

CRODA

The Croda Pension Scheme

# Trustee report

October 2023





# Welcome

**Welcome to your 2023 update on how the Trustee continues to manage the Scheme for the benefit of all its members.**

You will find the latest Summary Funding Statement at the back of this newsletter, which provides detailed information about the Scheme's financial position and highlights the current very healthy funding level of the Scheme. First though, there are brief updates about other areas of potential interest to Scheme members from the last year.

We'd love to hear your feedback on this communication. All comments are welcome and important in making sure you're getting the most from us when it comes to your newsletter. You can get in touch using the details on the back page.

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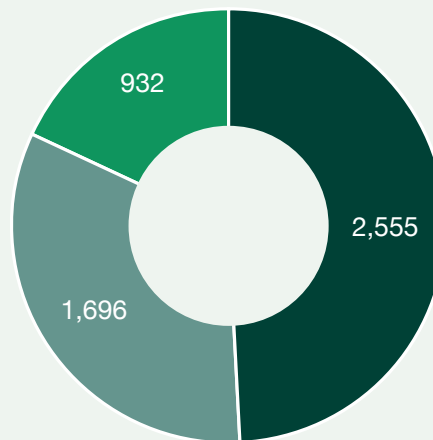
# Scheme facts

The total value of all the Scheme's assets was just over **£900m** as at 30 June 2023.

There are currently **2,555** pensioners in the Scheme.

**1,696** members have left Croda, but still have benefits in the Scheme.

There are **932** active members who still work for Croda and pay into the Scheme.



- Pensioners
- Members who have left Croda
- Active members

# Scheme contributions

Following the last full valuation of the Scheme as at 30 September 2020, the Scheme was found to be in a healthy financial position with a surplus of £11m to meet the cost of pensions accrued to that date.

Since then, the funding position has improved significantly as interest rates have risen and the latest surplus is just over £100m.

If in the future it is shown that any additional deficit funding is required, negotiations will take place with the Company to agree how the funding shortfall will be met, but members should be reassured that the Company has always provided additional funding where it has been shown to be necessary in the past.



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# Investments

**Over recent years as the Scheme's funding level has consistently remained high, and often improved, the Scheme has taken opportunities to reduce the level of investment risk taken within it.**

A significant proportion of the Scheme's assets are now invested in Liability Driven Investment (LDI) funds that largely compensate for the effect of any movements in interest rates and/or inflation on the liabilities, protecting the strong funding level already achieved by the Scheme.

The remainder of the Scheme's assets remain invested with a view to obtaining a healthy long-term investment return. Accordingly, the funds the Scheme looks to invest in are those that can demonstrate their commitment to providing a positive long-term investment return on a sustainable basis, including in relation to climate change management. This is a policy that aligns with Croda as it continues to make sustainable growth a key pillar of its future operations. The Scheme has direct investments in both wind and solar power funds in the UK, as well as a global fund focused on energy transition.

The combined effect of these investments resulted in a reduction in carbon dioxide production of over 6,500 tonnes. This saving is roughly equivalent to removing 3,200 typical petrol-powered family cars from the road for a year, which would cover almost 24 million miles!

The asset split for the Scheme is shown in the form of a pie chart as part of the Summary Funding Statement on page 13 which indicates the high degree of diversification across return-seeking assets.

Please note that the investment performance achieved by the Scheme does not affect your benefits with the Croda Pension Scheme, as the level of your accrued benefit is not dependent on the underlying value of the Scheme's assets.



# Member Nominated Trustee Director election

## Four active members put themselves forward for the election of two active Member Nominated Trustee Directors (MNTDs) to join the Trustee Board in managing the Scheme.

All nominees received good levels of support and the two members who received the highest number of votes were Rob Walthall and Marie Banks, who were therefore elected for appointment to the Trustee Board. This was a re-election for Rob who joined as an MNTD in 2018.

The Board would like to take this opportunity to welcome Marie Banks, who recently joined Croda as IT Strategy Planning and Delivery Director. Marie's experience as a Trustee of the pension scheme at her previous employer and at Doncaster MIND, a mental health charity, will provide welcome additional insight for the Trustee Board.

