

Boots Pension Scheme

Winter 2022

PENSIONS UPDATE



Boots



WELCOME

It has been another very busy year for the Scheme. The start of 2022 was dominated by the potential change in ownership of Boots, while in recent months, there has been significant turmoil in the financial markets. In both cases, the Trustee has been active to ensure that members' interests are protected.

As a result of recent global and economic events, including the pandemic, the conflict in Ukraine and the turmoil following the UK's 'mini-Budget' in September, the financial markets have been very volatile. You may be concerned about the impact this is having on the Scheme and your pension. As you know, the Scheme is a defined benefit arrangement, which means the Trustee is responsible for paying your pension based on your salary and length of service, and it is not dependent on market performance. The Trustee has a carefully balanced investment strategy which helps to protect the Scheme from the extreme impacts of market volatility and throughout this period, the Scheme's funding level has remained stable.

You may have also seen in the media that earlier this year, WBA were looking at their options for Boots, which included the possibility of selling the Company. Ultimately, WBA concluded that Boots was a valuable business and to retain it as part of the Group. Please be assured that the Trustee was in discussions with the Company representatives throughout this process and, had a transaction occurred, the Trustee was well positioned to ensure that the benefits of Scheme members were protected.

In last year's *Pensions Update*, we mentioned that the Trustee was carrying out a formal valuation of the Scheme as at 1 April 2021, and we were expecting to be able to share the results in this issue. However, as the strength of the support provided by the Company is a key cornerstone to this process, the potential change of ownership earlier this year delayed the process. A further update will be provided in due course, but I can reassure you that the Scheme remains well funded.

Thinking about your retirement choices

Don't forget that if you're over 55, you can get free advice with our retirement support service from Origen. See page 4 for details.

There have been some changes to the Trustee Board during the year. Our Company Nominated Directors (CNDs), Benjamin Horner, Michael Snape and Bernadette Lavery stepped down. We thank Benjamin, Michael and Bernadette for their service to the Scheme, and we welcome Jason Ward and Marc Donovan who joined the Board in December 2021 and February 2022 respectively. We have also appointed a professional trustee to the Scheme – Law Debenture Pension Trust Corporation plc, who are represented by Alan Baker. Alan replaced Bernadette in November 2022.

Finally, this is my last newsletter as Chair. I will be stepping down at the end of 2022 after 13 years in the position, with Alan Baker taking over from January. I am proud to leave the Scheme in such a strong position and wish Alan success in the future.

Richard Oppenheim
Chair of the Trustees

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NOTICEBOARD

Your options at retirement

If you are thinking about retiring, you have various options for taking your Scheme benefits. Briefly, you can:

- take your Scheme benefits as regular payments or a combination of pension and cash lump sum
- transfer out of the Scheme to an alternative pension provider
- delay retiring.

As this is a big decision, it is important to take time to understand all your options, keeping in mind your personal circumstances and retirement goals.

Paid-for financial advice for members

Boots has selected Origen Financial Services to provide you with advice that's tailored to you. Origen has been working with us since 2017 and has an in-depth knowledge of the Scheme. Their advice will help make your decision by explaining the choices you have and giving you a recommendation based on your personal circumstances.

You're eligible for paid-for financial advice if:

- ✓ you have benefits in the Scheme (even if you no longer work for Boots)
- ✓ you're at least 54 years and 9 months old.



Scan this QR code to view a short video about your retirement options or go to www.tinyurl.com/Origenvideo2



Beware of pension scams

Concerns that financial pressures and the rising cost of living mean people may be more vulnerable to scammers offering early access to pension savings. It is important that you are aware of the danger of pension scams. This applies not just to your benefits in the Scheme but also to any other pensions you may have. As a basic guide, the main warning signs to watch out for are:

- Cold calls – unexpected offers online, on social media or over the phone are nearly always scams. These types of calls have now been banned, so if you do get one, hang up, don't reply to emails or texts and don't follow links.
- Unregulated advisers – make sure you know who you are dealing with before changing your pension arrangements. Use the financial advice service offered by Origen.
- Limited time offers – you should never be rushed or feel pressured into making any decision about your pension.

