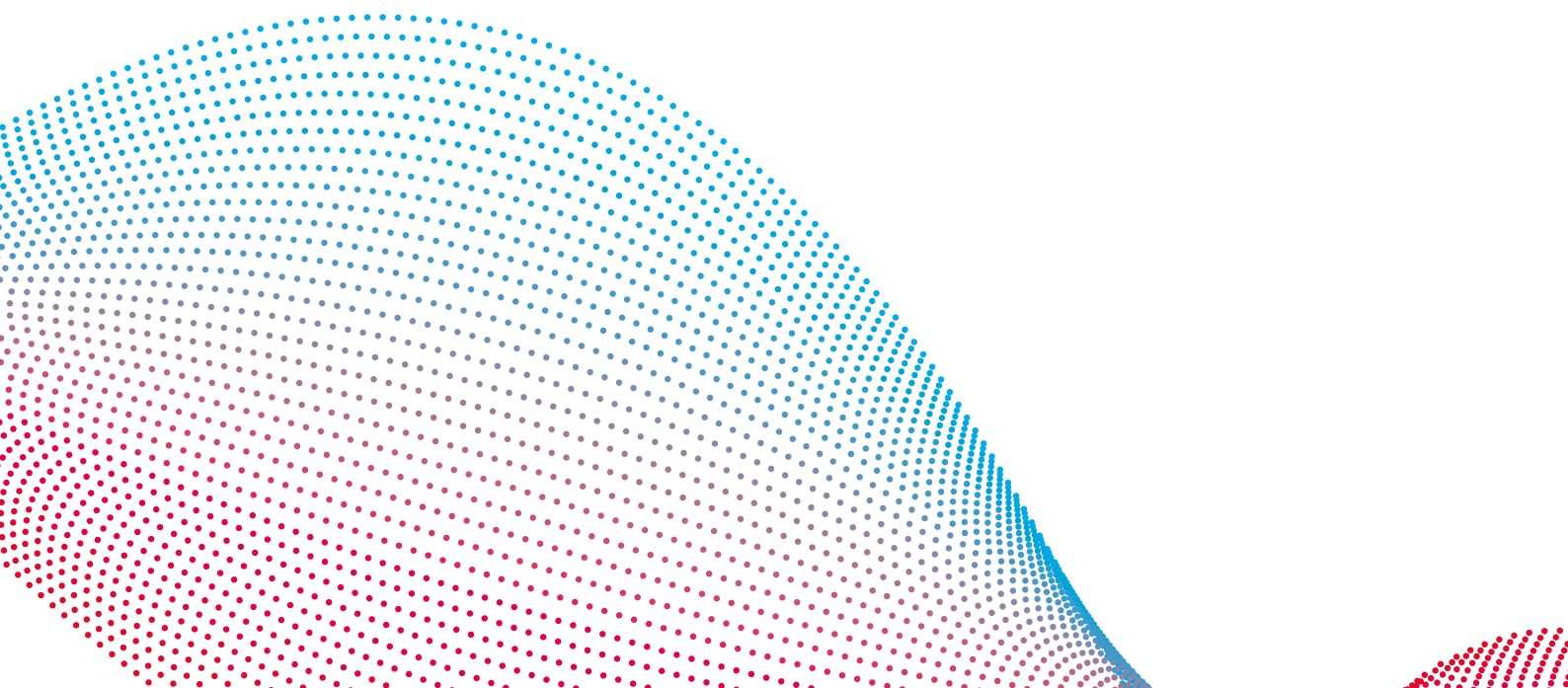
WABCO closure to future build up of benefits and **Rule changes**

In our last newsletter, we announced that all of the assets and liabilities of the much smaller WABCO Automotive UK Limited Pension Scheme had been transferred into the Plan – in other words, the two schemes effectively merged together.

At the time, WABCO Automotive UK (now renamed as ZF CV Distribution UK Limited) still had a small number of employees who were active defined benefit members (i.e. they were still contributing and building up benefits in the Plan). Because of this, a new Segregated Section (the “WABCO Section”) was established in the Plan for those ‘active’ members. The WABCO Section was subsequently closed to the future build up of benefits with effect from 5 April 2024 and the Plan was then “desegregated”.

To give effect to the desegregation, we entered into something called a Flexible Apportionment Arrangement with the employers participating in the Plan, which led to the addition of ZF CV Distribution UK Limited as a new Participating Employer in the Plan. We notified The Pensions Regulator about the Flexible Apportionment Arrangement as required by the Pensions Act 2004 and the Employer Debt Regulations.

Separately, we and the Company amended the Plan Rules in November 2023, to introduce the ability for charities to be nominated as lump sum death benefit beneficiaries.



Facts and figures

- highlights from the Report and Accounts

We have produced the Plan's audited Report and Accounts for the year ending 31 March 2024. A copy of the full report is available from www.zfukpensions.co.uk or on request from the ZF UK Pension Plan Administration Team at the address shown on the back page.

