

January 2022

Pensionshub

For members of the GXO Logistics Pension Scheme (formerly the XPO Pension Scheme)

GXO



Welcome

Welcome to the latest issue of *Pensionshub*, the newsletter for members of the GXO Logistics Pension Scheme (the Scheme).

We wrote to you last year to inform you of the launch of GXO Logistics and the changes to the Scheme Employer, and there's a reminder of the details on page 8. As a result, the Scheme name was changed in October 2021 from XPO Pension Scheme to GXO Logistics Pension Scheme. In line with this, the name of the sole Trustee of the Scheme was also changed, and XPO Pension Trustee Limited has become GXO Logistics Pension Trustee Limited.

I'm pleased to report that the Trustee has worked with the Company to agree a new financial guarantee to support the Scheme. This is good news for the Scheme as it provides a framework to protect members' benefits into the future. You can read more about this on page 8.

I would like to draw your attention to the article on page 4 which may affect you if you were born after March 1973 and have plans to retire early. Also on page 4, we're reminding members to be alert to the dangers of pension scams, in the wake of the pandemic, particularly if you're a deferred member and are considering transferring your benefits.

Finally, in August 2021, one of our Trustee directors, Michael Liang, resigned from the Trustee board. We thank Michael for his service to the Scheme and welcome Zeeshan Naqvi who joined the board in September 2021.

If you have any questions about your benefits or the contents of this newsletter, please contact the Scheme administrator, Capita, using the details on the back page.

Vassos Vassou

Chair of the Trustee

At a glance

The value of the Scheme's assets as at
31 December 2020:

£1.087 billion

The number of members in the Scheme as at
31 December 2020:

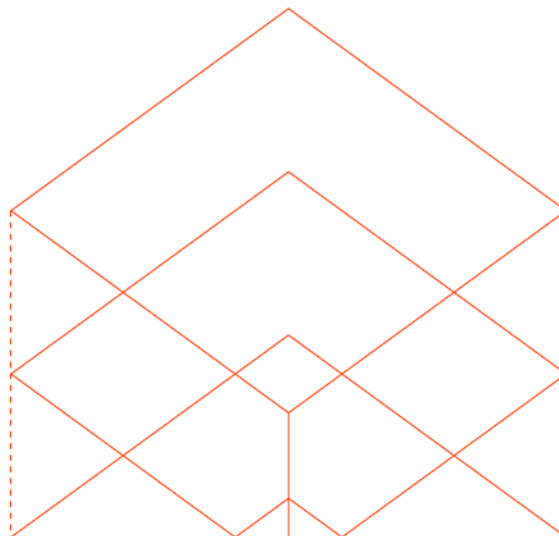
10,517

The Scheme's funding level
as at 31 December 2020 update:

97%

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Pensions news

Planning ahead – minimum pension age set to rise

The State pension age will rise to age 67 in 2028, with a further increase to age 68 planned between 2037 and 2039. Corresponding with this rise is an increase to the minimum age at which you can start taking benefits from a workplace or personal pension, rising from age 55 to age 57 in 2028.

You can check your State pension age at www.gov.uk/state-pension-age and get a forecast of your State pension by going to www.gov.uk/check-state-pension

Watch out for scams

The Pensions Regulator's ScamSmart campaign has discovered that victims of pension scams could lose a lifetime's savings in just 24 hours following a transfer to an unregulated investment scheme. Analysis shows that the average amount victims lost to scams in 2018 was £82,000 – money that had been built up over a long time.

In the wake of the pandemic, pension savers continue to be a target for scammers, who are ever more sophisticated in their approach and more determined. Pensions are a long-term investment, and decisions don't need to be made in a hurry. Common pension scams include early pension release or pension reviews. You should:

- reject any unsolicited contact about investments
- check the Financial Conduct Authority's warning list
- avoid being rushed into making a decision
- get impartial advice.

Scammers don't just target the vulnerable, and anyone can be deceived. Not only can you lose your pension pot (benefits you've built up over a long period), but you'll also be landed with an HMRC tax bill that could be more than half your pot size. Most pension scams lead to 'unauthorised payments', and the tax for an unauthorised payment is 55%. Members still need to pay this tax charge even if their pension benefits have been taken, forcing them to use other assets to pay it.