Recent changes to the rules about pension transfers mean that additional checks need to be carried out by pension administrators, but combatting scams remains a team effort. You can find more information about pension scams and how to avoid them at www.fca.org.uk/scamsmart

Minimum pension age set to rise

The government is raising the minimum age at which you can access your pension benefits from 55 to 57 in April 2028. If you are planning to retire early and are currently aged 48 or under, you will need to wait until you are at least 57 to take your benefits. If you will reach age 55 before April 2028, and you want to take your benefits early, you will have to take them **by this date**, otherwise you will have to wait until you are over 57.

Change to pension pay dates

If you are a pensioner, your pension is currently paid to you on the day before the last working day of the month. From October 2022, we will be changing the payment date to the 28th of each month. If ever the 28th falls on a weekend, your pension will be paid on the last working day before this.

FACTS & FIGURES

Financial highlights

The information on these pages has been taken from the Scheme's formal report and accounts. The table shows a summary of how much money has been paid into and out of the Scheme during the year to 31 March 2022, compared with the previous year.

	2021/22	2020/21
Value of the Scheme's assets at the start of the year (1 April)	£7,165.5m	£6,897.6m
Company contributions	+ £1.4m	+ -
Investment income	+ £76.5m	+ £95.1m
Change in the market value of the Scheme's investments	+ £89.1m	+ £403.6m
Benefits paid to members	- (£214.1m)	- (£230.8m)
Value of the Scheme's assets at the end of the year (31 March)	£7,118.4m	£7,165.5m

If you would like to see a copy of the full report and accounts, you can find it on the pensions website at:
www.wba-boots-pensions.co.uk



Membership

At 31 March 2022, you were one of 53,989 members of the Scheme. The table below shows a breakdown of the membership, compared with the previous year.

	2021/22	2020/21
Pensioners and dependants (those members who are currently receiving their benefits)	29,302	29,032
Preserved pensioners (those members who have benefits in the Scheme to take at a later date)	24,687	25,938
Total	53,989	54,970

INVESTMENT UPDATE

How are the assets invested?

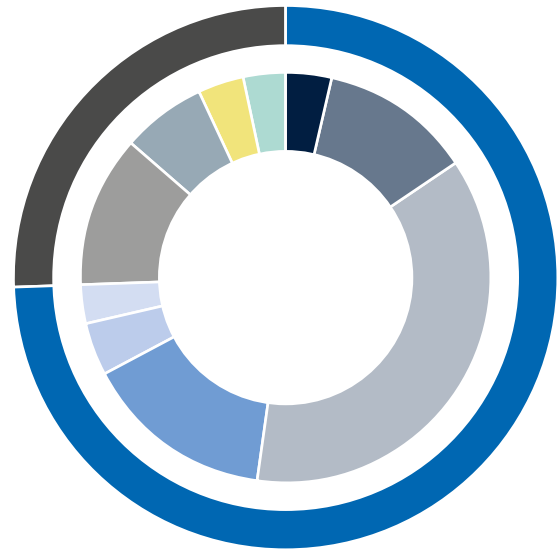
The Scheme currently targets approximately 75% of its investments in assets that broadly match the characteristics of the Scheme's liabilities, with the remaining 25% in a portfolio invested mainly in return-seeking (growth) assets. As at 31 March 2022, the Scheme's assets were split across the following types of investment.

