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For members of the BG Pension Scheme

October 2024





Welcome

I took over from Martin Jones last October, so this is my first newsletter as Chair.

You may recall in Martin's introduction last year, he reported record funding levels and that we were 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. I am very pleased to say the Scheme continues to go from strength to strength, and funding has improved further over the last year.

As you will have seen in our previous newsletters, one of the Trustee Board's ongoing objectives is to manage the risks within the Scheme to maximise the security of members' benefits and the Trustee Board has, for many years, pursued a strategy to fund the Scheme to a level that minimises future reliance on the Shell companies who sponsor the Scheme (the Company). As part of this strategy, which was agreed with the sponsoring employer when the Scheme was closed to future accrual in 2013, the Company has made significant contributions to the Scheme and has supported the Trustee as it has materially reduced the investment risk over time. The agreed target for reaching this milestone was 2028. Following accelerated improvements in the funding position in recent years, which has improved the security of your benefits, the Scheme has reached its target level of funding ahead of time.

As the Trustee of the Scheme, our main responsibility is to ensure that all benefits to you and your dependants are paid on time and in full, now and until all benefit commitments have been met. Improvements in the Scheme's funding position in recent years have enabled the Trustee to take an important step in further improving the security of the benefits payable from the Scheme, by investing in an insurance policy with Legal & General Assurance Society Limited (L&G). This policy replaces the previous investments held to support the Scheme's benefits.

The payments made by L&G to the Trustee under this policy will be used to fund all current and future benefit payments as they fall due. This means that the funding risks associated with the BGPS have been further reduced, which will benefit all members.

The Trustee strongly believes that the buy-in is in the interests of members because it provides a higher level of benefit security for members in the future compared to the current position.

Over the last year we have undertaken an extensive evaluation exercise to obtain proposals from insurers. Following this we selected L&G, which is not only a hugely respected name that I'm sure our members will recognise but was also able to meet all of the requirements we set going into the process.

You should have recently received a letter explaining the transaction, but it is worth highlighting some key points:

- The Trustee Board remains responsible for managing the Scheme in the same way as before the transaction.

- The amount of your benefits under the Scheme will not change due to the purchase of the L&G policy.
- The Company remains liable to support the Scheme in the same way as before the transaction.
- Barnett Waddingham continues as our administrator. If you are already receiving your pension, then it will continue to be paid through Barnett Waddingham in the same way and on the same date as previously. Your contacts for information about the Scheme are unchanged.
- In addition to the protection provided by the regulatory framework supporting pension schemes, we now benefit from the protection of the insurance regulators, the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and the protection of the Financial Services Compensation Scheme (FSCS), the insurance industry compensation scheme.
- There are no changes to the current AVC arrangements which will remain with Aegon. Barnett Waddingham will continue to administer these arrangements as before.

Cyber threats are ever present, so I would like to remind you again of the importance of being vigilant. This is a continuing battle between clever and well-resourced people determined to damage or defraud us and our cyber defences. Your Trustee Board has the security of your data under constant review, but we urge you to be on your guard as well. If you are sharing your personal information with any third party, make sure you know how your information will be protected and never disclose information that would allow access

to your financial affairs. This is in addition to our perennial warning about pension scams. For your information, we have provided some pointers about scams on page 6.

In my first year in post, I have been impressed by the strength and depth of the pension organisation. You have an excellent Trustee Board with diverse skills and perspectives and a dedicated and highly professional support team in the Trustee Service Unit.

Richard Hubbard

Chair of Trustees, BG Pension Scheme

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Scheme noticeboard

Your pension at your fingertips

The Scheme administrator, Barnett Waddingham, has upgraded the member portal with a new look and a new name. Clarity from BW (formerly BWebstream) is a great way to keep track of your pension and up to date with news from the Scheme. You can find it at **account.claritybw.co.uk**

You can use Clarity from BW to:

- view and update your personal details
- change or update your mailing preferences
- update your expression of wish
- see the value of your deferred pension
- check the balance of your AVC fund
- request a retirement quote or transfer value (non-pensioners only)
- view your pension payslips and P60 (pensioners only)
- change your bank account details (pensioners only)

If you haven't yet registered to use the member portal or have forgotten your login details, go to **account.claritybw.co.uk** and follow the online instructions for *Create an account* or *Trouble logging in?*



Pension increases

Scheme pensions in payment, excluding the Guaranteed Minimum Pension (GMP) component, are reviewed in April each year and normally increase in line with inflation, as measured by the Retail Prices Index (RPI) for the previous September. Annual increases on the GMP component (accrued after 5 April 1988) for pensioner members over GMP age are based on the Consumer Prices Index (CPI) up to a maximum of 3%.

