



PENSIONS NEWS

FOR MEMBERS OF THE BG PENSION SCHEME

October 2023

INSIDE: • Meet our new Chair • Financial highlights • Investment update • Scheme funding

WELCOME

Welcome to the first BGPS newsletter to be published in line with our new timetable of every autumn, following last year's bumper crop of two.



In the last newsletter I noted that we would be undertaking the triennial valuation of the Scheme in 2023. This is a full financial health check undertaken with the assistance of the Scheme actuary, looking at both the assets and expected liabilities, to gauge if there are sufficient assets (or expected contributions) to ensure that all pensions will be paid on time and in full through the life of the Scheme.

I am pleased to tell you that, measured on an ongoing basis (called the 'Technical Provisions'), the actuary calculates that the Scheme is fully funded, with assets sufficient to cover 102% of your pension entitlements. Moreover, the Scheme is now funded to a level of 100% when measured against our long-term objective of self-sufficiency. This objective was set at the time of the closure to accrual in 2013 and is designed to give a high level of confidence that the Scheme can operate independently of the sponsor, with a very low-risk investment strategy. The ambition we set for the Scheme in 2013 was to achieve this level of security by 2028,

and we are delighted to have arrived a little ahead of schedule. Further details on both the Technical Provisions funding level and the self-sufficiency position can be found on **pages 14 to 15**.

As we have moved towards full funding on both bases, we have steadily been removing risk from the investment portfolio, as progressively less return in excess of our 'risk-free' measure of the pension liabilities has been needed to bring us to our goals. During the past year, we have continued to run off some of the more illiquid assets, including property and insurance-related securities, and also reduced holdings of high-quality credit, in favour of government bonds. This has allowed us to achieve an even closer 'match' between the assets we hold and our pension obligations. Now that we have achieved our self-sufficiency' objective, we are considering the next steps for the longer term, to find the best way to 'lock in' this level of security for members' benefits against possible future shocks. More details of developments in the investment strategy to date can be found on **page 12**.

An important investment-related activity for your trustees over the past year has been the production of our first report about how we take climate change risks and opportunities into account when making investment decisions. We are required to undertake analysis and set objectives which are consistent with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Turn to **page 6** for a summary of what is included in our first Climate Change Report.

Over the past few months, data and identity theft have been much in the news, with large organisations, including pension funds, being targeted by cyber criminals. Your Trustee Board has the security of your data under constant review, but we urge you to be vigilant as well. If you are sharing your personal information, with an Independent Financial Adviser or other third party, ensure you know how your information will be protected. This is in addition to our perennial warning about pension scams. For your information, we have provided some pointers about scams on **page 7**.

After some personnel changes which I reported in the last newsletter, we have had no further trustee or team changes. However, as this newsletter goes to print, there is one imminent change to report. After 17 years chairing your Scheme, I am stepping down and passing the baton to my Capital Cranfield colleague, Richard Hubbard. Richard has written a few words to introduce himself on **page 5**. I have no doubt that the Scheme will be in safe hands.

Of course, no matter Richard's ability, a large part of my confidence for the future stems from the remarkable strength in

depth the Scheme and its members can draw on in both the Trustee Board and the Trustee Support Unit at Shell. During my time with the Scheme, I have been very privileged to work with Trustee Directors and team members, at both BG and Shell, of the very highest calibre and commitment. There are too many to mention, but they have made my work with the Scheme rewarding and a pleasure. I thank them all and wish the Scheme and its members the very best for the future.

Martin Jones

Chair of Trustees, BG Pension Scheme

Contents

Your Trustee Board	4
Scheme noticeboard	6
Financial highlights	10
Who's in the Scheme?	11
Investment update	12
Summary Funding Statement	14
Contact us	16

Your Trustee Board

The Scheme is run by a corporate trustee called BG Group Pension Trustees Limited. The Board has seven Trustee Directors including an independent Chair, three directors appointed by the Company and three directors who are elected by members of the Scheme, known as Member Nominated Directors (MNDs).

Independent Chair	Martin Jones, Capital Cranfield Pension Trustees Ltd (until 31st October 2023) Richard Hubbard, Capital Cranfield Pension Trustees Ltd (from 31st October 2023)
Member nominated	Ken Lynch Jon Peachey Steve Wheeler
Company appointed	Haydn Jones Tsira Kemularia Sinead Lynch
Scheme Secretary	Rachael Macpherson, Shell Trustee Services Unit





Meet your new Chair, Richard Hubbard

I am absolutely delighted to be succeeding Martin as the independent Chair of your pension scheme.

