AVON

LET'S TALK PENSIONS

Summer 2024

For members of the Avon Cosmetics Pension Plan

WHAT'S **INSIDE...**

We're going digital

To continue our efforts to reduce our carbon footprint we're moving our communications online.

If you would like to continue receiving this newsletter and other Plan communications via post, please let the Pension Team know using details on page 19.

A MESSAGE FROM **THE CHAIR**

Welcome to another issue of '**Let's talk pensions**'. Inside, you'll find an update on the Plan's finances, alongside pension news and articles to support you, wherever you are on your savings journey.

In the past few months, there's been a lot of talk in the news about the closure of the Body Shop stores across the UK. If this has caused any uncertainty around the security of the Plan, we'd like to reassure you that the Trustees are in regular contact with Avon who are sharing information when available, and the Plan's funding remains in a good position – with the funding level sitting at 112% as at 1 January 2023.

The Trustees are currently carrying out an actuarial valuation of the Plan, as at 1 January 2024, where they will further assess the funding. We plan to share the key results of the valuation in next year's newsletter, however, initial indications are that the funding level has been maintained.

We are aware that it is the Trustees' responsibility to ensure the Plan is always run in the best interests of you, the members. With that in mind, we are in the process of appointing a third-party administrator to the Plan, Isio, with the transition of administration services to be completed in the Summer.

This issue features:

- A summary of the Plan's latest available funding position as at 1 January 2023 (page 7)
- An update on investment performance over the year to 1 January 2023 (pages 5 and 6) and some commentary on what happened over 2023 and early 2024
- Tips for keeping your hard-earned money safe from scammers and cybercriminals (page 13)
- Actions you can take today to help you prepare for life after work – even if retirement might feel a long way off (page 15)
- An update on the management of the Plan (page 16).

Thank you

Michelle Parczuk
Chair of Trustees

Michelle Parczuk
Chair of the Trustees

Help us help you

We're always looking to improve the communications we share with you. So, if you have any ideas for future issues of **Let's talk pensions**, we'd love to hear from you! Please reach out to us using the contact details on page 19.

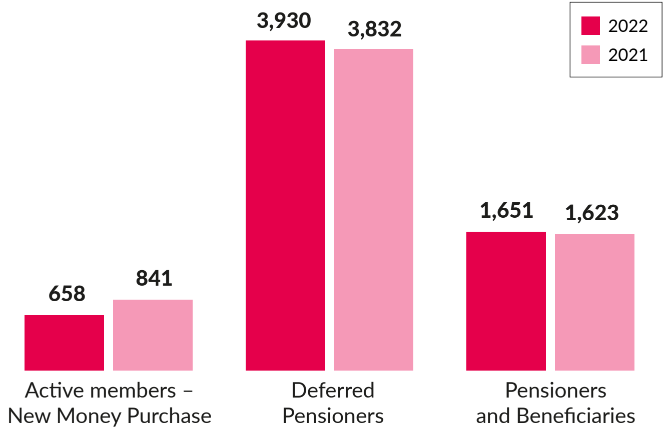
THE **HEADLINES**

The financial health of the Plan remains excellent, with the funding position broadly unchanged as at 1 January 2023 (see page 7) and likely to be maintained as at 1 January 2024, based on initial indications.

Below we have shown the value of the Plan's assets and the number of Plan members in the New Money Purchase Section (NMPS), Final Pay and CARE sections of the Plan as at 31 December 2022.

	Assets as of 1 January 2022	**£568.4m**
+	Company and member contributions, investment and other income	£15.5m
–	Decrease in market value	£152.8m
–	Benefits paid and leavers	£16.3m
–	Investment management expenses	£2.3m
	Assets as at 31 December 2022	**£412.5m**

How many members?



Why Plan assets have reduced

The reduction in asset value over the year to 31 December 2022 is due to significant changes in market conditions over this period.

For example, the Plan's assets in the Final Pay and CARE sections are designed to partly match the present value of member benefits. During 2022, long-term interest rates rose leading to a fall in the present value of member benefits (i.e. liabilities). The value of the 'matching' assets decreased in line with this fall, which avoided a large deficit emerging.

INVESTMENT UPDATE – **NEW MONEY PURCHASE SECTION**

Market performance

Following another difficult year in 2022, investment markets settled and started to recover in 2023.

Equity markets delivered strong performance over the year. Developed markets contributed double digit returns during the year and climate focused strategies were boosted in the second half of the year as the energy crisis stimulated bigger investment into the renewable energy sector. Bond yields also materially recovered, particularly in the second half of the year.

