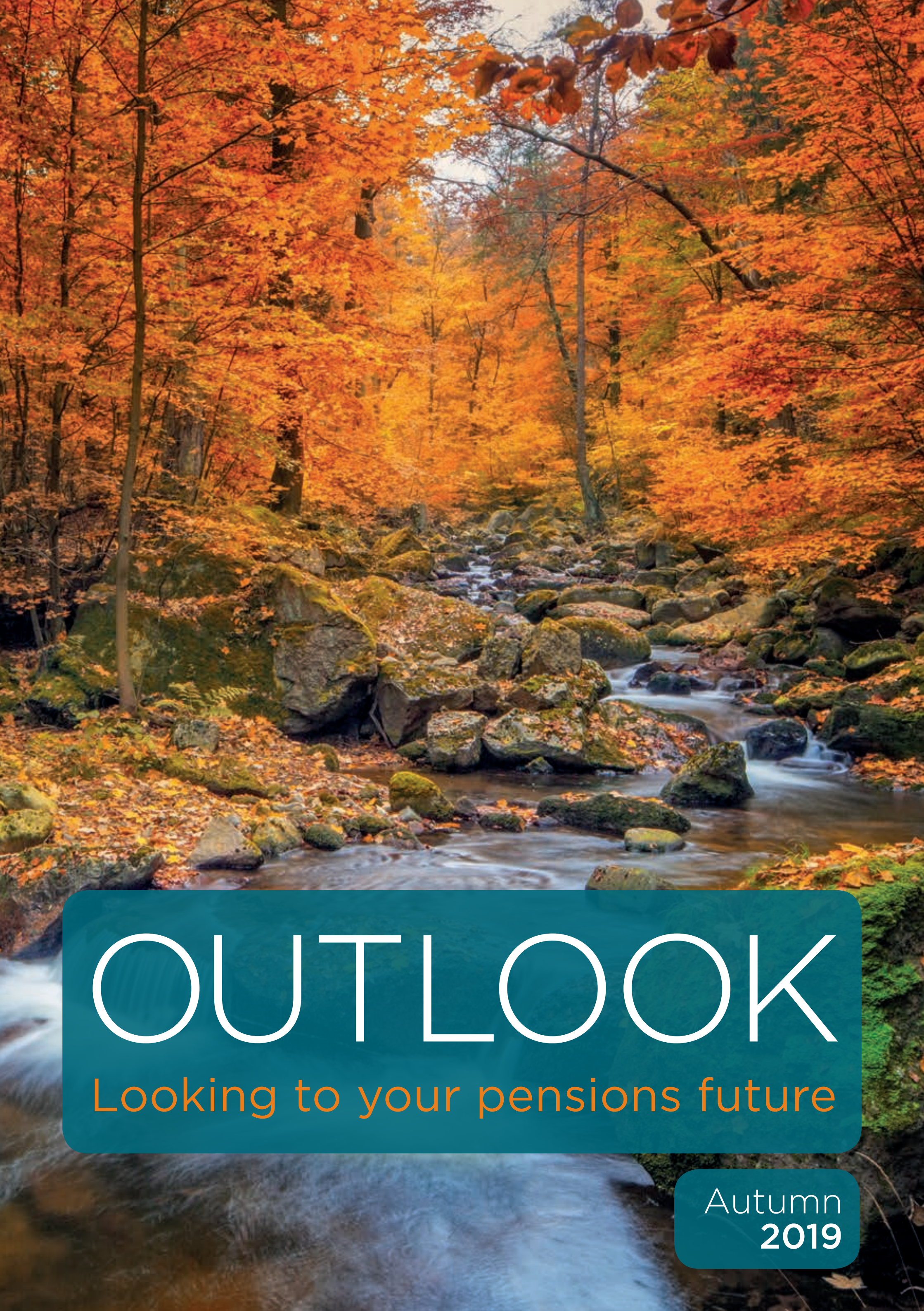


OUTLOOK

Looking to your pensions future

Autumn
2019

Welcome

Welcome to the Autumn 2019 edition of Outlook, the newsletter for members of the Northern Foods Pension Builder (Pension Builder or the Scheme).