If you're thinking about a transfer, please be very careful and first seek independent financial advice about your options. You can find out more about pension scams and how to avoid them from the FCA's website at www.fca.org.uk/scamsmart



Transferring your benefits

If you are considering a transfer of your GXO benefits, you need to be aware of the new procedures for processing pension transfers. While not all scams can be prevented, these procedures will help the Trustee and Capita identify high risk transfers or stop potential scams. The new regulations include checks to see if transfers meet the following conditions:

- the receiving scheme is either a public service pension scheme, an authorised master trust or an authorised collective defined contribution (CDC) scheme
- if the receiving scheme is not one of these, additional checks must be carried out to assess the level of risk and to look for the presence of red and amber flags.

If there are red flags, there is no statutory right to transfer, and the Trustee can stop the transfer. If there are amber flags, the member must get guidance from MoneyHelper (see page 6) before the transfer can go ahead.

Pensions news continued

A freeze on the Lifetime Allowance

The Lifetime Allowance, which is set by the government and is the maximum amount of pension savings you can have at retirement from all pension schemes without incurring an additional tax charge, has been frozen at £1,073,100 until 2026.

A new information service

MoneyHelper, a new government service, is an easy way to get free guidance for your money and pension choices. It combines the services previously provided by the Money Advice Service, the Pensions Advisory Service and Pension Wise.

Offering free, impartial help that's quick to find and easy to use, MoneyHelper is available online or over the phone, providing clear money and pensions guidance, as well as pointers to trusted services if you need more support.

It helps people know their options to clear their debts, reduce spending and make the most of their income to build up savings and pensions. Go to **www.moneyhelper.org.uk**

All your pension information in one place

The Pension Schemes Act 2021 covers a wide range of issues, including the foundations for the pensions dashboard, which aims to provide a single point of reference for members to view the information about all their pension savings in one place. The first pensions dashboards are planned to be available to members in 2023.

Scheme noticeboard

Is your Expression of Wish up to date?

One of the most difficult issues for the Trustee to resolve is how to pay lump sum benefits that may be due if a member dies without an up-to-date Expression of Wish. The Expression of Wish form sets out details of whom you want any lump sum benefits to be paid to. Although the Trustee is ultimately responsible for deciding who should receive any benefits, it takes your wishes into account.

It's a good idea to review your Expression of Wish each year to make sure it's up to date with your current circumstances. This is particularly important if you get married or divorced, enter or leave a civil partnership or have a child.

You can update your Expression of Wish at any time by contacting Capita using the details on the back page.

Equality in pensions – GMP update

In the last issue, we told you about a High Court ruling on Guaranteed Minimum Pensions (GMPs). GMPs were built up at different rates for men and women and were payable at different ages, reflecting the State pension age for men and women at the time. Pension schemes like ours now have to equalise these benefits for men and women. The change may affect you if you were an active member of the Scheme between 17 May 1990 and 5 April 1997.

Government guidelines that we have been waiting for on how GMPs should be equalised have now been released, and the Trustee is working with the Scheme's administrator and advisers on this. With such a complex task, it's going to take a little while to work through what this means. We don't need you to take any action as we will get in touch with you if this affects you.



Company news

The launch of GXO Logistics

As you know, during last year, XPO Logistics Inc (the parent of the Scheme's sponsor) spun off its contract logistics business into a publicly traded company, called GXO Logistics Inc (the company).

Focusing on global contract logistics, GXO Logistics was listed on the New York Stock Exchange on 2 August 2021. As an independent company, GXO is the world's largest pure-play contract logistics provider. With innovations such as robotic arms and wearable scanners, GXO's facilities are state of the art, and the company is developing new ways of managing customer supply chains using the latest technology.

Before the launch of GXO, the XPO Pension Scheme had been supported by XPO Holdings UK & Ireland Limited (Holdings), as the principal employer, along with two participating employers: Salvesen Logistics Limited (SLL) and XPO Supply Chain UK Limited (SCUK).

SCUK is now part of the new GXO Logistics Inc, while the other two employers, SLL and Holdings have remained with XPO Logistics Inc. SCUK is now the Scheme's sole principal employer and has changed its name to GXO Logistics UK Limited (the Scheme Employer).

The Trustee and its advisers worked with the company to reach an agreement on financial support that protects member benefits. This includes a new guarantee from GXO Logistics Europe for members' benefits as well as the significant support available from GXO Logistics UK Limited. The Trustee regards GXO Logistics UK Limited as a robust employer with strong prospects, playing a significant role in a vibrant and growing global business. It is satisfied that:

- GXO Logistics UK is able to fund the Scheme and pay the required contributions
- the guarantee from GXO Logistics Europe provides a strong safety net in the event that GXO Logistics UK Limited is unable to make contributions when required.