Interest rate rises have been put on hold from the central banks but remain high relative to pre-pandemic levels. However, there is an expectation that interest rates will start to come down in 2024 as inflation settles back toward target levels.

What does this mean for your pension savings?

Members of the NMPS, like many members of Defined Contribution schemes, will have benefited from the recovery of the markets in 2023. Many members of the NMPS are invested in Scottish Widow's Passive Multi-Asset IV and Passive Multi-Asset III funds, both of which are predominately invested in global equity and bond markets. Both funds produced positive growth during 2023 of 12.21% and 10.70% respectively.

INVESTMENT UPDATE – **FINAL PAY AND CARE SECTIONS**

Investors faced unfavourable conditions on multiple fronts during the start of 2022. Global equities declined, delivering their poorest quarterly performance since early 2020. Global bonds fared worse, falling by the most since late 2016.

Moving throughout the year, equities and fixed-interest asset classes alike decreased globally, and the likelihood of recession increased.

Given this, the Plan's assets showed a negative return of 28.7% over the year to 31 December 2022, which was largely reflective of the fall in Risk Management assets (see below) and so were matched by a similar fall in the Plan's liabilities.

Global equity markets ended the first quarter of 2023 positively, despite volatility in reaction to policy actions and public comments from central banks. Late in the period, turbulence in the U.S. and European banking sectors caused a global equity selloff before stocks rallied.

Global equity markets surged in the second quarter, buoyed by technology stocks, positive economic data, and the resolution of the U.S. debt-ceiling standoff. The U.S. Federal Reserve maintained the federal-funds rates but signalled potential future interest rate hikes.

The third quarter saw a downturn in global equity markets amid concerns about prolonged high interest rates and China's weakening economy. Emerging markets outperformed developed markets, with strength in Nordic countries and notable losses in Europe. Within emerging markets, Europe performed well, while Eastern Europe ex. Russia lagged.

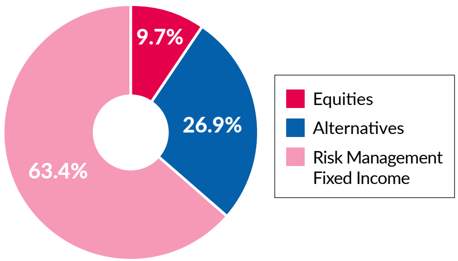
In the fourth quarter, global equity markets rallied sharply as slowing inflation raised hopes for potential interest rate reductions.

The Plan's assets returned 8.24% over the year to 31 December 2023.

Risk management

The strategic asset allocation ensures the Plan meets its return objective and aligns with the liability profile to limit the risk of assets failing to meet liabilities. The Risk Management assets aim to match the Plan's assets with the interest rate and inflation risks in the liabilities, targeting hedge ratios of 95% for both. The Return Seeking assets aim for returns above gilts and corporate bonds and are diversified across various asset classes and geographies to reduce risk while maintaining satisfactory returns.

How the Plan is invested



PLAN'S FINANCIAL 'HEALTH CHECK' – **ACTUARIAL VALUATION UNDERWAY**

Every three years, the Trustees carry out a detailed financial 'health-check' of the Defined Benefit (DB) Sections of the Plan. This is called the Actuarial Valuation, carried out by the Plan Actuary, and compares the value of the assets of the DB Sections of the Plan with the amount of money needed to provide the benefits built up by members in the DB Sections (liabilities).

When calculating the cost of providing benefits from the DB Sections, the Plan Actuary makes a number of assumptions about the future. The key assumptions are around future inflation, investment returns and how long members will live.

As part of the valuation process, the Trustees need to agree the assumptions to be used with Avon Cosmetics Limited (the Company), considering the advice of the Plan Actuary. This in turn means the Trustees need to:

- understand the effect of different assumptions on valuing liabilities;
- appreciate where there is a need for a cushion in case actual experience is worse than that assumed; and
- consider whether that cushion is large enough, taking into account the Company's financial ability and willingness to support the DB Sections of the Plan.

In addition to the full valuation every three years, we carry out funding checks in the years between valuations. The results of the most recent funding check showed that the Plan was 112% funded as at 1 January 2023, which is a slight reduction from 114% as at 1 January 2022. The reduction is due to a change in market conditions reducing the Plan's liabilities, offset mostly by a similar fall in asset values.