Outlook helps to keep you up to date with the Scheme, including its finances. Pension Builder is a defined benefit scheme and must complete an actuarial valuation (or financial health check) every three years. The latest full valuation as at 31 March 2018 is now complete and you can find the results on pages 7 to 9.

In this issue, we've also included some news articles which we hope you will find interesting. If there is anything that you would like to see in future editions, please let us know. You can get in touch with us using the contact details on the back page.

Roger Boyes
Chairman of the Trustee Board

Inside this edition...

Interview with the Chairman

Roger Boyes has been on the Trustee Board for 13 years and has more than 20 years' experience with other high-profile trustee boards. He is also Chair of the Investment Committee.

Can you tell us something about yourself?

I am a trained accountant – I've held posts as Finance Director in the banking sector and retired from the Halifax Group in 2001. I am currently a Trustee of one other pension fund in addition to the Scheme. The Chairman of Northern Foods (the Company) approached me in 2006 to join the Scheme as an Independent Trustee Director because of my professional knowledge and experience of other pension schemes.

What does your role as Chairman involve?

It's about making sure Scheme governance is of the highest standard and bringing together a Board of Directors with the skills to ensure that members' interests are protected. Ultimately, the Board oversees the running of Pension Builder and the payment of benefits, but the Chairman also has to ensure that issues facing Pension Builder are properly brought to the attention of the Board, and that decisions reached are in the interests of members.

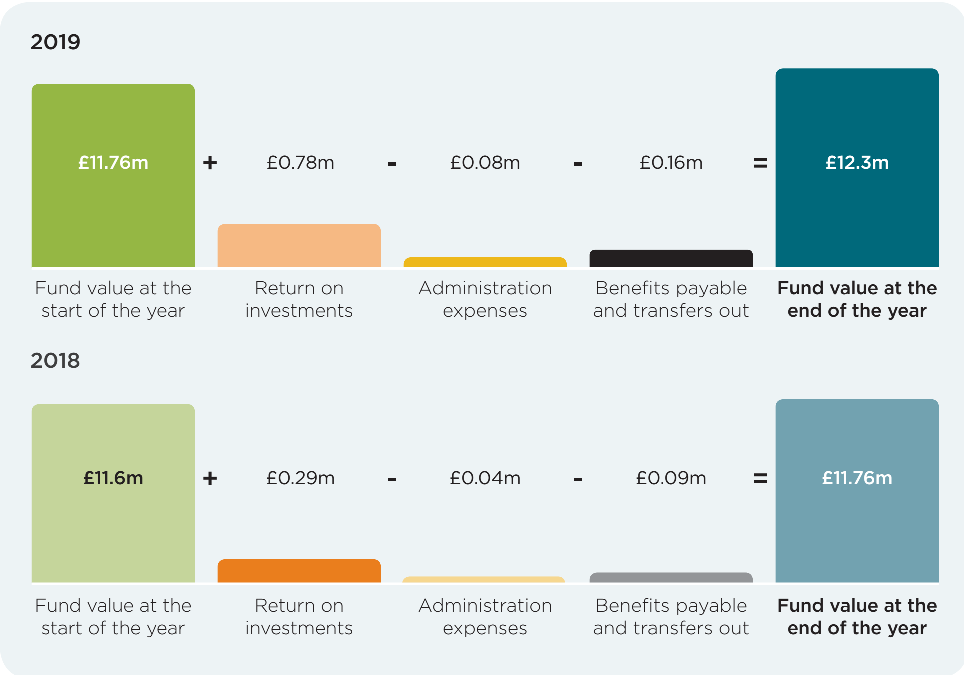
What do you see as the main challenge facing the Scheme?

