

Outlook

Looking to your pensions future

Autumn 2013

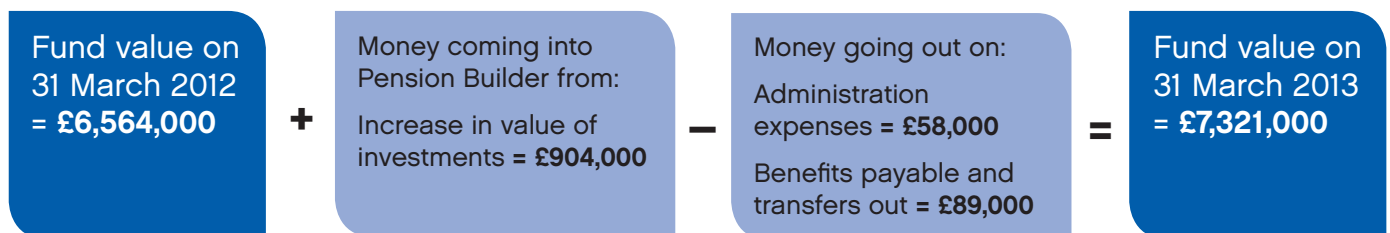
Welcome

Welcome to the Autumn 2013 edition of Outlook, the newsletter for members of Northern Foods Pension Builder (Pension Builder). In this issue, we update you on the changes to Pension Builder's administration arrangements. You will also find a brief summary of the accounts, as well as details of Government changes affecting pensions. We also update you on the results of the latest actuarial valuation, carried out as at 31 March 2012.



The Financials

Here is a brief summary of the money coming into and going out of Pension Builder over the year to 31 March 2013.



Investments

The Trustee's investment policy is to invest 100% of Pension Builder's assets in corporate bonds. Corporate bonds are issued by companies and earn interest at regular intervals.

The Trustee has appointed Legal & General as the investment manager and the assets are invested in a passively managed tracker fund. Legal & General achieved a return of 13.8% against a target return of 13.7% for the year ended 31 March 2013.

Members' Additional Voluntary Contributions are invested with Clerical Medical.

Members

At 31 March 2013, there were 287 deferred members and 18 pensioners in Pension Builder. Following the closure of Pension Builder to future pension accrual on 31 October 2011, there are no longer any active members.



Inside

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State Pension update

In the last edition of Outlook, we reported that the Government has announced changes to the way State Pensions are structured. Since then, the Government has announced some further changes.

The Queen's Speech in May highlighted State Pension reform as one of the Government's priorities. At present, there is a flat rate Basic State Pension for everyone who has paid National Insurance (NI) contributions for at least 30 years, plus an Additional State Pension based on any extra NI contributions (paid on salaries above a certain amount). The Additional State Pension is currently known as the State Second Pension (S2P) and was previously the State Earnings Related Pension Scheme (SERPS). Additionally, some pensioners with low incomes can claim Pension Credit to top up the State Pension.

The new State Pension

With effect from April 2016, the current arrangement is to be replaced with a new, single tier system. This will mean that everyone who has paid NI contributions for 35 years will receive a pension worth £144 a week (in today's terms). The Savings Credit element of Pension Credit will be abolished (although the Guarantee Credit element will remain).

The State Pension will now be paid to individuals, rather than to couples, meaning that there will be some change to the amount that married couples receive.

To recognise the fact that, in the past, one spouse often did not work, the State has allowed married partners to claim a pension based on the employed spouse's NI contributions. This was known as the Married Couples' Allowance, and is worth up to £66 a week. Where both partners have earned enough to claim a larger state pension, this is paid instead of the married couple's pension.

The new State pension will be based purely on your own NI contributions; your spouse's contributions will not be taken into account. To qualify for the full amount you will need to have made NI contributions for at least 35 years. To qualify for any pension at all you will need to have worked a specific number of years – this has not yet been confirmed, but is likely to be between seven and ten.

Finding out more

If you would like further details of the changes and how they could affect you, please visit www.gov.uk and click on 'Working, jobs and pensions' and 'State Pension' links.

Please note that if you reach State Pension Age before April 2016, you will not be affected by these changes.