Plan Membership

As at 31 March 2022

Deferred members	7,621
Pensioners	4,173
Total	11,794

Changes during the period

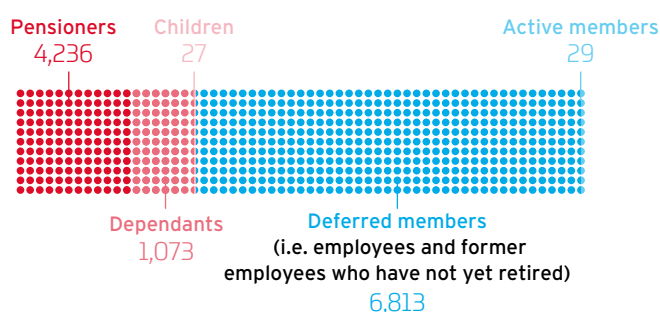
New members (WABCO merger)	+1,117
New dependants' pensions	+107
Late notifications	-122
Deceased	-532
Transferred out of the Plan	-130
Small pensions paid as a lump sum	-33
Child pensions ceased	-23
Overall Increase	384

As at 31 March 2024

Active members	29
Deferred members	6,813
Pensioners	5,336
Total	12,178

Who's in the Plan

The membership as at 31 March 2024



Financial Summary

Fund value as at 1 April 2022 - £1,616 million

-£668,272,000	Decrease in value of investments
Investment income	+£57,645,000
Contributions	+£36,198,000
-£4,592,000	Investment management expenses
-£6,147,000	Administration fees and adviser expenses
Transfer from WABCO Scheme	+£74,442,000
-£33,850,000	Transfers out of the Plan
-£67,732,000	Benefits paid to members of the Plan

Fund value as at 31 March 2024 - £1,004 million

Plan Assets

Manager	Assets under management	Value as at 31 March 2024
Schroders	UK Gov't Bonds	£617m
	Cash	£9m
	Net Repurchase Agreements	-£318m
	Net Derivative Assets	£1m
	Corporate Bonds	£54m
	Asset backed Securities	£212m
M&G	Secured Loans	£90m
Archmont	Senior Loans	£52m
Barings	Global multi-asset credit	£39m
	Private Loans	£56m
BlackRock	Pooled DGF and LDI	£11m
PGIM	Global High Yield Bonds	£45m
LGT	Frontier Debt	£29m
Other	Cash Deposits	£82m
	Buy-in Policy	£24m
Total		£1,004m

Pension News

Proposed changes to Inheritance Tax (IHT) rules affecting pension benefits

A proposal was announced in the government's Autumn Budget to include pensions in inheritance tax calculations, when someone has passed away.

If the change comes into force, pension scheme administrators will be responsible for calculating and deducting any IHT owed on pension benefits.

What this means for you

There's no change to your pension.

This is currently a proposal only and is undergoing a consultation during 2025. If it becomes law, the new measures are expected to come into effect on 6 April 2027.

The Normal Minimum Pension Age is rising

From 6 April 2028, you will need to be at least age 57 to access your pension benefits in any scheme, including this one.

Your Normal Retirement Age from the Plan will not be affected by this change, but the earliest you will be able to retire with a reduced pension will increase to age 57 (unless you are suffering from ill health).

If you are making plans for the future and considering retiring early, you should think about how this change might impact your plans.

The State Pension age will also be rising. Those born after April 1960 will see a gradual increase of the State Pension age to 67.

If you want to know your expected State Pension age, go to www.gov.uk/state-pension-age.

Deferred members: Have you completed your Midlife MOT?

The government provides an online tool called the Midlife MOT to help 45-65 year-olds check their work, health, and finances.

It takes five minutes to complete, and your personalised report will look at:

- What to focus on to achieve your retirement goals;
- What you need to build on and the next steps to take; and
- What to keep doing.

Visit the digital Midlife MOT at:
jobhelp.campaign.gov.uk/midlifemot/home-page

Pensioners: Are you eligible for Pension Credit?

Pension Credit provides additional tax-free income by supplementing State Pension. It is designed to provide financial support to help with living costs.

If you are eligible to receive Pension Credit, you may also get other financial help, such as with council tax, and heating bills.

You could apply if:

- You have reached State Pension age; and
- Your weekly income is less than £218.15 for an individual, or £332.95 for a couple. If your income is higher, you may still qualify if you have a disability, provide care for someone, have savings, or incur housing costs.

Apply by:

- Going online
www.gov.uk/pension-credit/how-to-claim
- Ringing **0800 99 1234** (Monday to Friday 8am to 6pm)
- Printing out and filling in a paper form, found here www.gov.uk/government/publications/pension-credit-claim-form--2.

You can check your eligibility, and how much Pension Credit you could receive by using the government's Pension Credit calculator:

www.gov.uk/pension-credit-calculator

Need help

Need help or need to contact the Trustee?
Contact the pension administrators in the
first instance:

Contact details for queries



By Post:

ZF UK Pension Plan
Pension Administration
Barnett Waddingham LLP
3 Devon Way
Birmingham
B31 2TS



By Telephone:

0330 135 9988
or + 44 121 828 0217 (from overseas)



By Email:

ZFUKmembers@Barnett-Waddingham.co.uk

Or you can write to the Trustee Secretary:



By Post:

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The Hub, Central Boulevard
Blythe Valley Park
Shirley
Solihull
B90 8BG