

# UPDATE

TO MEMBERS OF REUTERS PENSION FUND

FROM THE TRUSTEES

ISSUE 44 SEPTEMBER 2012



Update aims to keep you up to date with developments in Reuters Pension Fund (RPF). If you would like more information about RPF and how it works, or if you have a question about your benefits, please get in touch. The contact details you need are on the back page.

## MAIN POINTS

### LOOKING BACK

Key figures from the RPF Report and Accounts for the year ended on 31 December 2011

### FUNDING UPDATE

Results of the actuary's latest annual funding check as at 31 December 2011

### INVESTMENT UPDATE

Mixed fortunes on the investment markets

### GENDER PRICING FOR ANNUITY CONTRACTS

A recent European Court of Justice ruling and how it affects pensions

### IN BRIEF

- The procedure that dependants should follow when a member dies
- Help needed to locate some members who have lost touch with RPF
- Members who have died since December 2011



THOMSON REUTERS



## LOOKING BACK

The figures in the table below are taken from the Trustees' formal Report and Accounts for the year ended 31 December 2011.

They have been audited by PricewaterhouseCoopers, who confirmed that they are true and fair. If you would like to see a copy of the full report please contact Thomson Reuters Members Services Centre or log on to the member website (see back page for details).

	2011 £'000	2010 £'000
<b>Contributions and benefits</b>		
Contributions receivable	12,795	14,063
Other income (see Note below)	780	605
<b>Total</b>	<b>13,575</b>	<b>14,668</b>
Benefits payable	(22,491)	(21,028)
Payments to and on account of leavers	(2,797)	(4,042)
Administrative expenses	(5)	(8)
<b>Total</b>	<b>(25,293)</b>	<b>(25,078)</b>
<b>Net (withdrawals)/additions from dealings with members</b>	<b>(11,718)</b>	<b>(10,410)</b>
<b>Returns on investments</b>		
Investment income	17,358	14,707
Change in market value of investments	158,585	114,211
Investment management expenses	(1,019)	(1,435)
<b>Net returns on investments</b>	<b>174,924</b>	<b>127,483</b>
<b>Net increase in RPF during the year</b>	<b>163,206</b>	<b>117,073</b>
<b>Net assets of RPF brought forward</b>	<b>1,163,753</b>	<b>1,046,680</b>
<b>Net assets of RPF carried forward</b>	<b>1,326,959</b>	<b>1,163,753</b>

Note: This includes income received from the life assurance policy in respect of death in service benefits.

# INVESTMENT UPDATE

This article looks at how RPF's investments have performed since the previous Update in March, and highlights the changes the Trustees have made to the investments since that date.

Over the period under review RPF's assets increased in value by around £13m.

The year to date has been a mixed one for investment markets. Improving economic data from the US, combined with actions taken by the European Central Bank, fuelled equity markets rises during most of the first quarter. However, towards the end of March, the heightened focus on European strains, along with concerns over slowing US employment growth amongst others, dampened market optimism. Macroeconomic data has continued to disappoint, with global growth slowing markedly since the start of the year. However sharply lower oil prices, recent Eurozone agreements, and greater fiscal headroom in the emerging world do provide some bright spots in an otherwise underwhelming outlook.

Against this backdrop, equity markets performed strongly over the first quarter of the year, giving up some gains over the second quarter, before bouncing back somewhat since June. Bond assets, and in particular fixed interest gilts, have performed well over the latest quarter and 12 month period amid an investor 'flight to quality', with long-term gilt yields hitting record lows.

The value of RPF's investments was broadly unchanged over the first half of 2012, following strong growth in the latter half of 2011, with assets increasing by £13m (approximately 1%) over the six-month period.

The Trustees remain committed to diversifying RPF's investments by investing in a wide range of different types of assets. The objective is to make RPF more robust to face different economic and market conditions, and less reliant on the performance of equities. Such actions have proved beneficial over the long term, also helping protect the value of RPF's assets throughout recent market volatility.

Since the previous Update, the Trustees have decided to re-allocate a portion of the developed market equity assets to emerging markets equities (with Legal & General) and currency (with Rogge). Assets were transacted in the first quarter of 2012. This change was agreed in order to take advantage of the continuing positive outlook for emerging economies, particularly versus their developed counterparts.