I became a professional trustee in 2019 but I have been a pension trustee and company director for more than a decade. My former career was in commercial, risk and governance roles with BP, including pension roles on both the corporate side – I controlled the funding and sponsor relationship for their schemes – and as a trustee director of a plan very similar in scale to the BG scheme. Typical of many in the energy industry, I had a varied career starting as an engineer and have worked in the downstream, upstream and on alternative energy projects, but the last half was mostly in treasury, investment and risk roles. I have degrees in engineering and supercomputing, and I am a qualified Professional Pension Trustee and member of the Association of Professional Pension Trustees.

I currently chair several mature pension schemes, helping them work through their long-term strategies, and I am also a member of the Investment Committee for the Royal Borough of Kensington & Chelsea Pension Scheme.

Away from pensions, I advise a white-hydrogen energy company and sit on the Finance and Resource committee of a local multi-academy trust. In my spare time, I enjoy sailing, mountain biking or can be found in my garden and workshop.

Although I won't take over as Chair until Martin steps down at the end of October, I have been attending Scheme meetings since June. I have been made to feel thoroughly welcome by the Trustee Board and all involved in managing our Scheme. There is still a lot to learn, but I am grateful to the Trustee Services Unit team for a really well managed induction.

After 17 years in post, Martin leaves big shoes to fill, but the Scheme is in a very good state with a high funding level, a relatively low-risk investment strategy, a strong Trustee Board and a strong covenant.

Scheme noticeboard

Climate Change Report available now

As a long-term investor, making sure the Scheme's assets are invested responsibly and sustainably is important to the Trustee, and we want to invest in order to pay benefits in a way that takes into account broader social and environmental concerns. As such, we have now published our first climate change risk assessment report, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

This report details the Trustee's approach across the four pillars of TCFD:

- **Governance:** How the Scheme's oversight of climate-related risks and opportunities is managed. This includes monitoring parties that support the Trustee in identifying, assessing and managing climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the Scheme's strategy and financial planning. The Trustee has undertaken climate scenario analysis, in order to assess the resilience of the Scheme to climate risks.

- **Risk management:** The processes used by the Scheme to identify, assess and manage climate-related risks. This includes the processes by which risks are identified, as well as how the different climate-related risks to the Scheme interact and are otherwise integrated into wider Scheme considerations.
- **Metrics and targets:** The metrics and targets used to assess and manage relevant climate-related risks and opportunities. The agreed metrics by which the Trustee will measure progress are: Absolute Emissions: Total Greenhouse Gas (GHG) Emissions Financed; Emissions Intensity: Carbon footprint; Additional climate related metric: Data coverage of emissions (quality metric); Portfolio Alignment Metric: Binary Target Measurement. The Trustee has also set an objective for the Scheme to improve corporate bond data coverage of emissions and alignment metrics to 75-80% by 31 March 2024 (72.5 % as at 31 March 2023).

You can view the report at <https://pensions.shell.co.uk/bg-pension-scheme.html>

BWebstream makes it easy to manage your pension

If you haven't already registered for BWebstream, our administrator's online portal for members, please consider doing so. It's a great way to help you manage your pension online, whenever and wherever suits you.

- Security and safety are at the heart of this service
- Access to your pension information is simple
- It's so easy to send and receive information securely – there's no risk of letters and quotes getting lost in the post!

Barnett Waddingham will be introducing new functionality to the system in the coming months, so if you've signed up for BWebstream, they'll drop you a line to let you know when these new add-ons are ready to use.

Register at <https://logon.bwebstream.com>

If you have forgotten or misplaced your login details, give the team at Barnett Waddingham a call (0141 447 0799) and someone will be able to help you get back online.

Stay alert to the risk of pension scams

Anybody can become a victim of a pension scam, and the number of people being scammed out of their retirement savings is growing. Pension scammers often pose as advisers, offering seemingly attractive 'investment opportunities' to encourage you to transfer your retirement savings into their funds. These scams could result in the loss of all your retirement savings and you could also face significant tax penalties.

Never discuss your pension with someone who contacts you out of the blue (this could be by phone, email or on social media) and be especially wary if you are working with an adviser who is based overseas. We cannot process a transfer if non-regulated advice has been provided.

This is a real issue for our members. Over the last year, the Trustee has blocked transfers from the Scheme where signs of a potential scam have been identified, and we have also seen that they are becoming increasingly sophisticated.