The RPI pension increases awarded up to and including April 2024 were:

April 2024	8.9%
April 2023	12.6%
April 2022	4.9%
April 2021	1.1%

No discretionary increases were applied during the year. The next increase to pensions in payment will be in April 2025.

In the past, some members elected to restrict increases to their deferred pension at the lower of RPI and the Consumer Prices Index (CPI) to prevent the loss of their protected Lifetime Allowance (LTA). Following the abolition of the LTA, there is no longer a requirement to limit increases in this way.



A reminder about the minimum pension age

As reported in previous issues of *Pensions News*, the normal minimum pension age is going up from age 55 to age 57 in April 2028. Set by the government, this is the earliest age most people can access their pension benefits, apart from in cases of ill health.

However, members of the Scheme have a protected pension age, which means, under the Scheme Rules, you can still choose to retire at age 55 when the new minimum age comes into force. Please note that if you transfer your pension to another pension scheme, you may lose this protected pension age.

If you do want to take your Scheme pension at any time after your 55th birthday, please contact Barnett Waddingham for a retirement quote. When taking your benefits before age 60, your pension will be reduced to account for the fact that it will be paid for longer.

Pensions dashboards

The pensions dashboards project is a government-backed initiative which will allow people to access information about their pensions across different schemes and with different providers all in one place, including the State pension. It aims to increase people's awareness and understanding of their pensions, help them plan for retirement and make informed decisions, as well as find any pension schemes they may have lost touch with.

Schemes are being invited to join the dashboards gradually, according to their size and type, and we are working to be ready for our connection date in early 2026. The intention is for all pension schemes to be online by October 2026, but it has not yet been announced when the pensions dashboards will be available to the public.

Be scam smart

Unfortunately, the danger from pension scams continues, and they're becoming ever more sophisticated. The use of artificial intelligence (AI) by fraudsters is making scams more convincing and harder to spot. While the methods may vary, the purpose is always to get personal information and money.

Examples of AI scams include deepfakes (a video where a person is digitally manipulated to look like someone else), voice cloning (where victims are convinced they're having a genuine phone conversation with a person) and chatbot phishing (with text that replicates the tone and coherence of legitimate messages).

Things to watch out for are the small details on videos, particularly in people's faces. Note any inconsistencies and discrepancies, and pay attention to tone of voice, as AI scams usually lack emotion.

Don't

- be rushed or pressured – take the time to make all the checks you need. If a deal sounds too good to be true, it probably is!

Do

- reject unexpected pension offers – a free offer out of the blue is probably a scam
- check who you're dealing with by using the Financial Conduct Authority's financial services register **register.fca.org.uk/s/**
- get impartial advice – MoneyHelper provides free, independent information and guidance **www.moneyhelper.org.uk**



Pensions and tax allowances

As we reported in last year's *Pensions News*, the Lifetime Allowance (LTA) was abolished on 6 April 2024, and two new allowances were introduced.