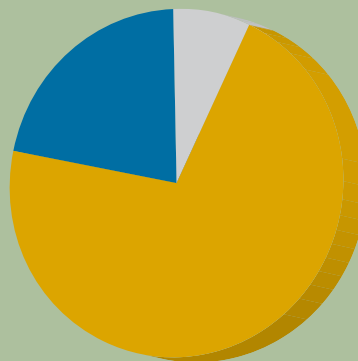
There were no other material changes to RPF's investments over the period under review. However the Trustees are currently reviewing the investments which are used to manage interest rate and inflation risk within RPF and they expect to implement some refinements to these arrangements over the coming months.

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## THE MEMBERSHIP

There were 7,688 members in RPF on 31 December 2011.

- 591 active members
- 5,464 deferred members
- 1,633 pensioners (which includes the dependants of members who have died)



The table below shows how the RPF's assets were invested at 30 June 2012. It shows the managers, the proportion of RPF assets they were managing on that date and the value of these assets.

Asset allocation as at 30 June 2012		Value of assets (£m)	Proportion of RPF assets (%)
<b>Legal &amp; General</b>	Indexation	432.8	32.7
	Currency hedging	-1.7	-0.1
	Research Affiliates		
	Fundamental Index (RAFI) global index	89.7	6.8
	RAFI EM index	13.0	1.0
<b>BlackRock</b>	Index-linked gilts	291.8	22.0
	Swaps	134.5	10.1
<b>Babson Capital</b>	European loans	31.4	2.4
<b>Schroders</b>	UK property	52.3	3.9
<b>CBRE</b>	European property	37.6	2.8
<b>Morgan Stanley</b>	Private equity	23.9	1.8
<b>Abbott Capital</b>	Private equity	7.1	0.5
<b>Blackstone</b>	Fund of Hedge Funds	38.5	2.9
<b>Magnitude</b>	Fund of Hedge Funds	37.3	2.8
<b>Bridgewater</b>	Global Tactical Asset Allocation	40.6	3.1
<b>Nephila</b>	Reinsurance	33.3	2.5
<b>Rogge</b>	Emerging market currency	29.9	2.3
<b>Stone Harbor</b>	Emerging market debt	33.0	2.5
		<b>1,325.2</b>	<b>100.0</b>