Both appointed Trustee Directors attended the recent quarterly Trustee meeting on 5 September.

Samantha Gorman stood down as an MNTD before the election after ceasing employment with Croda. Mandie Poskitt also recently stepped down as an MNTD. Graham, the Trustee Chairman, would like to thank both Mandie and Samantha for their service and contribution to the Scheme.

The next election of pensioner MNTDs will take place in 2025.

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# Trustee Directors

As a reminder, the current Trustee Directors are now:

## **Graham Myers**

Croda Appointed Trustee Director and Trustee Chair

## **Dave Cherry**

Croda Appointed Trustee Director

## **Julia Creasey**

Croda Appointed Trustee Director

## **John Hurst**

Independent Trustee Director

## **Rob Walthall**

Member Nominated Trustee Director

## **Marie Banks**

Member Nominated Trustee Director

## **Kevin Nutbrown**

Member Nominated Trustee Director

## **Company support**

The Scheme Trustee and members are fortunate in having a well-funded Scheme backed by a strong and supportive employer. The Company continues to deliver robust financial performance with the recently reported results for the first half of 2023 showing adjusted pre-tax profits of £174.3m. Net debt stood at a very modest 0.7 times EBITDA, which taken with the robust trading and almost £750m of undrawn committed facilities and cash, indicate that the Company remains well able to provide financial support if required.

# Pensions news

## Increase to minimum age to draw your pension

Currently, the earliest age you can normally draw a pension from any type of pension scheme is 55. The only exceptions to this are where a member has serious permanent ill health issues or some protected rights.

From 6 April 2028, this minimum age is increasing to 57. Any members reaching age 55 after this date, other than the very few with protected rights, cannot take any action to avoid this change. However, any members born between 6 April 1971 and 6 April 1973 can choose to draw their benefits after they reach 55 and before 6 April 2028 to avoid a subsequent delay to age 57. Any members considering this option need to carefully consider the financial implications of choosing to follow it, which may include paying tax at a higher rate if continuing to work, the loss of future benefit accrual and a reduction in the amount of pension in payment for drawing early. If in doubt members should seek independent financial advice.





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## Pension scams

Following the Coronavirus outbreak there has been an increase in the number of fraudsters contacting members to try and persuade them to transfer their funds to unregulated arrangements. The pension savings are then invested in high-risk or unusual investments like forestry, overseas property, renewable energy bonds or storage units – or simply stolen outright. Any transfer to an unapproved policy is considered unauthorised by HMRC and could be subject to a significant tax charge.

Cold calls from advisers to pension scheme members are now illegal, so please be wary of anyone contacting you out of the blue. If you receive an approach that you are suspicious about, please let the Croda pensions team know about it.

The Pensions Regulator has asked pension schemes to sign up to a pledge to combat pension fraud and has set out certain requirements on how potential pension transfers are dealt with before a scheme can sign up to the pledge. I am pleased to confirm that the Croda Pension Scheme's administrative procedures already met these requirements so the Scheme has now signed up to the pledge.

If you choose to transfer out of the Scheme, having taken advice from a specialist pension transfer adviser, one of the team will contact you before the money is transferred away to ensure that every aspect of the process meets the standards agreed within the pledge.

## Guaranteed Minimum Pension (GMP) equalisation

Work continues to ensure that GMPs are equalised for male and female members. The project will not be completed before 2025. Any changes to benefits will be very modest and not reduce pensions, whilst only applying to a minority of retired members who will be notified before any amendments are made.



## Retirement illustrations for deferred members

If you have left Croda but have not yet retired, you are a deferred member of the Scheme and you will have been sent details of the amount of your Croda pension when you left.

This benefit increases in line with capped inflation in the period up to your retirement. Nothing else will alter the level of your benefit so it is not necessary to provide the type of annual statement that is provided for defined contribution pension policies where fund values can go up and down in line with investment performance.