The funding of the Scheme will not be adversely impacted because of these changes, nor will there be any change to your pension benefits in the Scheme.

Looking after the Scheme

The Scheme is managed by a trustee company called GXO Logistics Pension Trustee Limited. It has a board of directors: some have been appointed by the Scheme Employer and some are nominated by the members of the Scheme. There is also an independent Chair.

Your Trustee directors

Dalriada Trustees Ltd, represented by Vassos Vassou (Chair)

David Thomas

Adam Parker

Michael Liang (to August 2021)

Peter Shaw*

Christopher Wells*

Zeeshan Naqvi (from September 2021)

*nominated by members.

In-house support

Pensions Manager: Robert Egginton

Advisers to the Trustee

The Trustee has appointed the following professional advisers to help run the Scheme.

Actuary

Will Rice, Barnett Waddingham

Administrator

Capita

Auditor

Crowe UK LLP

Investment adviser

Mercer Limited

Legal adviser

Squire Patton Boggs (UK) LLP

Banker

National Westminster Bank

Scheme Secretary

Premier Pensions

Looking after your data

To run the Scheme and pay members' benefits, we hold certain personal data for members, such as your name, date of birth, address and National Insurance number. The data is held in accordance with data protection legislation. For more information about how we hold, store and share your personal data, please contact the Scheme administrator, Capita.

Scheme finances

Financial highlights

These pages summarise the Trustee's annual report and financial statements for the year to 31 December 2020. The accounts have been independently audited by Crowe UK LLP.

If you would like to see a copy of the full report, you can request one from the Scheme administrator, Capita, using the contact details on the back page.



	£'000
Value of the Scheme at the start of the year	1,027,473
Money in less money out	(42,124)
Return on investments	102,577
Value of the Scheme at the end of the year*	1,087,926

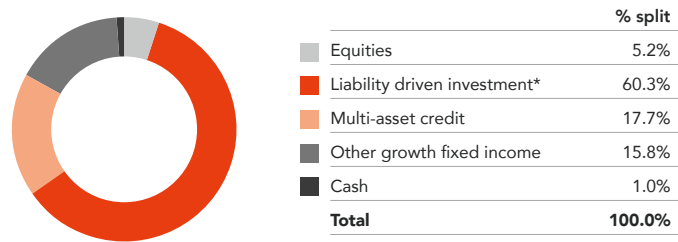
*Figure is plus current assets less current liabilities.

MONEY IN	£'000
Scheme Employer contributions	2,000
Total money in	2,000

MONEY OUT	£'000
Pensions paid to members	34,472
Payments to leavers	8,621
Administration costs	1,031
Total money out	44,124

How are the assets invested?

The Trustee determines the investment strategy for the Scheme after taking advice from the investment adviser. As at 31 December 2020, the Scheme’s assets were split across the following investments:



*Liability driven investment is a risk-management strategy which aims to mitigate the interest rate and inflation risks related to a pension scheme’s liabilities.

The Trustee’s investment policy is set out in the Statement of Investment Principles (SIP). A new law requires the Trustee to make an annual implementation statement available to members. It shows how the Trustee has fulfilled its investment responsibilities and includes details of any changes to or deviations from the SIP. It also describes the voting behaviour by the investment managers during the year.

You can find the SIP and the Implementation Statement at <https://sites.google.com/view/gxopensionscheme/home>

Membership

As at 31 December 2020, you were one of 10,517 members in the Scheme.

4,438
Deferred members

6,079
Pensioners



Summary Funding Statement

The Summary Funding Statement sets out the GXO Pension Scheme's funding position as at 31 December 2019, the date of the last full triennial valuation of the Scheme. There is also an update of the position as at 31 December 2020.

How is the Scheme's financial security measured?

An in-depth look at the Scheme's finances is carried out at least once every three years. It is an important part of checking the Scheme's financial health and is called an actuarial valuation.

A qualified, independent professional carries out this work for the Trustee and is appointed as the Scheme actuary. In the years between actuarial valuations, the actuary provides the Trustee with an approximate annual funding update.

To measure the Scheme's financial security, the actuary compares the value of the Scheme's assets with its liabilities. If the assets are less than the liabilities, it is said to have a 'shortfall'. If the assets are greater than the liabilities, it is said to have a 'surplus'.

What is the Scheme's financial position?

	Actuarial valuation 31 December 2019	Update 31 December 2020
The market value of the Scheme's assets*	£1,023 million	£1,084 million
The value of the Scheme's liabilities	£1,033 million	£1,120 million
Shortfall	(£10 million)	(£36 million)
Funding level	99%	97%

*Excluding members' Additional Voluntary Contributions (AVCs).