The Scheme is currently well funded and no ongoing contributions are required from the Company. The main challenge is to protect the level of funding in the Scheme as far as possible and, over the long term, to improve the funding position.

The financials

The Scheme's accounts

This page summarises some of the key figures from the Scheme's accounts for the years ended 31 March 2019 and 31 March 2018.



Membership

As at 31 March 2019 there were 289 members in Pension Builder. You can see the change in membership over the last year below.

2019

Deferred members

253

Pensioners

36

2018

Deferred members

259

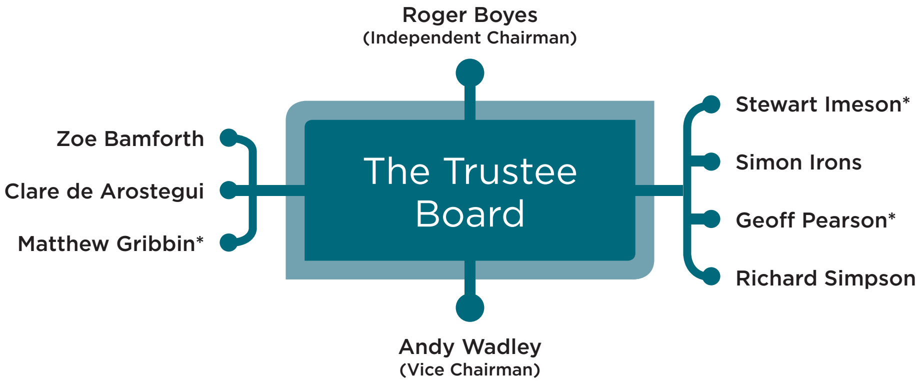
Pensioners

33

Looking after Pension Builder

Pension Builder is run by Northern Foods Trustees Limited. The Trustee Board is made up of nine Trustee Directors – six appointed by the Company and three appointed by members.

The current Trustee Directors are:



*Nominated by members

Member-Nominated Director (MND) updates

In November 2018, the Trustee Board wrote to members asking for nominations for a new MND to replace Andy Wadley, who was appointed a Company-Nominated Director on 1 January 2019. The selection process was completed in March 2019 and we are pleased to confirm that Stewart Imeson has been selected as the new MND until 31 December 2024.

Investments

The Trustee implemented a new investment strategy on 1 December 2015. This strategy has worked well and on 1 August 2017 the Trustee de-risked the investments by moving money out of the Diversified Fund into the Liability-driven investment fund (LDI), which now holds around 60% of the Scheme's investments.

The Diversified Fund invests in a range of assets to achieve growth with lower risk than an equity fund. The LDI fund helps to remove interest-rate and inflation risk.

Over the year to 31 March 2019 the Scheme's investment return was 7% and 2.7% for the year ended 31 March 2018.

Following the actuarial valuation as at 31 March 2015, the Trustee agreed a Journey Plan to achieve full funding, on a stronger basis than the normal valuation basis, within 15 years. This is called the Self Sufficiency basis.

As at 31 March 2015 Pension Builder had a Self Sufficiency funding level of 87%.

87%

After four years (as at 31 March 2019) the Scheme's funding level had increased by 7%.

+7%

Self Sufficiency funding means that the Scheme assets can be invested on a low-risk basis and the cash flow used to meet pension and other payments from the Scheme as they fall due. A small amount of risk remains under this basis as the length of time pensions are paid for is unknown.

The amount of assets required to be 100% funded on this basis is less than the Solvency basis (see page 8). As time goes by, the Trustee expects the Self Sufficiency and Solvency funding basis to move closer together.

Actuarial valuation results

Every three years, the Scheme's Actuary (a qualified and independent professional) carries out a full actuarial valuation to assess the financial security of the Scheme. It compares the money the Scheme has (assets) to the expected cost of providing all future benefits to members (liabilities).

In the years between the actuarial valuations, the Actuary produces an approximate update of the funding position in the Annual Actuarial Report.