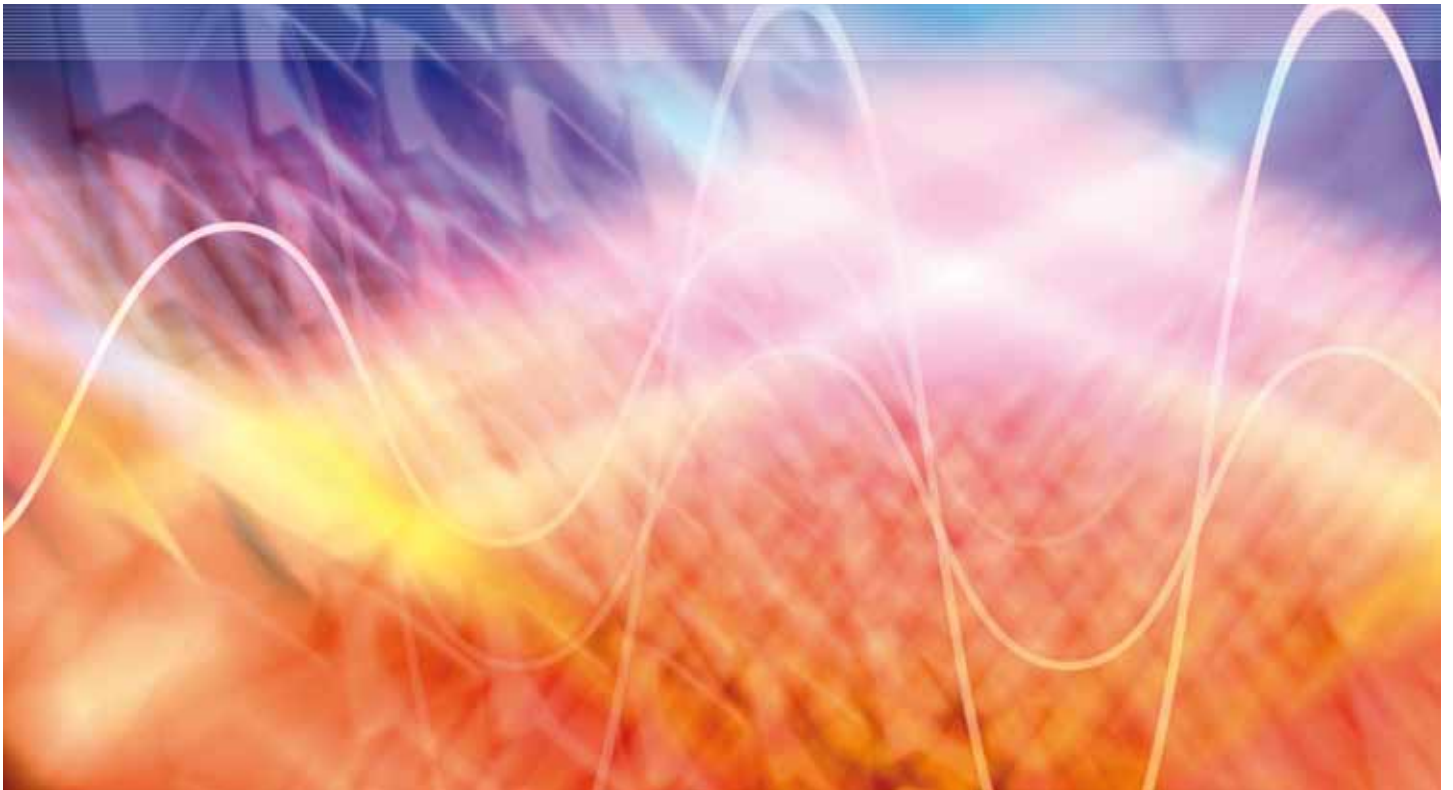
Note: The above table does not include cash held in the Trustee bank account.

## PERFORMANCE

The table below shows the overall performance of the RPF investments over four different time periods ending on 30 June 2012.

	Performance		
	Fund (%)	Benchmark (%)	Difference (%)
Annual average over 10 years	7.3	7.0	0.3
Annual average over 5 years	6.4	6.4	0.0
Annual average over 3 years	13.9	12.6	1.3
Return over 1 year	14.3	13.6	0.7

Source: Bank of New York Mellon Asset Servicing



## FUNDING UPDATE

The formal actuarial valuation of RPF as at 31 December 2010 has been recently finalised. This section explains how this valuation was carried out and provides a summary of its results.

### HOW RPF'S FUNDING LEVEL IS ASSESSED

RPF is set up as a shared fund which the Trustees use to pay for all the benefits that members have built up. The only individually held accounts are those relating to money purchase Additional Voluntary Contributions or other money purchase funds in RPF.

#### THE ASSETS

The Trustees invest the contributions that RPF receives from the Company and from active members with the aim of increasing their value while keeping risks at an acceptable level. The money building up in RPF - its investments, bank balances and any money owed - is called its 'assets'.

#### THE LIABILITIES

RPF's liabilities are everything RPF owes now and the benefits it will have to pay in the future. The liabilities do not have a fixed value, because they are affected by:

- how many people will remain members of RPF until they retire and how many will leave;
- how long members will live after they retire, which is the length of time RPF must pay them a pension;
- the rate of inflation in the future, which affects pay rises and pension increases;
- the rate used to convert RPF's future benefit obligations into today's monetary terms (called the 'discount rate'); and
- what the investment market conditions will be in the future, which affects the valuation of RPF's liabilities.

The Trustees set the discount rate using the yield on government bonds (known as 'gilts') and a conservative allowance for RPF's expected investment returns above the gilt yield. As gilt yields decrease, the value of RPF's liabilities increase, and vice versa as gilt yields increase.

## THE FUNDING LEVEL

At least once every three years, the Scheme Actuary checks RPF's funding level as part of a formal process called a 'valuation'. In between valuations, the Actuary also carries out informal funding checks to monitor the progress of RPF's funding level.