We are currently carrying out the Actuarial Valuation as at 1 January 2024 and will be able to update you on progress in the next annual newsletter.

Statutory information – what we have to tell you

If the Plan wound up (or came to an end)

The Trustees are pleased to confirm the Plan remains well funded and in a strong position. This means the Plan can continue to ensure members benefits are paid when they are due.

However, by law, we are required to let you know what would happen in the unlikely event the Plan was required to wind-up today.

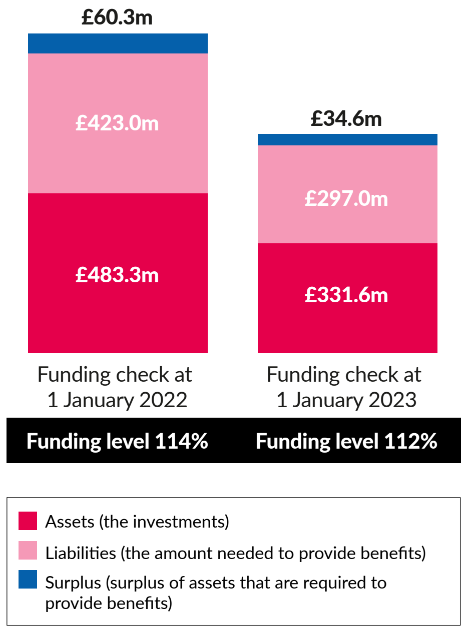
Providing this information does not mean that the Plan is thinking of winding up. We receive regular reassurances from Avon Cosmetics Limited regarding its financial strength and continued commitment to the Plan.

- If the Plan was wound up, one of the options would be for the Plan's assets to be used to buy the equivalent benefits from an insurance company.
- As at 1 January 2021, the Plan's assets were estimated to be sufficient to provide around 85% of the money needed to insure members' benefits with an insurance company. The latest valuation as at 1 January 2024 indicates this has improved.

What happens if the Plan is wound up and there is not enough money to pay all benefits?

The government has set up the Pension Protection Fund (PPF) to pay benefits to members in the event that employers become insolvent and are unable to meet their pension commitments. However, if such circumstances were ever to occur, the pension you would receive from the PPF might be less than the full benefits you had earned in the Plan, depending on your age when your benefits were earned and the size of your benefits.

Further information and guidance is available on the PPF website at **www.pensionprotectionfund.org.uk** or you can write to the PPF at: **PO Box 254, Wymondham, NR18 8DN**.



Other things you need to know

Regulations require the Trustees to confirm that the Company has not taken funds out of the Plan since the funding update provided to you. The Trustees confirm this is the case.

Regulations also require the Trustees to confirm whether the Pensions Regulator has used its powers to modify the Plan, give it directions, or impose a schedule of contributions upon it. The Trustees confirm that the Regulator has not needed to use its powers in this way for the Plan.

PENSIONS IN **THE NEWS**

The State Pension got a boost!

If you're already receiving a full State Pension, your State Pension rose to £221.20 a week (up from £203.85) from April 2024.

If you reached State Pension age before April 2016, you should be receiving £169.50 (up from £156.20).

You can check how much State Pension you could receive and when by using the State Pension forecast tool at **www.gov.uk/check-state-pension**.

The UK State Pension age is currently 66 but from April 2026 it will start increasing gradually, reaching 67 two years later.

Are you on track to have the retirement you want?

It can be difficult to know how much money you'll need when you stop working. To help you work it out, the Pensions and Lifetime Savings Association (PLSA) has released Retirement Living Standards (**www.retirementlivingstandards.org.uk**).

This resource, based on independent research by Loughborough University, provides a breakdown of how much you'll need in retirement to fund different lifestyles. So, whether you aim to cover your basic needs or desire a more comfortable lifestyle with a few luxuries, the PLSA can help you understand what that will really cost.

Once you have an idea of your retirement needs, MoneyHelper's Money Midlife MOT tool (**https://www.moneyhelper.org.uk/en/everyday-money/midlife-mot**) will help you work out if you're on track to save what you need for retirement.

Government introduces three new tax limits

Following last year's **Autumn Statement**, the government confirmed the Lifetime Allowance (LTA) would be abolished on 6 April 2024. At the same time, three new allowances have been introduced that limit the amount you (and your beneficiaries) can take as tax-free lump sums.

What was the Lifetime Allowance?