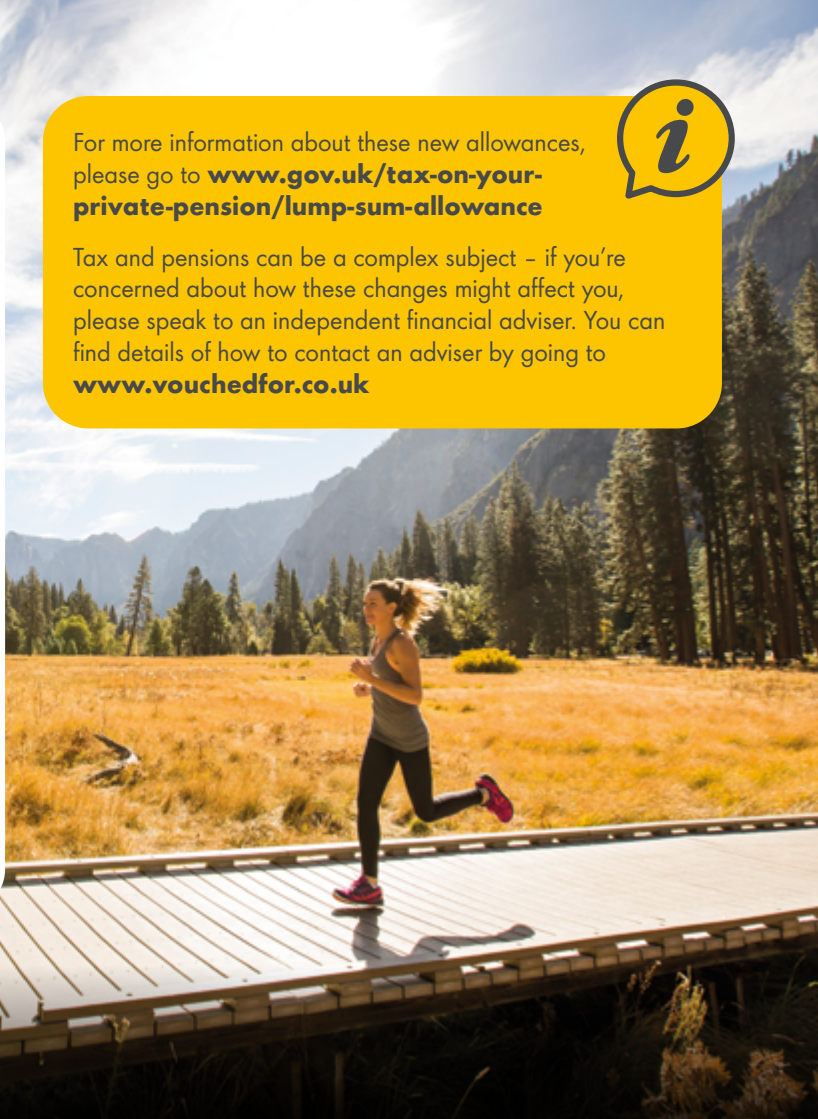
The LTA was the limit on the total amount of pension savings you could build up over your lifetime without facing additional tax charges. It also provided a limit to the amount of tax-free cash a person could take in their lifetime. There are still restrictions on the value of the lump sums that you or your dependants can receive without paying tax. There are two new tax-free allowances:

- The Lump Sum Allowance (LSA)
- The Lump Sum and Death Benefit Allowance (LSDBA)

You can still take a Pension Commencement Lump Sum (PCLS), often called the tax-free lump sum, although you should note that to be a PCLS, the lump sum must satisfy certain conditions. One of these conditions limits the amount of the PCLS to the 'permitted maximum'. Another means you must not have used up all of your LSA. You can find more detail on the PCLS at www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm063210

For more information about these new allowances, please go to www.gov.uk/tax-on-your-private-pension/lump-sum-allowance

Tax and pensions can be a complex subject – if you're concerned about how these changes might affect you, please speak to an independent financial adviser. You can find details of how to contact an adviser by going to www.vouchedfor.co.uk



Equality in pensions

During 1978 to 1997, employers were able to contract out of part of the State pension scheme and, in return for providing a Guaranteed Minimum Pension (GMP), employers and employees paid lower National Insurance contributions. There are two exercises relating to GMP that the Trustees of the Scheme are required to undertake.

GMP rectification – we are required to reconcile your GMP against records held by HMRC to make sure our pensioners are receiving the correct amount and, where needed, adjust benefits to reflect the correct GMP entitlement to be paid from the Scheme. If this affects you, we wrote to you in August, and your pension will have changed in October 2024. Deferred members will not see a change in their benefits.

