

December 2022

GXO



Pensionshub

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

Welcome



Welcome to the latest issue of *Pensions hub*, the newsletter for members of the GXO Logistics Pension Scheme.

The most recent actuarial valuation of the Scheme looked at the position as at 31 December 2019, when the ongoing funding level was 99%, with a shortfall of £10 million. Since then, I am pleased to report that the funding level on this basis has improved to 102%, with a surplus of £24 million, as at 31 December 2021. You can read more about this in the Summary Funding Statement on page 12.

Since 2021, the financial markets have been volatile as a result of a number of factors. These include the Covid pandemic, the conflict in Ukraine, rising inflation and rising interest rates. The Trustee understands that you may be concerned about the impact this is having on the Scheme and your pension. As you know, this is a defined benefit arrangement, which means your pension is based on your salary and length of service. Market performance doesn't impact your expected pension. Nonetheless, the Trustee has a carefully balanced investment strategy which helps to protect the Scheme from the extreme impacts of market volatility.

I would like to draw your attention to the article on page 4 regarding a change to the minimum age at which you can start taking your pension benefits.

This may affect you if you are planning to retire early.

I am delighted to announce that the Trustee has appointed Barnett Waddingham to replace Capita as the Scheme administrator from next spring. You can read more about this on page 6.

In the meantime, if you have any questions about your benefits or the content of this newsletter, please continue to contact our current administrator, Capita, using the details on the back page.

Vassos Vassou

Chair of the Trustee

At a glance

As at 31 December 2021...

The value of the Scheme's assets*:

£1.082 billion

The number of members in the Scheme:

10,338

The Scheme's funding level:

102%

*includes members' AVCs

In this issue

Pensions news	4
Scheme noticeboard	6
Company news	8
Looking after the Scheme	9
Scheme finances	10
Membership	11
Summary Funding Statement	12
Get in touch	16

Pensions news

Increase to minimum retirement age

As we reported in the last issue of *Pensions hub*, the government is raising the minimum age at which you can access your pension benefits from 55 to 57 in April 2028.

If you reach age 55 before April 2028, and you want to take your benefits early, you will have to take them by this date, otherwise you will have to wait until you are over 57.

If you want to retire early but will not reach age 55 by April 2028, then you will have to wait until you are over age 57.

If you do wish to retire soon, you will need to start checking your pension plans. If you are hoping to retire early, please take this change into account in your retirement planning.

Beware of pension scams

Pensions continue to be a target for scammers. The financial pressures caused by the rising cost of living mean people may be more vulnerable to scammers offering early access to pension savings.

It is important that you are aware of the danger of pension scams. This not only applies to your benefits in the Scheme but also to any other pension benefits you may have. As a basic guide, the key warning signs to watch out for include:

- Cold calls – unexpected pension offers whether made online, on social media or over the phone are nearly always scams. These types of calls have now been banned, so if you do get one, hang up, do not reply to emails or texts, and do not follow links.
- Unregulated advisers – make sure you know who you are dealing with before changing your pension arrangements. Check the ScamSmart website or call 0800 111 6768 to see if the firm you are dealing with is authorised by the Financial Conduct Authority (FCA) to give advice on pension transfers.
- Limited time offers – you should never be rushed or feel pressured into making any decision about your pension.

Thinking ahead

Wherever you are in your 'life journey', it is never too soon to start thinking about your longest holiday, retirement. Finding out about your options will help inform your plans and understand if you are on track. When planning your retirement income, in addition to your Scheme pension, you will also need to consider any other pensions you may have and your State pension entitlement.

Considering a transfer value?

Please make sure that you factor in more time into your retirement plans as recent changes to the rules about pension transfers mean that additional checks need to be carried out by pension administrators. Similarly, the new rules allow pension scheme trustees to block a transfer if the checks raise any red flags, and members will be referred to the government's MoneyHelper service for a Pension Wise appointment.