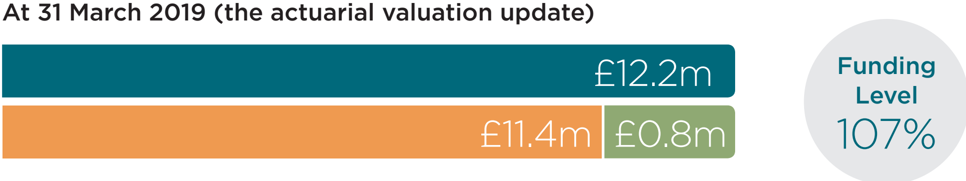
The full valuation at 31 March 2018 is now complete and you can see the results on the following pages. We've also included a valuation update as at 31 March 2019. The next full actuarial valuation is due at 31 March 2021.

How is the Scheme's financial health measured?

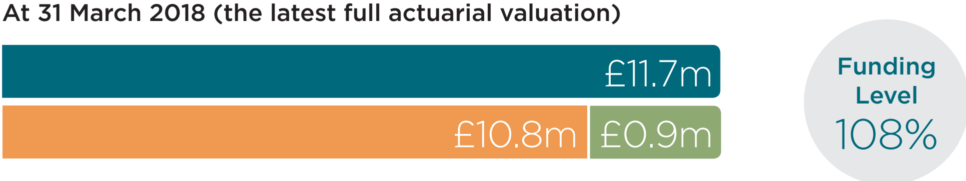
The actuarial valuation measures the value of the Scheme's assets against its liabilities. If the liabilities are higher than the assets, then the Scheme has a shortfall. If the assets are higher than the liabilities, then the Scheme has a surplus.

What was the latest funding position?

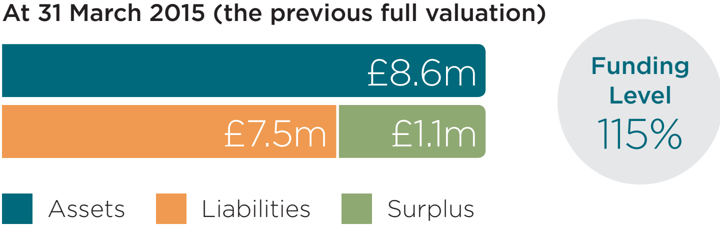
At 31 March 2019 (the actuarial valuation update)



At 31 March 2018 (the latest full actuarial valuation)



At 31 March 2015 (the previous full valuation)



This is measured on an 'ongoing basis' which assumes that funding continues in the same way as it does now. The latest full actuarial valuation as at 31 March 2018 showed that the Scheme had a surplus of £0.9 million.

Although investment returns were positive and the Scheme remains in surplus, there are a couple of reasons why the funding level has reduced since the previous full actuarial valuation:

- A move to a lower-risk investment strategy;
- Gilt yields falling, which has increased liabilities.

How does Pension Builder work?

The contributions that have been paid into the Scheme 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.

If the Scheme were to wind up, would there be enough money to provide members' full benefits?

The valuation also measures the fund on a Solvency basis, which estimates the amount needed to secure all earned benefits from an insurance company if Northern Foods were to close (or wind up) the Scheme.

The Trustee Board is legally obliged to tell members what the Scheme's funding position would be if the Scheme were to wind up. There is no intention to wind up the Scheme.

The estimated liabilities based on the Scheme winding up are much higher than those based on the Scheme continuing. This is because the assumptions for the calculations are different. The basis used to calculate how much it would cost for members' benefits to be provided by an insurance company, if the Scheme were to wind up, is very conservative.

Solvency funding basis

On a Solvency funding basis, the estimated funding level at 31 March 2019 has increased to 67% (compared with 65% at the 2018 actuarial update). This is due to the increase in pricing in the buy-out market being offset by returns on assets over the period.