The funding level is the value of RPF assets divided by the value of its liabilities. To measure the funding level, the Actuary needs to measure each of these values and compare them. He works out the value of RPF's assets on a given date and estimates the value of the liabilities, based on assumptions about members and the economy. (If the value of the assets was equal to the liabilities, the funding level would be 100%.)

The valuation results aim to suggest how much money RPF should set aside to cover the benefits members have already earned; and the contributions that RPF should receive for benefits building up in the future.

Once the Actuary has assessed these values, an action plan can be drawn up for funding RPF. This includes agreeing a Schedule of Contributions with the Company and measures to deal with any shortfall the valuation identifies.

## THE ACTUARIAL VALUATION METHODS

In a valuation, the Scheme Actuary looks at RPF's funding using two main measures:-

- The 'going concern' valuation  
This assumes that RPF will continue into the future and is the basis used for the figures that are provided in the Annual Funding Statement on the next page. It also assumes that the Company will continue in business and in supporting RPF.
- The 'discontinuance' valuation  
Under pension law, the Trustees must also look at whether there is enough money to buy insurance policies to provide members' benefits in full if RPF was wound up at the valuation date.

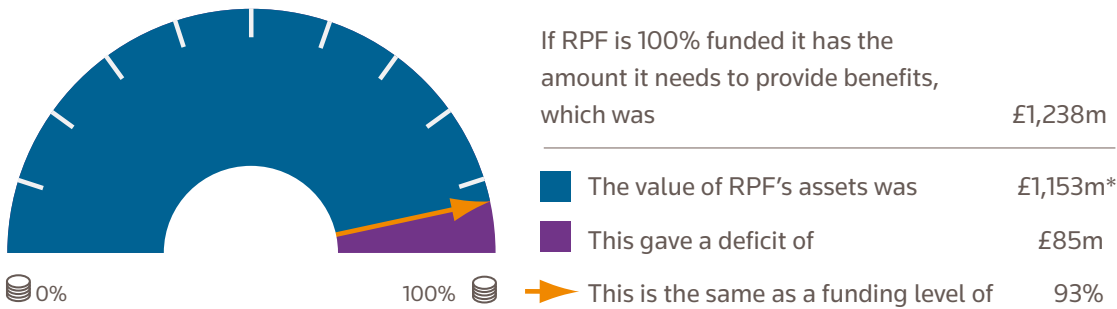
This is also known as the 'full solvency' position. An example of when this is likely to be relevant would be if the Company became insolvent. Even if RPF is fully funded on the 'going concern' basis, the discontinuance figure is likely to be lower and to result in a funding level of less than 100%. This is because the cost of providing all the benefits immediately is likely to be higher than the cost of paying them gradually over future years: the prices that insurance companies charge for their policies include administration charges and a profit margin.



# 2012 ANNUAL FUNDING STATEMENT

The figures in this statement are taken from the Actuary's valuation as at 31 December 2010 as well as the funding check which was carried out as at 31 December 2011. The full valuation at 31 December 2010 was the second valuation of RPF to be carried out under the regulations introduced by the Pensions Act 2004.

## 31 DECEMBER 2010 VALUATION



\*The asset value is different to that shown on page 2, as this figure does not include Additional Voluntary Contribution funds and other money purchase benefits.

## THE RESULTS OF THE VALUATION AS AT 31 DECEMBER 2010

In March 2012 the Trustees and the Company agreed a Statement of Funding Principles which set out the assumptions to be used in the 31 December 2010 valuation, and also in future valuations and funding checks. Using these assumptions the Scheme Actuary reported that, on the 'going concern' measure, RPF had a deficit of £85m. This is the same as a funding level of 93%.

### THE RECOVERY PLAN

Membership movements, decreasing interest rates and the cost of providing special pension increases to eligible members (as reported in the previous edition of Update) increased the deficit compared to the position at the last funding check.

In particular, the cost of providing the 10 years of special pension increases was estimated to be in the region of £40m at the valuation date, and was a key reason why the deficit had worsened. The Trustees and the Company have agreed a new Schedule of Contributions to recover the deficit (including to meet the cost of providing the special pension increases) and to meet the cost of benefits building up. The new Schedule took effect from 2 March 2012.