Combatting pension scams remains a team effort, even with these new rules around pension transfers. If you are in any doubt, please double check before making a final decision. Don't let a scammer ruin your retirement. Go to the FCA's website for more information about pension scams and how to avoid them at www.fca.org.uk/scamsmart



Scheme noticeboard

A new administrator in the spring

Following a comprehensive review and selection process, the Trustee has appointed Barnett Waddingham as the new administrator, replacing Capita from 1 March 2023.

The key driver behind the decision was to ensure an improved service to all members of the Scheme and launch some additional online tools for you. You do not need to do anything as the switch to Barnett Waddingham will happen automatically. In addition to seeing some new branding, as a pensioner, your pension payment will come via Barnett Waddingham instead of Capita.

As a member, you don't need to put any of your questions or plans on pause. All ongoing requests made to Capita before 1 March 2023 will be handed over to Barnett Waddingham and responded to. Further communications will be sent to you nearer the changeover, setting out how to contact the new administrator, as well as timelines for the launch of the online tools we will be making available to you in 2023.

GMP equalisation update

We have previously told you about an important project focusing on Guaranteed Minimum Pensions (GMP). The first stage in the project is to check if the GMP held on the Scheme records agrees with that held by HMRC and is commonly referred to as GMP reconciliation. The second stage in the project is to assess and adjust benefits to equalise pensions for the inequalities caused by GMPs between men and women. This is commonly referred to as GMP equalisation.

This is an issue that impacts most defined benefit pension schemes like ours in the UK and members who joined the Scheme before April 1997. Our work on this continues. You do not need to do anything as we will be in touch if there are any changes to tell you about.



Reviewing your AVCs

If you have paid additional voluntary contributions (AVCs), it is important to check your investments regularly to make sure you are on track with your plans for retirement. The value of your AVCs is not guaranteed, and you can make changes to the way they are invested so that they remain appropriate for your needs, keeping in mind how long you have until retirement and how you plan to take them. If you do have any queries about your AVCs, please contact the administration team using the details on the back page.

Allow extra time when making your retirement plans, as new rules (known as 'stronger nudge') mean that you will be referred to a Pension Wise guidance session if you want to transfer or receive your AVCs, unless you have already taken independent financial advice about your options.

Inflation and your pension

Your Scheme pension is increased each year to help it keep pace with inflation (the increase in the cost of living), which you probably know has been at record levels this year. The Trustee is very aware of the impact that inflation has on your pension. However, it is restricted in the actions it can take by the Scheme Rules.

The Rules allow for pension increases to be calculated in line with the change in inflation as measured by the Retail Prices Index (RPI) or the Consumer Prices Index (CPI), subject to certain caps. The amount of increase and the cap that applies depend on when you earned the different elements of your pension and which legacy scheme you were a member of.

If you are retired and finding it hard to make ends meet, see if you are entitled to claim Pension Credit. This is a top-up to the State pension for pensioners on a low income. Check if you are eligible at www.gov.uk/pension-credit. If you are a woman, check if you are entitled to a higher State pension, as the Department for Work and Pensions underpaid many women who should have received something extra based on their husband's National Insurance record (<https://pensionunderpaid.lcp.uk.com>).

Everyone can get free and impartial money and debt advice through MoneyHelper (www.moneyhelper.org.uk). If you are in debt, contact Step Change for impartial advice (www.stepchange.org). Other organisations you might find useful include www.turn2us.org.uk and www.taxvol.org.

Company news

GXO Logistics, Inc. (NYSE: GXO), ultimate parent of the Scheme's principal employer and the world's largest pure-play contract logistics provider, continues to go from strength to strength.

One year on

One year on from our spin-off from XPO, GXO is no longer the new kid trying to prove itself. On 2 August, GXO (NYSE: GXO) formally marked its first year in business by ringing the opening bell at the New York Stock Exchange. It also reported banner earnings that exceeded analysts' expectations. It posted adjusted diluted earnings per share of \$0.68, up from \$0.44 per share in the year-earlier quarter, and \$0.05 per share above consensus estimates.