GMP equalisation – in October 2018, a High Court judgment ruled that pension schemes must ensure that GMP built up between 17 May 1990 to 5 April 1997 is equalised so that members are not worse off because of their gender. When you earned this part of your pension, the GMP for men and women was different and sometimes this results in small inequalities in the overall Scheme pension. If this affects you, we will write to you next year. Please note that no pensions will be decreased for GMP equalisation, while any increases are expected to be very modest.



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 of the directors are appointed by the Company, and three are elected by members of the Scheme and are known as Member Nominated Directors (MNDs).

Independent Chair	Richard Hubbard, Capital Cranfield Pension Trustees Ltd	Company appointed	Haydn Jones Tsira Kemularia Sinead Lynch
Member nominated	Ken Lynch Jon Peachey Steve Wheeler	Scheme Secretary	Rachael Macpherson, Shell Trustee Services Unit

Ken's and Jon's current terms as MNDs will come to an end in September 2025, and the Trustee Board will be contacting all eligible members to seek nominations in the spring of 2025.



Who's in the Scheme?

Scheme membership at 31 March 2024

Deferred members



870

Pensioners



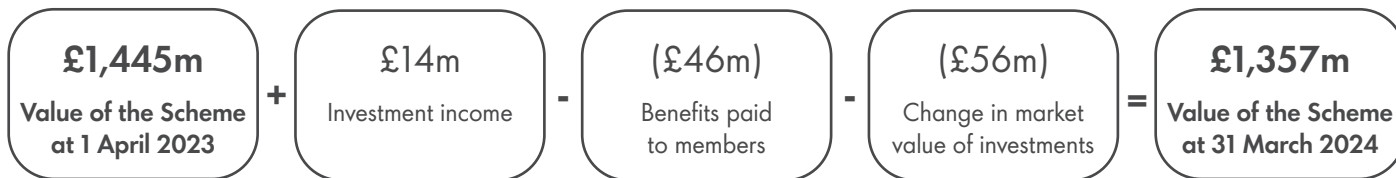
1,018

Total 1,888

Financial highlights

The table below provides a summary of the Scheme's financial transactions over the year to 31 March 2024. This information has been taken from the Scheme's formal report and set of accounts, which have been 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 pensions.shell.co.uk/bg-pension-scheme



Investment update

The Scheme's year

Over the year to 31 March 2024, the Trustee carried out a number of transfers between managers, as it continued to reduce risk and rebalance the Scheme's investments. Among other transactions, money was moved from property and corporate credit into Insight's Liability Driven Investment (LDI) fund.



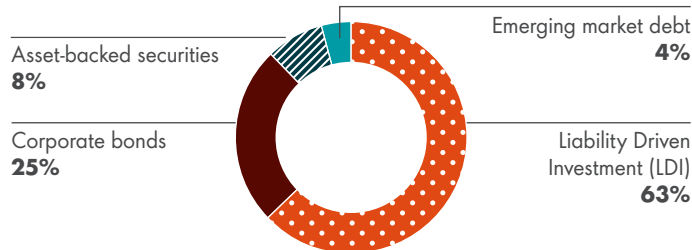
If you would like to know more about the investment strategy, you can find a copy of the Scheme's Statement of Investment Principles (SIP) at pensions.shell.co.uk/bg-pension-scheme



Changes to the investment strategy

In consultation with its advisers, the Trustee put in place a new strategic asset allocation for the Scheme in March 2024, as shown in the chart below. Under the strategy, the interest rate and inflation risk associated with the LDI assets was intended to hedge around 95% of the risk associated with the Scheme's liabilities and the allocation for Janus Henderson's multi-asset credit fund was reduced from 8% to 0% in four instalments. Implementation was completed in August 2024.

How were the Scheme's assets invested at 31 March 2024?



From September 2024, the Scheme's investments comprise primarily the L&G buy-in policy, with the remainder held in illiquid investments currently being run off and low-risk liquid assets.