Find out more at www.fca.org.uk/consumers/pension-scams

Rise in the minimum pension age

On 6 April 2028, the statutory normal minimum pension age will go up from age 55 to age 57. This is set by the government and it's the earliest age most pension savers can access their benefits, except in cases of ill health.

However, members of the Scheme have a 'protected pension age'. This means they have the right under the Scheme Rules to retire at 55 when the new rules come into force. If you transfer your pension to another pension scheme, it's important to realise that you may lose your protected pension age.

If you do want to consider taking your pension at any time from your 55th birthday, please get in touch with Barnett Waddingham who can let you know by how much your pension will be reduced to take account of the fact that it will probably be paid for longer.

Delays to the pensions dashboard

The government has announced a further delay to the pensions dashboard project, which is now not expected to launch until October 2026. Staging dates for pension schemes to join the complex programme will be set out in guidance rather than by legislation, allowing the government and the pensions industry to work together more flexibly.

The dashboard aims to provide a single point of reference for members to view information about their pension savings, as well as potentially offer a means of reuniting people with their lost pension pots.

When our Scheme goes online, we'll want to be sure that all our member data is up to date, so please do let Barnett Waddingham know if your contact details change.

Pension increases

Pensions in payment from the Scheme are reviewed in April each year and normally increase in line with inflation, as measured by the Retail Prices Index (RPI). The four pension increases awarded up to and including April 2023 were as follows:

April 2023	12.6%
April 2022	4.9%
April 2021	1.1%
April 2020	2.4%

No discretionary increases were applied during the year.

Members who elected to receive increases to their deferred pensions that were restricted to the lower of the Consumer Prices Index (CPI) and RPI, received an increase in line with CPI of 10.1%. This was to prevent their protected Lifetime Allowance status being lost because of the standard increases that would otherwise be applied.

The next increase to pensions in payment will be in April 2024.

Changes to tax allowances

In March 2023, the government announced changes to the pensions tax allowances.

Annual Allowance

The Annual Allowance (the amount that you can build up each year in all your registered pension schemes) increased to £60,000 from 6 April 2023.

If you are a high earner, you may have a reduced Annual Allowance, known as the 'Tapered Annual Allowance'. From 6 April 2023, the minimum Tapered Annual Allowance is £10,000.

You may also have a reduced Annual Allowance if you've started to access benefits flexibly from a defined contribution or 'money purchase' pension scheme.

The rules governing the Annual Allowance and Tapered Annual Allowance are complicated. You can find more information on the Annual Allowance at **www.gov.uk/tax-on-your-private-pension/annual-allowance** but you should always seek advice if you think you could be affected by the taper.

Note that the changes do not affect allowances for the 2022/23 tax year.

Lifetime Allowance

The government has announced plans to abolish the Lifetime Allowance (LTA), the maximum amount of pension benefits you can build up tax-efficiently over your lifetime, from 6 April 2024.



The government has already introduced legislation to prevent individuals from becoming liable to the Lifetime Allowance charge from 6 April 2023 onwards. Further changes are expected to support the removal of the Lifetime Allowance altogether from 6 April 2024. You can find out more at **www.gov.uk/tax-on-your-private-pension/lifetime-allowance** or log in to BWwebstream, click on View documents and then click on Scheme > FAQs where you will find a new version of the LTA FAQ.

Financial highlights

The table below provides a summary of the Scheme's financial transactions over the year ending 31 March 2023, which are set out in a formal report and set of accounts. The information in the report and accounts is audited by Crowe UK LLP, to provide reassurance to our members that the Scheme's transactions are all above board.

You can download a copy of the full report from <https://pensions.shell.co.uk/bg-pension-scheme.html>. The Scheme's privacy policy can also be found here.

Value of Scheme at 1 April 2022	£2,093m
Investment income	£18m
Benefits paid	(£50m)
Change in market value of investments	(£616m)
Value of Scheme at 31 March 2023	£1,445m

Who's in the Scheme?

Scheme membership at 31 March 2023

Total membership 1,893

Deferred members



906

Pensioners



987



Investment update

The Scheme's year

Over the year to 31 March 2023, the Trustee implemented a number of changes to the Scheme's investment strategy. In December 2022, the interest and inflation hedge ratios were increased from 90% to 95%, due to improvements in the Scheme's funding position, and the Board also agreed to increase the target allocation for the matching assets and liquidity from 67% to 80%.