Adjusted earnings before interest, taxes, depreciation and amortisation came in at \$176 million, up from \$150 million. Revenue rose 15% to \$2.16 billion. GXO said it won \$475 million in new business in the quarter, a quarterly record, and 40% of its new business wins came from reverse logistics — a still underdeveloped sector within the e-commerce supply chain.

Acquisition of Clipper

GXO announced in early October this year that it had received regulatory clearance from the UK Competition and Markets Authority (CMA) for its acquisition of Clipper Logistics plc (Clipper). On 24 May 2022, GXO completed its offer, however both companies continued to be run independently pending completion of the regulatory review.

GXO Chief Executive Officer Malcolm Wilson said, 'GXO and Clipper are both industry leaders and together, we're even stronger. As one company, we expect to accelerate growth by expanding our geographic presence in key markets and verticals, bolstering our roster of blue-chip customers and enhancing the breadth of innovative warehouse capabilities we provide.'

Prior to the acquisition, GXO operated more than 900 facilities globally, totalling approximately 200 million square feet, with 120,000 team members. With Clipper, GXO gains more than 50 sites, 10 million square feet, and 10,000 team members. The deal gives GXO a presence in Germany and Poland, and in the life sciences sector, and adds expertise in premium services, including reverse logistics and repairs, which are key growth areas for GXO.

Looking after the Scheme

The Scheme is managed by a trustee company called GXO Logistics Trustee Limited. It has a board of directors, with some appointed by the Scheme employer and some nominated by the members of the Scheme. There is also an independent Chair.

Your Trustee directors

Dalriada Trustees Ltd, represented by
Vassos Vassou (Chair)
Adam Parker
Christopher Wells*
David Thomas
Peter Shaw*
Zeeshan Naqvi

*nominated by members.

In-house support

Robert Egginton, Pensions Manager

Advisers to the Trustee

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

Actuary

Will Rice, Barnett Waddingham

Administrator

Capita
Barnett Waddingham (from 1 March 2023)

Auditor

Crowe UK LLP

Investment adviser

Mercer Limited

Legal adviser

Squire Patton Boggs (UK) LLP

Banker

National Westminster Bank

Scheme Secretary

Premier Pensions

Could you be a Trustee?

Next year, we will be looking for new member-nominated directors (MNDs) to join the Trustee board, when the current term of office for one of our MNDs comes to an end.

MNDs are people just like you, who understand the importance of a good pension scheme. While it is a big responsibility, it is also very rewarding and a chance to learn new skills. An interest in pensions is key, and full training is provided.

The Trustee is keen to welcome applications from all members regardless of your age, background, location or level of experience. If you would be interested in putting yourself forward to stand as an MND, look out for a communication early next year inviting applications.

If you want to find out more about the role before the application process starts, you can get more information from the 'Becoming a new pension trustee' section of the Pensions Regulator's website.

Scheme finances

Financial highlights

The information on these pages is a summary of the Trustee's annual report and financial statements for the year to 31 December 2021. 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*	1,087,926
Money in less money out	(39,604)
Return on investments	33,752
Value of the Scheme at the end of the year*	1,082,074

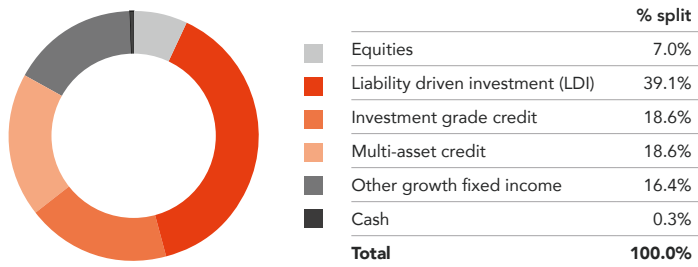
*includes members' AVCs.