The LTA was defined as: the total amount of pension savings you could build up in your lifetime before you needed to pay additional tax. If all your pension savings and benefits together were worth more than £1,073,100, you previously would have paid tax on the amount above the limit. On 6 April 2024, the Lifetime Allowance was abolished.

What are the new limits called and what do they mean?

Following the abolition of the LTA, the government has introduced three new limits to the amount you can take from your pension savings tax-free:

1 The Lump Sum Allowance (LSA)

The amount you can take in your lifetime, either as tax-free lump sums or as tax-free elements of uncrystallised funds pension lump sums (UFPLS)*, is now limited to **£268,275** (that's 25% of the old Lifetime Allowance).

*An UFPLS is a flexible way you can choose to take your money purchase savings, either entirely in one go or a bit at a time.

2 The Lump Sum and Death Benefits Allowance (LSDBA)

The total amount that can be taken as tax-free lump sums by you in your lifetime and by your beneficiaries after your death is now limited to **£1,073,100** (the value of the old Lifetime Allowance). Anything taken above the LSDBA will be taxed at your or your beneficiary's marginal rates of income tax.

3 The Overseas Transfer Allowance (OTA)

If you're living overseas or have plans to move abroad, you have the option to either leave your benefits and savings in the Plan or to transfer out to a Qualifying Recognised Overseas Pension Scheme (QROPS). The total amount you can transfer tax-free to a QROPS is now limited to **£1,073,100** (the value of the old Lifetime Allowance).

Does this mean I don’t need to pay any tax on the amount I contribute?

While there is no longer a limit on how much you can save into your pension tax-free over your lifetime, there is still a limit on how much you can save tax-free in any given year. This is called the Annual Allowance (AA). In April 2023, the AA rose for most individuals to £60,000 (potentially reducing to £10,000 a year for high earners), so you can save more tax-free each year if it’s right for you and your circumstances.

Need help understanding how these tax allowances apply to you?

If you’re unsure what these changes mean for you, we recommend you get financial advice from an impartial Financial Conduct Authority (FCA) regulated financial adviser. Use MoneyHelper’s (**www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers**) directory to find an adviser near you.

Don’t forget: the Minimum Pension Age is changing

From 5 April 2028, the Minimum Pension Age will rise from 55 to 57, which means you’ll need to be 57 or older before you can start taking your benefits. This change was brought into law by the Finance Act 2022 on 24 February 2022.

The legislation includes a provision to protect the current minimum pension age of 55 for certain members of pension schemes. If you are considering early retirement after 6 April 2028, you should check with the Pension Team (or your current pensions provider for benefits outside of the Plan) on the rules that will apply to your savings.

IMPORTANT – **UPDATES**

NMPS benefit statements and illustrations

When reading your 2024 benefit statement, some of you will notice your projected annual pension is much higher than it was last year. This is mainly for two reasons:

- Improvements in market conditions.
- A change to statutory guidance, meaning that illustrations must now quote for a pension payable to just you and without annual increases. Previously, we had to allow for a spouse's pension and increases in payment, which is a more expensive pension to provide.

In addition, the basis on which predicted future investment returns are calculated has changed since last year, which will also change how your 2024 illustrations are prepared. So, although an increase in your projected pension might seem like great news, the 2024 illustration is not directly comparable with the 2023 illustration. Further details can be found here: **www.scottishwidows.co.uk/growthrates**.

Privacy incident update

Further to our update to you in July, we wanted to provide you with an update about the privacy incident that happened at our payroll provider Zellis, in June. After careful consideration, the UK data protection authority, who we reported this incident to, decided that Avon and subsequently the Trustees of the Scheme, have complied with the requirements under the UK GDPR, including the requirement to only use vendors that can provide adequate protection of personal data.

We reiterate there is no evidence that Avon or member data was stolen as a result of this incident and deeply regret that this incident occurred with one of the Avon vendors. The protection of your personal data is a top priority for us, and we want to assure you that we are doing everything we can to prevent such third-party incident in the future.

If you have any further questions, please contact Zellis our payroll provider at **Avon.data@zellis.com** or **(+44) 0345 013 0997**.

GET SCAM SMART, **STAY CYBER SAFE**

Did you know that 42% of pension savers – that's over 5 million people across the UK – could be at risk of falling for a pension scam? This is sadly unsurprising given the rise of sophisticated cybercrime in the UK, with an estimated 2.4 million attacks occurring in 2023 alone.