If the Scheme were unable to cover the cost of providing members' benefits itself, or through an insurer, then the Scheme may go into the Pension Protection Fund (PPF). The PPF supports defined benefit schemes that are unable to provide a minimum level of benefits to their members. If the Scheme were to go into the PPF, the Scheme's members may not receive their full benefits. Visit **ppf.co.uk** for more information.

The Pensions Regulator's Directions

We are required to tell you whether The Pensions Regulator has used its legal powers (provisions of the Pensions Act 2004) to make directions as to:

- Change the rate at which members earn benefits;
- Change the way that the Scheme values members' benefits;
- Set a deadline for making good the shortfall; or
- Set the future level of contributions.

We can confirm that The Pensions Regulator has not used any of its powers in relation to the Scheme.

Regulation also requires us to confirm if the Company has taken any money out of the Scheme. We can confirm that this has not occurred.

Jargon buster

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

Liabilities are the estimated costs of providing the benefits earned to date by deferred members who have left benefits in the Scheme, and any pensions already in payment.

Gilts are issued by the UK Government. The yield is the interest rate on a gilt based on its buying price, rather than its value.

Pension updates

Pension tax allowances – Lifetime Allowance (LTA)

The LTA is the total amount of pension savings that you can build up over your lifetime in all your pension schemes before being subject to a tax charge. The LTA increased from £1.03 million to £1.055 million for the 2019/20 tax year.

If you think you might exceed the LTA, you should contact an independent financial adviser to discuss your options. To find an independent financial adviser in your area, visit **unbiased.co.uk**

State Pension update

The State Pension Age (SPA) for women increased to age 65 in November 2018, in line with the current age for men. The SPA will increase to age 66 in October 2020 and to 67 between 2026 and 2028. However, if you reached SPA before 6 April 2019, you may be eligible for the State Pension (subject to your National Insurance contributions) under the old rules which were active before this date.

In light of these increases, it's worth thinking about whether you will have enough saved up to cover those years when you might not be receiving your State Pension.

Find out your SPA at **gov.uk/state-pension-age**

Find out how much State Pension you may receive at **gov.uk/check-state-pension**

Pensions cold calling and pension scams - don’t get stung

The ban on pensions cold calling came into force on 9 January 2019. This means that companies can no longer make unsolicited marketing calls about pension schemes. Any company that breaks the law by doing so could face a hefty fine. However, you should still be on your guard. If you’re thinking about transferring your pension savings, be aware that scammers might want to get their hands on your money.

According to the Financial Conduct Authority (FCA), fraudsters used a range of high-pressure tactics to steal an average of £82,000 from each of their victims last year. Scams frequently started with unsolicited calls offering ‘free pension reviews’ and large-scale returns.

It’s important to remember that you can’t access your pension before you are 55 without incurring a large tax charge.

Read Sally’s story

Sally wanted to help fund her daughter through university. When a company contacted her out of the blue offering to help her access her pension early, it seemed like perfect timing. Sally decided to check whether the company was legitimate as she’d heard so much in the news about pension scams. She contacted the Financial Conduct Authority (FCA) to make sure the firm she was dealing with was authorised. When she found out that the company wasn’t registered, she started to become suspicious.

The company contacted Sally again, but she wasn’t going to be pressurised. She got in touch with the Pensions Advisory Service who told her that people are only able to access their pensions early under special circumstances, e.g. ill health.

The Pensions Advisory Service investigated the company and found out that it was operating without authorisation from the FCA. Sally had been vigilant, didn’t lose her pension savings and also avoided a 55% tax charge from the Government for withdrawing her savings before she was 55.

Read more about staying scam smart at **fca.org.uk/scamsmart**

There’s also some useful scammer information at **thepensionsregulator.gov.uk**

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Where can I get more information?

If you have any questions, please contact the administration team.

Northern Foods Pension Builder
Capita Employee Solutions
PO Box 555
Stead House
Darlington
DL1 9YT

0114 229 7851

nfpensions@capita.co.uk

If your personal details have changed, please let the administration team know, otherwise important correspondence might not reach you.