If you would like an estimate of the pension you will receive from Croda at retirement, please contact the Croda pensions team and they will prepare a quote for you at your preferred retirement age.

Our current policy restricts the number of illustrations provided to two per member per year. This policy does not impact a member's statutory right to request one Cash Equivalent Transfer Value quotation per year.

Please note that if you have requested a transfer value in the last few years an updated transfer value calculated now is likely to be significantly lower than the value previously quoted. Transfer values tend to fall as interest rates rise, so the rise in interest rates from the previous low levels since 2022 has led to substantial falls over the subsequent period.

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## Planning for your retirement

It is difficult to gauge if you will have enough in retirement to afford the lifestyle you want, which is why the Pensions and Lifetime Savings Association (PLSA) has created the retirement living standards. The PLSA aims to help more people plan effectively for retirement by giving them a better idea of how much they may need to live on.

The standards include three levels of expenditure – minimum, moderate and comfortable.

When you visit the website, remember to account for all your savings, including:

**State Pension:** the amount of State Pension you will receive depends on your earnings and how long you've worked. Further details can be requested at [www.gov.uk/check-state-pension](https://www.gov.uk/check-state-pension)

### Other employer pension schemes and savings:

you might also have savings or investments elsewhere and/or other pensions from previous employers. If you have lost track of your previous pension arrangements, please use the following service: [www.gov.uk/find-lost-pension](https://www.gov.uk/find-lost-pension)

You can learn more about the retirement living standards at [www.retirementlivingstandards.org.uk](https://www.retirementlivingstandards.org.uk)

## Lifetime Allowance (LTA)

Until 6 April 2023, the LTA was the maximum value of pension savings you could build up over your life that would benefit from UK tax relief.

If you built up pension savings worth more than the LTA, you incurred a tax charge on the excess. The LTA limit covered all the occupational and personal pension funds you may have but it did not cover pension benefits provided by the State. The 2022/23 LTA was £1,073,100 (which is broadly equivalent to an annual pension of £53,655 a year).

Following the March 2023 budget, the LTA tax charge has effectively been removed from 6 April 2023 and abolished entirely from 6 April 2024, so there is now no tax limit on the level of pension you can accrue over your whole career.

For more information on the Lifetime Allowance, go to [www.gov.uk/tax-on-your-private-pension/lifetimeallowance](https://www.gov.uk/tax-on-your-private-pension/lifetimeallowance)



# Your pensions team

**The pensions team is headed up by Pensions Manager Paul Costello, with the other team members being Joanne Helm, Louise Ramsden and Alice Wilson.**

Wherever possible please contact the pensions team by emailing [pensions@croda.com](mailto:pensions@croda.com), rather than writing, in order to speed up the response to your query.

## Updating your nomination form

If you haven't yet drawn your benefits or are in the first five years of drawing your pension (other than a spouse's or dependant's pension), there may be a cash lump sum payable in the event of your death.

Although the recipient(s) of any lump sum is at the discretion of the Trustee, you can help decide who should receive it by keeping your nomination form up to date.

As your pension benefits do not form part of your estate, they aren't covered by any provisions you make in your will. If you don't regularly review and update your nomination, the lump sum may be paid to someone you no longer wish to benefit.

For security reasons it is not possible to take address, beneficiaries and bank changes over the phone. We require a signed authority for these changes and will accept scanned copies of correspondence via email.

If you would like to see a copy of the latest Scheme Report and Accounts or any other Scheme document, please contact the team.

If you do not have access to email, you can call 01405 860551 and ask to speak to a member of the pensions team.

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# Summary Funding Statement

**The Trustee is pleased to present you with the Summary Funding Statement of the Croda Pension Scheme (the Scheme).**

The Trustee's last update included a summary of the financial position as at 30 September 2020, the actuarial valuation date and an update as at 30 September 2021. Since then, an update on the financial position of the Scheme as at 30 September 2022 has been completed and the results are summarised below.