Scammers use a range of deceptive techniques to catch even the savviest of us off guard. Here are the top five techniques to look out for, and how you can outsmart them.

How do you avoid a scammer's trap?

1 The trust trap

"As a regulated financial adviser, I only want what's best for you..."

It's human nature to trust authority figures, and scammers can take advantage of this. They might even set up a professional-looking website to make themselves seem legitimate. You can make sure you're speaking with a Financial Conduct Authority-authorised company or individual by checking the Financial Services Register (**https://register.fca.org.uk/s/**).

2 The sway of social proof

"Take a look at our glowing reviews from satisfied customers! This is completely safe and trusted by thousands."

Be cautious of online reviews, as scammers can make them up. If something looks too good to be true, it probably is! Always double-check you're speaking with a legitimate organisation before handing over any details.

3 The urgency illusion

"This time limited offer ends tomorrow, so you need to decide today..."

Did you know 8% of phishing emails include the word 'urgent', (**https://www.itgovernance.co.uk/blog/51-must-know-phishing-statistics-for-2023**) making it the most frequently used word in scam emails? Scammers will rush you into making decisions before you've had time to properly think things through. Remember, a legitimate company like your pension administrator would never pressure you like this.

4 The fomo factor

"Imagine the luxurious lifestyle you could have if you invest in this opportunity. Others are already living their dreams... Why aren't you?"

Nobody wants to get left behind, right? However, FOMO (that's the fear of missing out) can force us to make hasty decisions. It's important to slow down and talk to a trusted adviser if you're having doubts. You can call 159 to speak directly with your bank if you're worried.

5 The safety illusion

"You just need to enter your details using the online portal..."

The Financial Conduct Authority (FCA) (**https://www.fca.org.uk/**) found that we're nine times more likely to accept advice from someone online than from a stranger we meet in person. The internet can sometimes create a false sense of safety, but, if you're communicating with someone online, stop and ask yourself – would I be comfortable handing over this information face-to-face?

Plus: Top tips for staying safe online

Use strong, unique passwords

Use a combination of uppercase and lowercase letters, numbers, and special characters in your passwords. Avoid anything predictable, such as dates or pet names! Use separate passwords for your accounts.

Don't take the phishing bait

Be sceptical of unsolicited messages, especially if they ask you for personal information and avoid clicking on links or downloading attachments from unknown sources.

Defend your devices

Keep your software updated as they often include security patches that keep your device safe. If in public, be cautious of people looking at your screen and always remember to lock your devices when you're not using them.

Be a wi-fi whizz

Avoid using public wi-fi networks, especially for sensitive activities, because criminals may manage to intercept data transmitted over unsecured networks. Always consider using a VPN (virtual private network) that helps you create a safe, encrypted online connection.

PREPARING FOR **LIFE AFTER WORK**

While retirement can feel a long way off, it's never too early to start planning for it.

Work out how much you'll need

It can be difficult to know how much money you'll need when you stop working. To help you out, the Pensions and Lifetime Savings Association (PLSA) has released the Retirement Living Standards (**www.retirementlivingstandards.org.uk**). This resource looks at different lifestyles – from a 'minimum' lifestyle covering your basic needs to a 'comfortable' lifestyle where you can afford a few luxuries – and breaks down how much they cost per year. The PLSA can help you understand if the future you want is the future you're on track to have.

Assess your financial situation

Once you have an idea of your retirement needs, it's important to evaluate whether you're on track. MoneyHelper's Money Midlife MOT tool (**https://www.moneyhelper.org.uk/en/everyday-money/midlife-mot**) will help you with this. Make sure you consider all your sources of income, including the Plan, personal pensions, pensions with other employers, and your State Pension.

Create a retirement plan

This includes the age you'd like to retire, how much tax you might have to pay, and how you plan to access your Plan savings. Once you've got a well-thought-out plan, it will be much easier to know what you need to do and when as you approach retirement!

Boost your contributions if you can

If you've not retired yet and you're not quite on track to receive the income you need, consider whether you can afford to contribute more now – be that to this Plan, a personal pension, or a pension with another employer. Contributing more now can help bridge the gap.

MoneyHelper's Budget Planner (**www.moneyhelper.org.uk/en/everyday-money/budgeting/budget-planner**) will help you know exactly where your money's being spent and could help you determine if you can afford to contribute a little more.