Under this new Schedule, the Company paid into RPF a contribution of £5.72m in March 2012 and will pay further contributions of £5.72m by 31 March of each subsequent year, with the final instalment due to be paid by 31 March 2019.

As part of the valuation, the Company also agreed to increase its regular contributions from 1 April 2012.

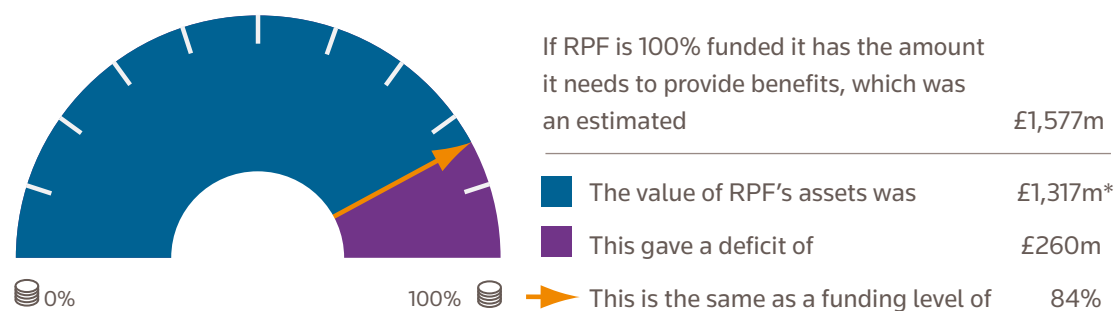
- For members who opt for '60ths' benefits, the Company increased its contributions from 19.3% of members' salaries a year to 19.8% a year.
- For members who opt for '80ths' benefits, the Company increased its contributions from 14.4% of members' salaries a year to 15.0% a year.

In addition, the Company agreed to pay an additional contribution each year equal to 7.9% of members' salaries, starting from 1 April 2012. These additional contributions are intended to cover the administration costs of running RPF and the cost of the levies RPF has to pay to the Pension Protection Fund (see page 8) and any other levies collected by the Pensions Regulator.

## THE RESULTS OF THE FUNDING CHECK AS AT 31 DECEMBER 2011

By 31 December 2011, the Scheme Actuary estimated that the funding position had worsened such that, on the 'going concern' measure, RPF had a deficit of £259m. This was equivalent to a funding level of 84%.

### 31 DECEMBER 2011 FUNDING CHECK



\*The asset value is different to that shown on page 2, as this figure does not include Additional Voluntary Contribution funds and other money purchase benefits.

The worsening of the funding level of RPF since the valuation at 31 December 2010 is due mainly to the fall in gilt yields (which increases the value of RPF liabilities). This was only slightly offset by the investment returns on RPF's assets being higher than had been assumed.

The variables used to place a value on the liabilities change on a daily basis, which means the funding level and deficit also change on a daily basis. Due to this fluctuation, the Trustees regularly monitor the funding level and deficit.

In addition, the Trustees monitor the strength of the Company including its ability to make good the deficit. The Trustees and the Company will review the level of contributions payable as part of the next formal actuarial valuation which is due to be carried out as at 31 December 2013. Should it be necessary, the Trustees may consider taking action to address a worsening deficit between formal valuations (for example, requesting additional funding from the Company).

## THE 'DISCONTINUANCE' BASIS

If RPF had been wound up at 31 December 2010, the Scheme Actuary estimates the Trustees would have needed £1,828m to purchase individual annuity policies for all members. On this basis, RPF had a deficit of £675m (equivalent to a funding level of 63%).

At 31 December 2010, the RPF liabilities on the 'going concern' basis were less than on the 'discontinuance' basis. This means that if RPF were to wind up, some members might not get the full amount of pension they have built up. In this situation, the Company would have to pay enough for RPF to secure members'

benefits in full with an insurance company, if it can. If the Company became insolvent, the Pension Protection Fund (the 'PPF') may step in and pay some compensation to members.

It is important to note that even if funding is temporarily below target, RPF will continue to pay benefits in full as long as it continues.

For more details, visit the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk). Or, write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.