MONEY IN	£'000
Scheme employer contributions	1,000
Other income	6
Total money in	1,006

MONEY OUT	£'000
Pensions paid to members	(36,357)
Payments to leavers	(3,077)
Administration costs	(1,176)
Total money out	(40,610)

How are the assets invested?

The Trustee determines the investment strategy for the Scheme after taking advice from its investment adviser. As at 31 December 2021, the Scheme's assets were split across the following investments:



If you would like to know more about the Scheme's investments, you can read the Trustee's formal investment policy in the Statement of Investment Principles (SIP) and the Implementation Statement, which you will find at: <https://sites.google.com/view/gxopensionscheme/home>

Membership

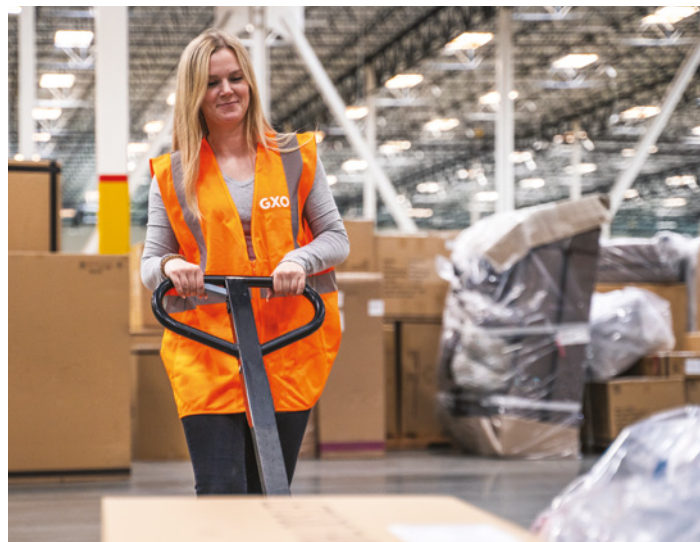
As at 31 December 2021, you were one of 10,338 members in the Scheme.

4,162

Deferred members

6,176

Pensioners



Summary Funding Statement

This Summary Funding Statement shows the Scheme's funding position as at 31 December 2019, the date of the last full actuarial valuation, alongside the annual updates as at 31 December 2020 and 31 December 2021.

How is the Scheme's financial security measured?

An in-depth look at the Scheme's finances, called an actuarial valuation, is carried out at least every three years. It is an important part of checking the Scheme's financial health. The Scheme actuary, a qualified, independent professional, carries out this work for the Trustee. In the years between valuations, the actuary provides an approximate funding update.

In the valuation, the actuary compares the value of the Scheme's assets with its liabilities. If the assets are lower than the liabilities, the Scheme is said to have a 'shortfall'. If the assets are greater than the liabilities, this is called a 'surplus'.

What is the Scheme's financial position?

	Valuation 31 Dec 2019	Update 31 Dec 2020	Update 31 Dec 2021
Market value of the Scheme's assets*	£1,023m	£1,084m	£1,079m
Value of the Scheme's liabilities	£1,033m	£1,120m	£1,055m
Surplus/(Shortfall)	(£10m)	(£36m)	£24m
Funding level	99%	97%	102%

*excluding members' AVCs.

The estimated funding position as at 31 December 2021 shows an improvement in the funding level since the previous update as at 31 December 2020. The main reason for this change is better-than-expected returns on the Scheme's growth assets. The liabilities have also fallen due to a rise in gilt yields over the period, but this was mostly offset by an equivalent fall in the liability driven investment (LDI) assets, which are designed to match movements in the value of the Scheme's liabilities.

Overall, the funding level has improved since the valuation date of 31 December 2019, from 99% to 102%. The next full actuarial valuation will take place as at 31 December 2022.

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' 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 defined benefit 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 (PPF) 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 is the Scheme not 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 2021. 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.

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!

Remember to tell the administrator, Capita, if there are any changes to your personal circumstances (e.g. marital status) or address details.

GXO