Annual Funding Statement

We are pleased to provide you with your 2012 Funding Statement. The purpose of this statement is to provide a snapshot of the funding of Pension Builder, based on the actuarial valuation as at 31 March 2012. The results of any valuation can only ever be an estimate at a set point in time. The valuation is based on what the Trustee (having taken advice from the Actuary) and the Company, assume will happen in the future. As the funding level is based on these assumptions, it may fluctuate over time.

How is Pension Builder's financial security measured?

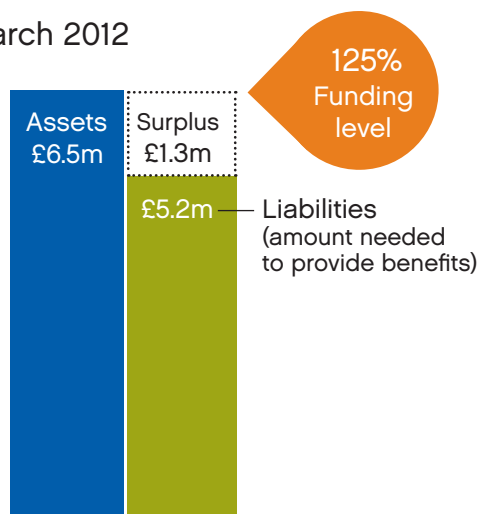
An actuarial valuation is carried out by the Actuary (a qualified and independent professional) at least every three years to assess the financial security of Pension Builder. This valuation compares the assets of Pension Builder with its liabilities on both an ongoing and a solvency basis. If Pension Builder has fewer assets than liabilities, it is said to have a 'deficit'. If the assets are greater than the liabilities, there is said to be a 'surplus'.

Following each valuation, the Actuary advises the level of contributions that should be paid into Pension Builder so that it can expect to be able to continue to pay all the pensions due in the future. The Trustee then agrees a level of contribution with the Company to meet this target.

What were the results of the full valuation as at 31 March 2012?

The actuarial valuation of Pension Builder showed that on 31 March 2012 the funding position on an ongoing basis was as follows:

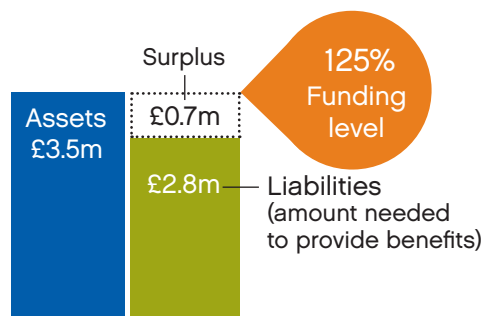
31 March 2012



How has the funding position changed since the previous valuation?

The previous actuarial valuation was completed as at 31 March 2009. Since then, although the values of the assets and liabilities have both grown significantly, the funding level has remained the same.

31 March 2009



As the Scheme is in surplus, no Company contributions are currently being paid.

Solvency funding basis

On a solvency basis (sometimes called a discontinuance funding basis) the funding ratio at 31 March 2012 was 66% (compared with 59% at the 2009 valuation). This would be the position if Pension Builder was wound up. We are legally obliged to advise you of the solvency position but it does not mean that the Company is thinking of winding up Pension Builder.

The next actuarial valuation for Pension Builder is due at 31 March 2015.

Your Questions Answered

Q. How does Pension Builder work?

- A.** The contributions that have been paid into Pension Builder are held in a general fund for all members, not in separate funds. This fund is invested with the aim of producing a return each year and benefits for all members are paid from the fund.

Q. Why is the funding level worse on the solvency basis?

- A.** On wind up, an insurance company would link Pension Builder's liabilities to gilt investments (loans made to the Government). These produce lower investment returns, so the cost of securing the benefits goes up and the funding level down.

Q. What are the funding objectives?

- A.** Our aim is for there to be enough money in Pension Builder to pay pensions now and in the future, but this depends on the funding level and Company contributions as agreed between the Trustee and Company following the valuation. If the Company became insolvent Pension Builder would have to be wound up.

Q. What happens if a scheme is wound up and there is not enough money to pay for all the benefits?

- A.** Pensions legislation will generally require Northern Foods, if it is able, to make sure there is enough money in Pension Builder on winding up to meet the cost of benefits.