# GENDER PRICING FOR ANNUITY CONTRACTS AND HOW IT AFFECTS PENSIONS

In the recent *Test-Achats* case, the European Court of Justice (ECJ), the highest Court of Law in the European Union (EU) ruled that, with effect from 21 December 2012, an exemption in the European law which permits insurers to use actuarial factors based on the member's sex to assess risk, and therefore set premiums by reference to the sex of the person in question, will no longer be valid.

## **PURCHASE OF ANNUITIES**

Although the ECJ judgment is expressly directed at the insurance industry, not at occupational pension schemes, it will affect annuities if these are purchased by the member from an insurance company. (An annuity is a policy providing regular income which is purchased from an insurance company with pension savings at retirement.) Therefore, an annuity purchased on or after 21 December 2012 by the member directly will have to be based on sex neutral factors.

How will this affect the cost? At the moment, annuities for men are generally cheaper than for women. This is due to the simple fact that women generally live longer than men and so their annuities have to be paid over a longer period. But with gender neutral pricing this will change, with the result that annuities for men are going to become more expensive. Government research has shown that the average annual payout from an annuity for a man (based on a £100,000 pot at age 65) is £6,642 while for a woman it is £6,243. After 21 December 2012, the average annual payout for a man will decrease by up to 10% but unfortunately women's rates are unlikely to improve much either, as men still purchase eight in ten annuities.

## **ACTUARIAL FACTORS IN DEFINED BENEFITS PENSION SCHEMES**

Currently occupational pension schemes are allowed (under EU and UK law) to use sex-based actuarial factors to determine, for example, funding requirements, transfer values and commutation (as well as for the purchase of in-scheme annuities). These actuarial factors used by trustees of pension schemes are covered by a separate pension scheme-specific European law and so the *Test-Achats* judgment (which relates to insurers rather than pension schemes) did not cover them. If sex-based commutation factors were to be replaced in the future with unisex factors this could mean smaller lump sums for women, while replacing sex-based factors for converting pots, including AVCs, into scheme pensions could mean smaller pensions for men.

The Government has concluded that it is possible for pension schemes to continue to use sex based factors and acknowledges concerns that the ECJ judgment may result in a 'two tiered' annuity market, with consumers getting one price from an insurance company and another from their scheme. Unfortunately, this confusion makes it likely that there will at some stage in the future be a test case challenging the use of sex-based actuarial factors within pension schemes. Watch this space!

## THE PROCEDURE THAT DEPENDANTS SHOULD FOLLOW WHEN A MEMBER DIES

Some members have asked what their spouses or families should do in the event of their death, in respect of the pension they receive from RPF – or are due to receive from RPF at a future date.

If this situation arises, the Thomson Reuters Member Services Centre should be notified as soon as practicable. The administration team will then make the necessary arrangements with regard to any benefits that may be payable.

If you have any questions, either about this process or the benefits that RPF may provide, please contact the Thomson Reuters Member Services Centre (see back page for details).



## CAN YOU HELP US LOCATE THESE MEMBERS?

We are currently trying to contact some members of RPF who have reached Normal Retirement Age and are therefore due to start drawing their benefits (see below). Unfortunately, we do not hold current address or contact details for these members and searches carried out via the Department for Work and Pensions have proved unsuccessful.

If you are in touch with any of these members, please ask them to get in touch with the Thomson Reuters Member Services Centre as soon as possible. Alternatively, please contact the Thomson Reuters Member Services Centre yourself with details.

The members we want to contact are:

- **Penelope Ann Jackson**, who joined the Company in November 1978 and left in August 1981. Her last known address was in London E1.
- **Mrs Deidre Payne**, who joined the Company in June 1987 and worked as a Senior Assistant Financial Manager until September 1988 when she left service. Her last known address was in London E2.
- **P A Bradshaw**, who joined the Company in March 1974 and left in August 1979. We have no address details on our records for this member.

We are also trying to reach **Mrs Odile Harvey**, who is the widow of the late Allan Harvey, European Affairs Manager for Continental Europe, Middle East & Africa. Her last known address was in Brussels, Belgium.