Matching portfolio

● Credit-screened bonds	3.7%
● Active UK swaps	12.1%
● Swaps & gilts	36.5%
● Global credit	15.1%
● Emerging market debt	4.2%
● PFPs & cash	2.9%

Growth portfolio

● Equities	12.1%
● Property	6.5%
● Illiquid assets	3.7%
● Insurance-linked securities	3.2%



Climate change and our investments

The Trustee understands the responsibility that it has, as a large investor, to encourage and promote positive behaviour from the companies that we invest in on your behalf. Looking particularly at climate change, over the course of the last year, the Trustee has been investigating how climate change might affect the Scheme and what those who manage our investments on our behalf are doing to incorporate action on climate change into their processes.

However, even before setting a formal net-zero target, the Trustee has taken strong action in recent years to contribute towards building a sustainable future.

Examples include:

- a £260 million investment across two impact equity managers, both of which are actively managed with explicit focus on integrating sustainability to create long-term value

- an investment of \$175 million to a fund which supports renewable infrastructure projects
- work with Legal & General to incorporate a net-zero approach in the funds that we invest in with them.

The Trustee will continue to take environmental issues into account within the Scheme's investment strategy. We expect improvements over time and will continue to use our influence to promote positive, sustainable behaviours. You can read more about the Trustee's work on the impact our investments have on climate change in our first TCFD report, which can be found on our website (https://www.wba-boots-pensions.co.uk/Uploads/Documents/00/00/10/61/DocumentFile_FILE/Boots-Pension-Scheme-TCFD-Report.pdf)



INVESTMENT UPDATE CONTINUED

Investment performance

The Investment Committee regularly monitors the performance of the Scheme's investments against funding levels and benchmarks. The performance of the assets over the one-year and three-year periods to 31 March 2022 are shown below:

Performance to 31 March 2022	One year (%)		Three years (% p.a.)	
	Fund	Benchmark	Fund	Benchmark
Growth portfolio				
LGIM – Diversified Multi-Factor Equity	9.27	7.71	8.46	11.21
Schroders - Property	3.38	2.46	3.03	2.39
Matching portfolio				
LGIM – Passive Bonds	(0.1)	n/a	(4.33)	n/a
LGIM – Private Bonds	(1.11)	n/a	4.74	n/a
LGIM – Active UK Bonds	(4.40)	(5.39)	2.02	1.24
LGIM – Swaps	6.09	n/a	6.57	n/a
LGIM – Global Corporate Bond*	(4.02)	(4.74)	n/a	n/a
Wellington – Global Credit	10.56	8.75	5.17	4.39
GSAM – Emerging Market Debt	14.14	11.46	4.92	4.97

*Performance is not shown for the three-year period because the funds were switched to income paying during the year.

WHO'S WHO IN THE SCHEME?

The Scheme is run by a Trustee company called Boots Pensions Limited. There are seven directors, who are either appointed by the Company or nominated by the members.

Member nominated

Angela Farrell ●

Adrian Brown ★

Rosemary Counsell ◆●■

Appointed by the Company

Richard Oppenheim (Chair) ★◆

Law Debenture (represented by Alan Baker)

Marc Donovan ■

Jason Ward ★◆●

The Trustee directors attend regular Board meetings and also participate in various sub-committees which focus on specific issues. The sub-committees are:

★ Investment Committee

◆ Valuation Committee

● Audit Committee

■ Ill-health Committee

Useful information

If you would like more general information on pensions and saving for retirement, you may find the following websites a useful resource:

www.moneyhelper.org.uk

The government's free financial guidance service, providing information on all money matters including pensions, financial planning and debt advice.

www.gov.uk

The State Pension age is gradually increasing. You can use the government's website, which includes a section 'Working, jobs and pensions', to check your State pension age using the online calculator.

STAYING IN TOUCH

If you have any questions about your benefits or any of the topics covered in this newsletter, please get in touch with us:

Email:
group.pensions@boots.co.uk

Post:
Boots Pensions
Nottingham NG90 7GP

Call the helpline:
0115 959 1670

Go online to the Scheme website:
www.wba-boots-pensions.co.uk

Please let us know!

Please help us keep in touch with you by telling us if you change address. You can do this by completing the change of address form on the Scheme's website (see details on the left).



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