Over the year to 31 March 2023, the Trustee carried out a number of transfers between managers as it sought to de-risk the Scheme's investments. Money was moved from property and emerging market debt funds into Insight's Liability Driven Investment (LDI) fund, among other transactions.

How are the Scheme's assets invested?

The chart shows the Scheme's strategic target asset allocation as at 31 March 2023, following the changes introduced by the Trustee earlier in the Scheme year.

If you would like to know more about the investment strategy, you can find a copy of the Scheme's Statement of Investment Principles (SIP) at <https://pensions.shell.co.uk/bg-pension-scheme.html>



Multi-asset liquid credit	8%
Asset-backed securities	8%
Emerging market debt	4%
Corporate bonds	25%
Liability Driven Investment (LDI)	55%



Investment managers

The Scheme's assets were divided between seven investment managers as at 31 March 2023 as follows:

Property	CBRE
Emerging market debt	Wellington Management
Asset-backed securities	TwentyFour Asset Management
Multi-asset credit	Henderson Investment Management
Illiquid credit opportunities	M&G Investment Management
Liquidity	Insight Investment
Insurance-linked securities	SCOR Investment Partners
Corporate bonds	M&G Investment Management
Liability driven investment	Insight Investment

Investment performance

The Scheme delivered a negative absolute return of 29.1% over the year to 31 March 2023, marginally underperforming its benchmark return of -27.9% by 1.2% over the 12-month period.

The table below shows the performance of the Scheme's investments over the one-year and three-year periods to 31 March 2023.

	1 year %	3 years % p.a.
Return	-29.1%	-7.4%
Benchmark	-27.9%	-7.1%

Although these figures show a reduction in the Scheme's assets, the reduction is in line with a fall in the Scheme's liabilities, resulting in a stable overall funding position (the ongoing funding level as at 31 March 2020 was 95% and as at 31 March 2023 was 100%).

It is important to bear in mind that pension payments made to Scheme members are not linked to movements in the financial markets but are defined by the Trust Deed and Rules and set when the member retires. Therefore, recent market events have not affected the pensions due to members and their beneficiaries.



Summary Funding Statement

For the period ending 31 March 2023

As someone entitled to benefits from the Scheme, the following information is to update you on the Scheme's funding position. We will continue to provide statements like this. The last statement covered the year ending 31 March 2022.

The latest Scheme funding valuation

The latest full valuation of the Scheme looked at the position as at 31 March 2023. The results are shown in the table below, alongside the valuation results from 31 March 2020.

	Valuation 31 March 2023	Valuation 31 March 2020
Value of Scheme assets	£1,445m	£1,974m
Value of members' benefits	£1,416m	£2,081m
Surplus/(Shortfall)	£29m	(£107m)
Funding level (ongoing)	102%	95%

As part of the valuation, it was agreed that no further payments need to be made by the Company as at 31 March 2023.

In addition, as part of the acquisition of BG Group by Shell, Shell Petroleum NV agreed to guarantee the liabilities of the Scheme until 2033 up to a cap. The cap is £1 billion until 2028 and from 2029 to 2033 a lower number, which will depend in part on the size of any shortfall at the end of 2028.



Change in the ongoing funding position

The next formal valuation of the Scheme will be at 31 March 2026.

The latest solvency position

As well as assessing the ongoing funding position of the Scheme, the 'buy-out cost' of securing members' benefits in full with an insurance company, had the Scheme been wound up, was estimated. On 31 March 2023, the Scheme's assets covered 100% of the £1,452m estimated buy-out cost. The disclosure of this assessment (known as the solvency position) is a statutory requirement and does not imply that the winding-up of the Scheme is being considered.

Payments to employers

No payments of surplus have been made from the Scheme to the employers participating in the Scheme in the last 12 months (or at any other time).

No intervention by the Pensions Regulator

In certain circumstances, the Pensions Regulator has powers to intervene in a scheme's funding plan, by changing the future accrual of benefits, setting the level of the statutory funding objective, setting the terms of the recovery plan for meeting the statutory funding objective and/or imposing a schedule of contributions. The Pensions Regulator has not used any of these powers in relation to the Scheme

Where can I get more information?

If you have any questions or would like more information, please contact the Scheme administrator using the details on the **back page**.



Contact us

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



Email us:

BGPS@Barnett-Waddingham.co.uk



Call us:

0800 004 2009 (UK only)

+44 (0) 1494 788 814 (from overseas)



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Go online:

<https://logon.bwebstream.com>

<https://pensions.shell.co.uk/bg-pension-scheme.html>