### Why are you sending me this?

Under law, the Trustee must provide you with an update on the financial position of the Scheme on an annual basis. The Summary Funding Statement must contain a number of different pieces of information. These include the funding position as at the last formal valuation, an estimate of the position if the Scheme had been 'wound up' at that date and an explanation of any change in the funding position from that disclosed in the most recent Summary Funding Statement. In addition, you must be informed as to whether any payment has been made to the Company from the Scheme since the date of the previous Summary Funding Statement.

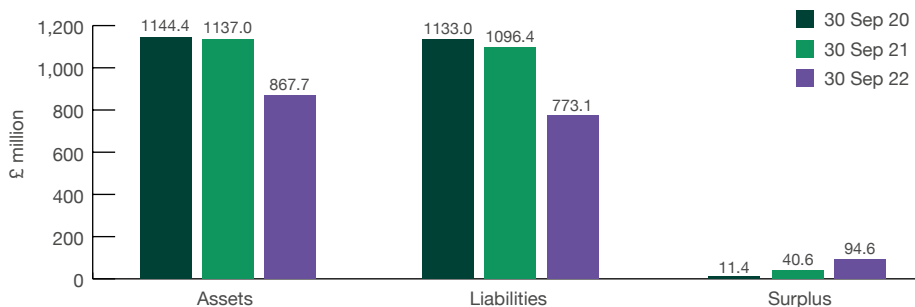
### What is an actuarial valuation?

An actuarial valuation is an exercise to assess the financial position of a pension scheme and all defined benefit schemes are required to complete a valuation at least every three years. The Trustee and Company are jointly responsible for ensuring that there are sufficient assets in the scheme to meet benefits already promised to members and dependants. Therefore, if the valuation shows that assets are insufficient to meet these benefits already promised, the results are used to determine the amount of additional contributions required to ensure that this shortfall is removed.

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## The latest formal funding valuation of the Scheme and the updated position

You may recall from the last Summary Funding Statement that the previous valuation of the Scheme was carried out as at 30 September 2020. The Trustee also receives annual updates from the actuary on the financial position of the Scheme to help monitor the funding position between formal valuations. The results of the formal actuarial valuation and the updated funding positions as at 30 September 2021 and 30 September 2022 are set out in the chart below.



Since the last update, over the year to 30 September 2022, the surplus in the Scheme has increased. The main reason for this is that over the year to 30 September 2022, government bond yields increased significantly. Whilst this resulted in a large fall in the value of the Scheme's assets, it also caused the Scheme's liabilities to fall by an even greater amount.

There have not been any payments to the Company out of Scheme funds.





### **Croda's support**

One of the Trustee's main objectives is to have enough money in the Scheme to pay pensions both now and in the future. After paying pensions and other expenses of the Scheme, the Trustee invests the contributions received in order to generate returns to meet the liabilities. However, the success of the Scheme also relies on the support of the Company because:

- the Company contributes to the future cost of running the Scheme on an annual basis
- the funding level can fluctuate and, at times when there is a deficit, the Company will usually be required to pay more money into the Scheme
- the target funding level may turn out not to be enough so that the Company will need to put more money in.