## COMING SOON

Reuters Pension Fund's own website, a new service for members to hear about the latest news from the Fund. It will be live by the end of October at <http://www.reuterspensionfund.co.uk>

## DECEASED PENSIONERS

The following pensioners have died since November 2011.

	<b>Their date of death</b>	<b>Their last known address</b>
Maura Maynes	13 December 2011	London
Faye Kurtz	25 January 2012	Florida, USA
Florabell Agnes Spendlove	12 February 2012	London
Angela Elizabeth Clissold	15 February 2012	Vale of Glamorgan
Gloria June Leveridge	16 February 2012	Coulsdon, Surrey
Gael Agnes Davel	31 March 2012	Queensland, Australia
Leonard Albert Reeve	26 March 2012	High Wycombe, Buckinghamshire
Ellen Violet Pritchard	06 April 2012	Dartford, Kent
Anthony George Carter	10 April 2012	Beckenham, Kent
Patrick Desmond Cory	24 April 2012	Ilfracombe, Devon
Lucille Blume	16 May 2012	Alabama, USA
Joe Lewis Hampson	17 May 2012	Boston, Lincolnshire
Derek Warner	16 June 2012	Woodhall Spa, Lincolnshire
Marjorie Nunnay-Elam	16 June 2012	Stoneleigh, Surrey
Roy Preston	25 June 2012	London
Janet Pauline Schrier	9 August 2012	Dagenham, Essex
John Baggaley	12 August 2012	Nicosia, Cyprus
A J Cornish	25 August 2012	Chelmsford, Essex



## THE RPF MANAGEMENT COMMITTEE AND TRUSTEE COMPANY BOARD

### Company nominated

Greg Meekings – Trustee Chairman  
James Hardman  
Graeme Ramsey  
Martin Vickery

### Member nominated

Tim Castle  
Barry May  
Peter Fanning



## FINDING OUT MORE

### IF YOU NEED INFORMATION

#### If you have any questions about your benefits

Please contact Thomson Reuters Member Services Centre.

Write to:

Thomson Reuters Member Services Centre  
Capita Hartshead  
Hartshead House  
2 Cutlers Gate  
Sheffield S4 7TL  
United Kingdom

Phone number for UK callers:  
0800 077 8250

Phone number for overseas callers:  
+44 (0) 114 273 8397

Email:  
ThomsonReuterspensions@capita.co.uk

#### If you want to check your benefits online

Log on to the member website at <https://addvantage.capitahartshead.co.uk/ThomsonReuters>

If you have not yet used the website, you can register and obtain log-in details by following the instructions directly on the website.

#### If you wish to bring something about RPF to the attention of the Trustees

Please write to:

Claudia Bunney  
RPF Trustee Secretary  
The Thomson Reuters Building  
30 South Colonnade  
Canary Wharf  
London E14 5EP  
United Kingdom

### IF YOU WANT ADVICE

If you are considering making any changes to your pension at any time you may want to consider taking independent financial advice.

If you do not already use a financial adviser, [www.unbiased.co.uk](http://www.unbiased.co.uk) can give you details of an independent financial adviser in your area. Type your postcode into the search engine on the website.

The Money Advice Service is an independent organisation set up by the Government and funded by the financial services industry. It offers a free service to help everyone manage their money better. Its website has unbiased money advice, information and tools to help you work out what's right for you. Visit [www.moneyadvice.org.uk](http://www.moneyadvice.org.uk) or call the helpline on 0300 500 5000 (call rates may vary).

## FURTHER READING

If you would like more detailed information about RPF and how it works there are a number of other documents available.

- The Trust Deed and Rules are the legal documents that govern the way RPF works.
- The Statement of Investment Principles explains how the Trustees invest the money paid into RPF.
- The Schedule of Contributions shows how much money is being paid into RPF.
- The latest Report and Accounts shows how RPF developed over the year which ended on 31 December 2010. You can also ask to see a copy of the full Actuarial Valuation Report on the Actuary's assessment of RPF as at 31 December 2010.

If you would like to see a copy of any of these, please contact Thomson Reuters Member Services Centre in the first instance.

**Members' rights are governed by the RPF Rules. In the event of any apparent conflict with this newsletter, the Rules will prevail.**