Get professional retirement advice to understand your options

If you're unsure about your options or need guidance, consider seeking professional advice from a Financial Conduct Authority (FCA)-approved independent financial adviser at **www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers**. Additionally, if you're over 50 and have a defined contribution pension pot, you can receive free, impartial advice from Pension Wise at **https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise**.

TRANSITION TO **NEW ADMINISTRATOR**

For many years, the administration of the Plan has been carried out by a specialist part of the Avon finance team. With changing regulations and personnel, the Trustees have agreed with the Company that the administration of the Plan will move to a specialist company – Isio during 2024. The transition of services is ongoing and expected to be completed by this Summer.

You should have recently received a communication from Isio, providing you with new contact details and information about their services.

This included details of how to access Isio's Pensions Platform, where you can view your member record within the Plan and update your personal details, such as your postal and/or email address, and who you'd like to receive any benefits payable when you die.

We are confident that the move to a third-party administrator will ensure that member experience in all aspects of the Plan will be maintained in the future and wanted to take this opportunity to thank everyone who has been involved in the Avon pension team over the many years of its existence.

THE COMPANY'S PROPOSAL FOR A **DEFINED CONTRIBUTION (DC) MASTER TRUST**

The Trustees are currently considering the Company's proposal to move the NMPS to a DC Master Trust. A DC Master Trust is a type of DC pension scheme that lots of different employers take part in. Each employer has its own section.

Master Trusts are managed by independent trustee boards that make decisions on behalf of all the members of the scheme. Currently the NMPS is managed by the Plan Trustees.

Master Trusts enable employers and members to benefit from lower running costs (because the costs of services and fees are shared between a larger number of employers and members) while still having the strong governance of a trustee.

The Trustees are consulting with its advisers regarding the proposal, noting that the Trustees' responsibility is to ensure the Plan is always run in the best interests of you, the members.

MEET YOUR **TRUSTEES**

Michelle Parczuk	Chair of the Trustees, nominated by Avon Cosmetics Limited
Anna Tolley	Nominated by Avon Cosmetics Limited
Dalriada Trustees Limited	Nominated by Avon Cosmetics Limited
Iain Watson	Member Nominated Trustee
Marie Bovington	Nominated by Avon Cosmetics Limited (March 2024)
Rob LaHive	Member Nominated Trustee (March 2024)
Secretary to the Trustees	Daniel Jackson
Actuary	WTW (Charles Rodgers is the appointed Plan Actuary)
Auditors	Grant Thornton UK LLP Leicester
Investment Managers	SEI Investments (Europe) Ltd London

USEFUL **TOOLS AND RESOURCES**

Get help with your pension

uk.pensions@avon.com

Pensions Department Avon Cosmetics Ltd
Nunn Mills Road
Northampton
NN1 5PA

If you have a pension question, call your Pension Team directly at Avon Cosmetics:

01604 617786

01604 617363

Review further information about the Plan

Finding out more detail about the Plan is easy. Visit our website to read the Chair's Annual Statement, Statement of Investment Principles, Implementation Statements and more.

www.avon.uk.com/pages/pensions

Citizens Advice

Citizens Advice provides free, confidential advice on issues including debt, scams, and pensions.

www.citizensadvice.org.uk

Go online with Scottish Widows

If you're a member of the NMPS, your IMA allows you to check your account and access retirement planning tools. Once you're registered, you can see where your money is invested, check fund prices, and access calculators, tools, videos and much more.

To get started, simply visit the website below and select Log in > Log in to Money4Life.

www.scottishwidows.co.uk/save/avon

If you've forgotten your username and/or password, or you'd like help accessing the website, call Scottish Widows directly:

0800 028 9542

Getting financial advice

Pensions and investments are complicated and, by law, neither Avon Cosmetics nor the Trustees can give you financial advice. If you want to speak to a financial adviser, make sure the adviser you choose is authorised and regulated by the Financial Conduct Authority (FCA).

www.fca.org.uk

Make sure your loved ones don't lose out

As a member of the Plan, it's important that your Nomination form is kept up to date to ensure the Trustees know who you would like to receive your benefits when you die. This is particularly important when there is a significant change in your circumstances such as marriage, divorce, or having children.

If you have not submitted your Nomination form or you would like to update your nominations, you should contact the Pensions Team using the details on the left.

MoneyHelper

MoneyHelper joins up money and pensions guidance to make it quicker and easier to find the right help. MoneyHelper brings together the support and services of three government-backed financial guidance providers: the Money Advice Service, the Pensions Advisory Service and Pension Wise.

www.moneyhelper.org.uk