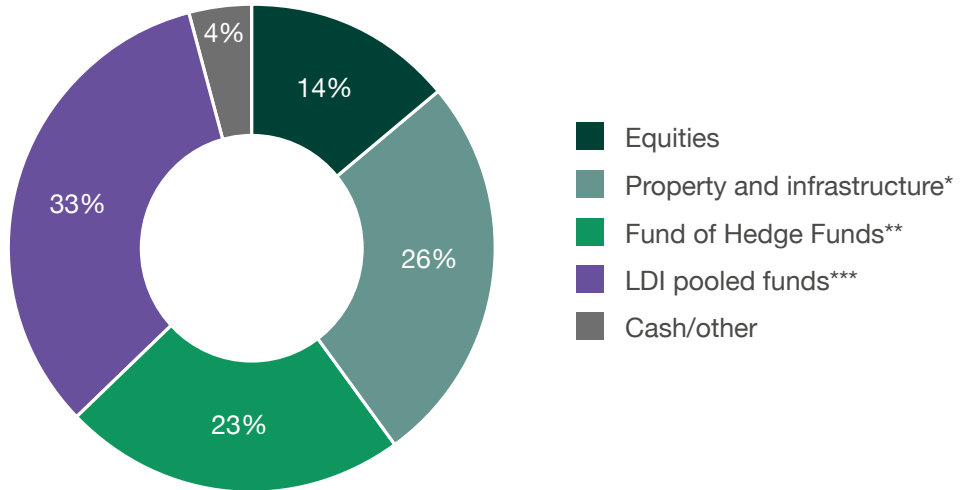






## The Scheme's investments

The Trustee's policy is to invest in a broad range of assets in order to maximise returns whilst managing risk. The allocation of the Scheme's assets as at 30 September 2022 is set out in the chart below.



\*investment in funds that earn income by investing in infrastructure projects such as schools, hospitals, toll roads, railways, utility companies etc.

\*\*funds that invest in other hedge funds.

\*\*\*funds that invest in a range of assets to construct an investment strategy that closely matches the behaviour of the pension liabilities.



### Wind up of pension schemes

*Please note that we have included the information in this section because we are required to do so by law – it should not in any way be taken as implying that the Company is looking to terminate the Scheme.*

It is both the Trustee's and the Company's intention that pensions will continue to be paid in full to members as and when they reach retirement. Legislation does, however, require that we inform you as to what would happen were the Scheme to wind up, however remote a possibility this might be. In this unlikely event, benefits would be secured by buying insurance policies with an insurance company.

As at 30 September 2020, the estimated additional amount needed to ensure that all members' benefits could be paid in full if the Scheme had started winding up (full solvency) was approximately £417.6 million. The update as at 30 September 2022 indicated that the shortfall had decreased to £128.3 million.

If the Scheme were to wind up and the Company could not afford to meet the extra cost of securing benefits with an insurer, the Pension Protection Fund (PPF) might be able to take over the Scheme and pay pensions to



members in accordance with PPF rules. Further information and guidance is available on the Pension Protection Fund's website at [www.ppf.co.uk](http://www.ppf.co.uk). Alternatively, you can call the PPF on 0345 600 2541 or email them at [information@ppf.co.uk](mailto:information@ppf.co.uk)

As previously noted, it is the intention of both the Trustee and the Company that the Scheme will continue to pay retirement pensions in full. We strongly recommend that you take independent financial advice before making any decisions regarding your pension provision. Details of independent financial advisers in your area can be found at [www.unbiased.co.uk](http://www.unbiased.co.uk)

## Scheme modifications

We can confirm that the Scheme has not been modified by the Regulator and no directions, nor a schedule of contributions, have been imposed on the Scheme by the Regulator.





# Maintaining contact

**Please remember to let us know if your address changes so that we can keep our records up to date and ensure that we can contact you with news about your Scheme and your benefits.**

## Further information

If you have any other questions or would like any more information, then please write to:

Pensions Administration Department  
Cowick Hall  
Snaith  
Goole  
East Yorkshire  
DN14 9AA

You can also email [pensions@croda.com](mailto:pensions@croda.com) or call 01405 860551.

A list of more detailed documents which provide further information is set out opposite. If you want us to send you any of these documents, please let us know.

## Additional documents available on request

*Statement of Investment Principles* – This explains how the Trustee invests the money paid into the Scheme.

*Schedule of Contributions* – This shows how much money is being paid into the Scheme.

*Annual Report and Accounts of The Croda Pension Scheme* – This shows the Scheme's income and expenditure each year.

*Report on the actuarial valuation* – This is the actuary's check of the Scheme's financial situation as at 30 September 2020.

*Actuarial report as at 30 September 2021* – This is the actuary's approximate update on the Scheme's financial situation as at 30 September 2021.

*Actuarial report as at 30 September 2022* – This is the actuary's approximate update on the Scheme's financial situation as at 30 September 2022.

*Statement of Funding Principles* – This sets out the Scheme's funding plan.