Brief Update on financial market conditions and possible impact on pension savings – March 2023

Information for members of the *Defined Contribution (DC) New Joiners Benefit Structure,* those making *Additional Voluntary Contributions* or *Shift Pay Pension Plan* contributions

Summary

- **Pensions are long-term investments and short-term events do not usually have major impacts unless you need to take benefits 'now'**
- **Although investment returns from equities and bonds have improved since the period of volatility in 2022, the outlook in 2023 remains uncertain**
- **We would suggest you do not make hasty decisions based on short-term volatility as it is difficult to know how financial markets will perform in the future and your pension is usually a longer-term savings plan**
- **The CNPP Trustee regularly monitors the markets and the asset manager will adjust its long-term investment decisions accordingly**
- **There are no guarantees of return, even with traditionally lower-risk investments and events in 2022 have shown this to be the case**
- **If you are due to retire, you should always consider taking professional financial advice.**

Market Volatility (ups and downs) in 2022 and Economic Challenges in 2023

2022 was a challenging year for DC members. Market volatility from both equities and bonds, along with the rising costs of living under higher interest rates and inflation, affected members' pension savings.

Financial markets finished 2022 with a more positive outlook. UK financial markets have been stabilised following the government's "mini-budget" last year. Most global equities markets began 2023 with positive returns. The main drivers have been better economic data, gradually falling inflation and a slowing pace of interest-rate increases. However, fears of economic recession remain. Further volatility is expected to continue this year.

We have drawn together more information below to help you understand the possible impact of the recent market volatility.

What does this mean for pension savings?

For many members who are further from retirement (more than 5 years say), the impact of the current economic environment is generally less of an issue. As pension savings are a **longer-term investment**, there is time for any shorter term losses to be regained.

For members invested in the Plan's default arrangements – LifePath Flexi or LifePath Capital – these funds have a diversified investment approach which aims to smooth out short term market fluctuations, especially for those who are further from retirement.

The CNPP Trustee understands that you may be concerned that your pension savings will have been affected by the market movements, especially for less experienced investors. The Trustee has processes in place to ensure our asset manager, BlackRock, is monitoring on a daily basis how market movements and trends are impacting the LifePath portfolios and will adjust its investment decisions accordingly. By actively reviewing this, **risk is closely monitored**.

What about members who are closer to retirement?

If you are closer to retirement and invested in either of the Plan's default Funds – LifePath Flexi or LifePath Capital – most of the pension savings will have already been moved out of the stock markets and into investments like bonds and cash. **Even investment types that are typically considered lower risk can experience ups and downs in value** if investment markets are experiencing volatility. And when interest rates are rising the capital value of these bonds do fall as they are funds that lend money in return for a rate of interest.

It is important to review your retirement plan if you decided to make any changes to your retirement expectations. For example, if you change your mind over the form and shape of the benefits required from your DC pension pot, or the date when you expect to retire.

Members who are due to retire in the shorter term, should **consider taking professional financial advice** and a financial adviser can be found at: www.moneyhelper.co.uk. There are many points to consider, including whether delaying taking or drawing your benefits might be a better option. MoneyHelper pension calculator is a free tool for members. For members over 50, free appointments with an expert is available via Pension Wise who can provide guidance not advice.

Unfortunately, there are no guarantees and individuals will need to decide, based on their own circumstances, the best course of action. Neither the Trustees nor the Secretariat can provide advice to members.

Members can obtain information about where their pension savings are invested by using the online member portal (TargetPlan) or by contacting the Plan Administrator, Aegon by email or telephone:

- my.pension@aegon.co.uk
- 01733 353414

Combined Nuclear Pension Plan Trustees Limited
March 2023

Pension scamming - BE AWARE that you could be targeted by pension scammers.

A pension scam could result in you losing all your pension savings: There may be new trends in fraud related to this period of market uncertainty. Scammers are known to be targeting members with pension pots of ALL sizes. What should you do if someone contacts you about your pension savings? Don't give out your personal information if contacted unexpectedly; Don't be rushed into anything, take time to think; Don't sign anything unless you fully understand what you're signing up to; and Don't let anyone into your house unless you're sure they're genuine

- *Do research any firm that contacts you;*
- *Do check the FCA warning list on the Financial Services Register (https://www.register.fca.org.uk);*
- *Do get yourself regulated financial advice;*
- *Do take your time over financial decisions, and*
- *Do assess the tax implication of any decision you make.*

Please think carefully before you consider transferring your pension. You need to be very wary of potential scams. The following websites contain useful information which can help protect you protect yourself from pension scams

https://www.fca.org.uk/scamsmart/how-avoid-pension-scams

https://www.thepensionsregulator.gov.uk/en/pension-scams