Additionally, the Government has set up the Pension Protection Fund (PPF) to pay benefits to members of schemes that have to be wound up if there is not enough money to cover the cost of buying all members' benefits from an insurance company. In broad terms, the PPF aims to provide:

- 90% of the benefits for active or deferred members, or for pensioners who have not reached the scheme's normal retirement age. (This is subject to an overall limit, currently of £31,380.34 a year for benefits coming into payment at the scheme's normal retirement age.)
- 100% of the benefits for pensioners who are over the scheme's normal retirement age.
- Dependants' pensions of 50% of the member's pension.

The annual increases to pensions in payment provided by the PPF are lower than those of the scheme in some cases. You can find more information on the PPF's website at www.pensionprotectionfund.org.uk

Q. Is there any other information I should be aware of?

- A.** We must tell you if the Company has taken any money out of Pension Builder, or if The Pensions Regulator has had to use its powers to intervene in the running of Pension Builder in the last 12 months and we are happy to confirm that neither of these have occurred.

Jargon buster

Liabilities are the estimated costs of providing the benefits earned to date by all deferred members, together with any pension benefits already in payment.

Assets are the funds built up from monies invested, together with returns on Pension Builder's investments.

Ongoing basis for a valuation uses assumptions agreed between the Trustee and the Company and assumes that Pension Builder will continue.


Solvency basis for a valuation estimates the amount needed to fully secure all earned benefits from an insurance company if the Company decided to stop Pension Builder.

Administration update

As reported in the last edition of Outlook, the Company has decided to outsource the administration of Pension Builder. This means that an external company will be responsible for carrying out the day to day administration of Pension Builder. The Trustee will still be responsible for making key decisions and ensuring that Pension Builder is properly managed.

The new administrator

Following a rigorous selection process, we have selected Capita, a leading provider of pension administration services, to administer Pension Builder on an ongoing basis. With a team of experienced administrators working from its principal administration office in Sheffield, we are confident that members should not see any reduction in the quality of service they receive. For more information about Capita, visit its website at www.capita.co.uk/employeebenefits.



“The Trustee will still be responsible for making key decisions and ensuring that Pension Builder is properly managed.”

The transition

The administration will be moving to Capita on 30 September 2013. However, the pension payroll will move on 1 September 2013. This means that if you are a pensioner, your September pension payment will be made by Capita.

Every effort will be made to ensure a smooth handover, so that there should be no disruption to service delivery. After 30 September 2013 you should contact Capita with any enquiries regarding your pension, using the details shown below:



In writing:

Northern Foods Pension Builder
Capita
Hartshead House
2 Cutlers Gate
Sheffield S4 7TL



By phone: 0114 229 7851



By email: nfpensions@capita.co.uk

You can find a contact card on the back of this newsletter with Capita's contact details – why not keep this handy as a reminder.

As part of its administration service, Capita will provide a website that will allow you to access your personal pension information online. We will bring you further details in the next issue of Outlook.

Thank you to the current team

We would like to take this opportunity to thank the current pension administration team at Northern Foods. The long serving, dedicated team members have worked tirelessly, providing a high quality service to members as well as supporting the Trustee. We wish them all the best for the future.

Your Trustees

Pension Builder is run by Northern Foods Trustees Limited. The Trustee Board is made up of nine Trustee Directors. As at 31 March 2013 the Trustee Directors were as follows:

Trustee Directors

Roger Boyes (Independent Chairman)
Zoe Bamforth
Kirsty Derry
Matthew Gribbin*
Stewart Imeson


Simon Irons
Cathy Lafferty
Geoff Pearson*
Andy Wadley (Vice Chairman)*


*Nominated by members

Where can I get more information?

If you have any questions or you would like to request a copy of the Actuarial Report as at 31 March 2013, please contact the administration team.

After 30 September 2013, please contact:

 Northern Foods Pension Builder
Capita
Hartshead House
2 Cutlers Gate
Sheffield S4 7TL

 **Tel:** 0114 229 7851

 **Email:** nfpensions@capita.co.uk

Remember to let the administration team know if you change address, otherwise important correspondence might not reach you.