When the full valuation was carried out as at 31 December 2019, the Scheme had a shortfall of £10 million. Since then, the shortfall has increased to £36 million. The funding position worsened slightly from 99% to 97% over the year to 31 December 2020. The main reason for this change was the fall in interest rates over the period which increased the level of funding needed to pay members' benefits in future, thus increasing the liabilities.

The next full actuarial valuation will take place as at 31 December 2022.

Liabilities:

The estimated cost of providing the benefits earned by all the deferred members who are yet to draw their pensions, together with the pension benefits already in payment, is known as the Scheme's liabilities.

Assets:

Any contributions the Scheme Employer has made or will make form part of the assets of the Scheme and are invested to provide the benefits that are due to members of the Scheme. The assets of the Scheme are held in an independent legal entity entirely separate from the Scheme Employer. It is held in a communal fund for all members of the Scheme.

Recovery plan

As the valuation revealed a funding shortfall of £10 million at 31 December 2019, the Trustee and the Scheme Employer agreed a recovery plan, which specifies how and by when the Scheme is expected to reach a fully funded position. The Scheme Employer agreed to make contributions of £1 million a year in quarterly instalments, beginning 1 January 2020. At the time of the valuation, these contributions and investment returns were expected to remove the shortfall by 30 September 2022. The Scheme Employer will meet the cost of the Pension Protection Fund (PPF) levies directly.

The Scheme Employer agreed to pay £1 million towards the expenses of the Scheme for the year ending 31 December 2020. Beginning 30 September 2022, the Scheme Employer will pay £1 million in quarterly instalments to cover Scheme expenses.



Summary Funding Statement continued

What if the Scheme was wound up?

The financial objective for the Trustee is for the Scheme to have enough money to pay pensions now and in the future, but this largely depends on the Scheme Employer carrying on in business.

The actuary has a statutory duty to calculate the level of Scheme assets required in the unlikely event that the GXO Logistics Pension Scheme was wound up. This would mean that all the Scheme liabilities (pensions and benefits) would be secured by purchasing a contract with an insurance company. This is called a 'buy-out' basis or 'solvency' basis.

The latest valuation indicated that the estimated extra amount that would be needed to buy out the liabilities as at 31 December 2019 was in the region of £353 million. The Trustee is required to provide this information to you – it does not mean that any consideration is being given by GXO to winding up the Scheme. It is common for most UK pension schemes to have a shortfall on a solvency basis.

In the unlikely event that the Scheme Employer failed and did not have enough money to cover the cost of buying all members' benefits with an insurer, the Pension Protection Fund may take over the Scheme and pay compensation to members. There are certain limits on the amounts paid by the PPF, which would not give exactly the same benefits as those provided by the Scheme. Further information and guidance are available on the PPF's website at www.ppf.co.uk

Why are you showing the solvency position?

The Trustee is required by law to provide you with information on the Scheme's solvency position. It does not imply that there is any intention, either by the Scheme Employer or the Trustee, to wind up or close the Scheme.

Why isn't the Scheme kept fully solvent at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, the Scheme's funding plan assumes that the Scheme Employer will continue in business and support the Scheme.

Additional information

The Trustee is required to report whether any repayment out of the Scheme has been made to the Scheme Employer during the year ending 31 December 2020. It can confirm that no such payment has been made.

The Pensions Regulator has wide-ranging powers: for example, it can impose funding plans or modify schemes. No such directions have been made for this Scheme.

Documents available on request

The following documents are available on request: Schedule of Contributions, Annual Report and Accounts, Actuarial Valuation, Actuarial Report, Statement of Investment Principles, Privacy Policy and the Trust Deed and Rules. If you want a copy of any of the Scheme documents or have a question about the Scheme or your benefits, please contact Capita, the administrator.

Thinking of transferring your benefits?

If you are thinking of leaving the Scheme or transferring your pension benefits to another pension scheme, you should consult an independent financial adviser before taking any action.



Get in touch

If you have any questions about the Scheme or your benefits, please contact the administrator, Capita.

Telephone:
0800 587 9850

Email:
gxo@capita.com

Write to:
GXO Pension Scheme
Capita
PO Box 555
Stead House
Darlington DL1 9YT

Remember to let us know!

Please don't forget to tell the administrator, Capita, if there are any changes to your personal circumstances (e.g. marital status) or address details.