Investment managers

The Scheme's assets were divided between seven investment managers as at 31 March 2024, as follows:

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

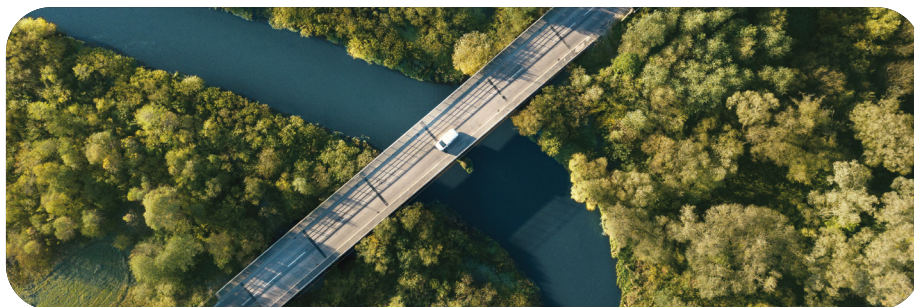
Investment performance

The Scheme delivered an absolute return of -3.6% over the year to 31 March 2024, in line with its benchmark of -3.6%. Negative relative performance was driven by the Scheme's holdings in the CBRE UK Property and M&G Illiquid Credit Opportunities investments. However, the matching assets (Insight LDI and M&G Corporate Credit) performed in line with their benchmarks; while Wellington's emerging market debt, Henderson's multi-asset credit and TwentyFour AM's bond funds achieved positive returns.

The table below shows the performance of the Scheme's investments over the one-year and three-year periods to 31 March 2024.

	1 year %	3 years %p.a.
Return	-3.6%	-10.7%
Benchmark	-3.6%	-9.9%

The one-year and three-year performance and benchmark figures reflect the combined returns for the Scheme during these periods. Where funds have been held for less than one year or three years, they are not included in the benchmark return figures.



Summary Funding Statement

For the period ending 31 March 2024

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 2023.

The latest Scheme funding valuation

The latest full valuation of the Scheme looked at the position as at 31 March 2023. Since then, the actuary has provided an annual update of the position as at 31 March 2024. The results of both the valuation and the update are shown in the table below.

	Valuation 31 March 2023	Update 31 March 2024
Value of Scheme assets	£1,445m	£1,357m
Value of members' benefits	£1,416m	£1,296m
Surplus/(Shortfall)	£29m	£61m
Funding level (ongoing)	102%	105%

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, the Scheme remains the beneficiary of a capped guarantee from the sponsor which runs until 2033.

The liability cap under the guarantee, which is provided by Shell Group Holding Limited following a group reorganisation in 2023, remains £1 billion until 2028. In a practical sense, the guarantee is expected to fall away from 2029 as the 2029-2033 liability cap is linked to any funding shortfall at the end of 2028 and no shortfall is expected.



Change in the ongoing funding position

The update shows that the funding position of the Scheme has continued to improve over the year to 31 March 2024. This is because the fall in the value of the Scheme's assets was not as much as the fall in the value of the members' benefits as assessed by the actuary. As a result, there was a net improvement in the funding position overall.

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 actuary estimated the 'buyout cost' of securing members' benefits in full with an insurance company, had the Scheme been wound up. This is known as the solvency position. On 31 March 2024, the Scheme's assets covered 102% of the £1,331m estimated buyout cost. It is a statutory requirement to share this information with you and does not imply that the wind-up of the Scheme is being considered.

Since 31 March 2024, the Scheme has purchased a buy-in insurance policy which can be used to fund current and future benefit payments. The policy replaces the previous assets held by the Scheme, and any excess assets will be held within the Scheme. As such, it is expected that the Scheme's funding position will remain broadly unchanged from one year to the next.

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.

Climate reporting

You can find the Scheme's latest Climate-change report at **pensions.shell.co.uk/bg-pension-scheme**. It follows the framework set out by the Taskforce for Climate-related Financial Disclosure and explains how the Trustee identifies, assesses and manages the climate-related risks and opportunities in the Scheme's investments.

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)

**Write to us:**

BG Pension Scheme
Barnett Waddingham LLP
Decimal Place
Chiltern Avenue
Amersham
Buckinghamshire HP6 5FG

**Go online:**

Barnett Waddingham's member portal (formerly BWebstream)
is now called Clarity from BW.

account.claritybw.co.uk

pensions.shell.co.uk/bg-pension-scheme