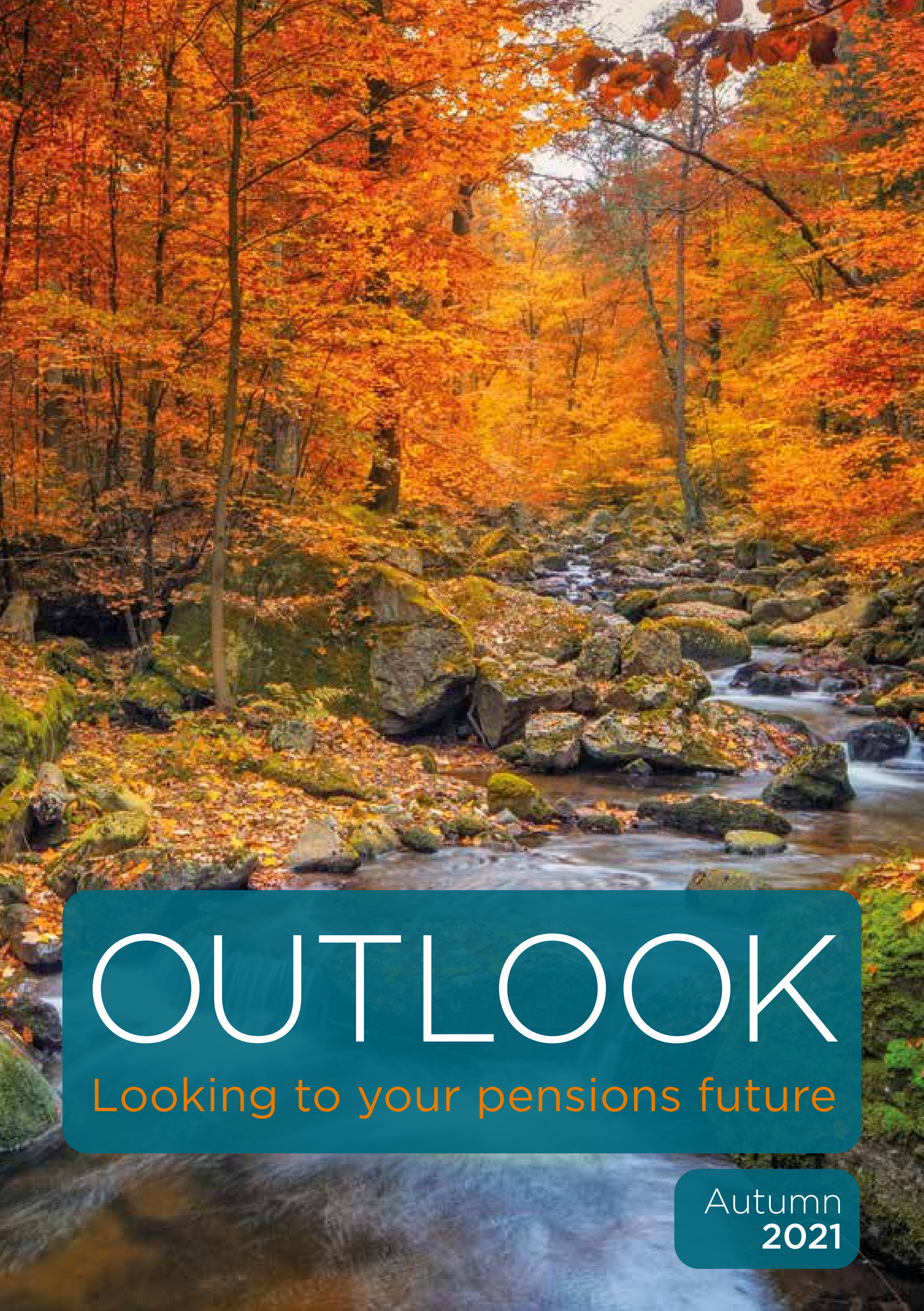


OUTLOOK

Looking to your pensions future

Autumn
2021

Welcome

Welcome to the autumn 2021 edition of Outlook, the newsletter for members of the Northern Foods Pension Builder (Pension Builder or the Scheme).

We hope that you and your loved ones have been keeping safe and healthy during the COVID-19 pandemic. With each new lockdown it felt as if 'normal life' slipped a little further away but, now that so many adults in the UK have received both doses of the COVID-19 vaccine, we hope that a return to pre-pandemic life isn't too far away.

During the pandemic, we have continued to focus on safeguarding your pension. As an initial response, we reviewed several key areas of our operating structure to ensure that business would continue as closely to normal as possible.

Outlook helps to keep you updated on the Scheme, including its finances. The latest full actuarial valuation, as at 31 March 2021, is currently underway. On page 8 you can find the annual funding update as at 31 March 2020. We have also included some news articles and information about pensions in general. If there is anything that you would like to see in future editions of Outlook, please let us know. You can find our contact details on the back page.

We hope you enjoy this edition.

Chris Martin
Independent Trustee Services - Chair

Inside this edition...

Spotlight on the Chair

We have recently welcomed a new Chair to the Trustee Board, Chris Martin, who will be leading the team that looks after the Scheme on your behalf.

Chris is a professional trustee with over 27 years of experience, and is the founder and Executive Chairman of Independent Trustee Services (ITS). We are very excited to welcome him on board.

Chris said, "I was delighted to be asked to join the Board, to help build on the exceptional work of Roger, the previous Chair, the Trustee Directors and the Pensions Executive team. Since joining in January 2021, I've started work with my new colleagues to review the long-term strategy for the Scheme and will provide more information on this as we move forward. I have led similar projects across other schemes, ranging from 1,000 to 65,000 members.

I am incredibly lucky that I get to work with a number of different schemes, trustees and advisers. Seeing the successful outcome of a valuation discussion, through to how this improves the security of members' benefits is incredibly rewarding. I'm genuinely excited getting out of bed each morning!"

Outside work, Chris is a keen but not particularly talented runner who has decided that cycling may be more appropriate as the years catch up with him.

How has COVID-19 affected the Scheme?

The last 18 months have been difficult for all of us and we appreciate you may be concerned about the effect the pandemic has had on the Scheme.

The Trustee has been working continuously to ensure your benefits are protected, as much as possible, from the effects of the pandemic. It has been particularly focusing on:

- the Scheme's investments,
- the strength and performance of the Company,
- the administration of the Scheme and payment of pensions, and
- how the Trustee operated over this period.

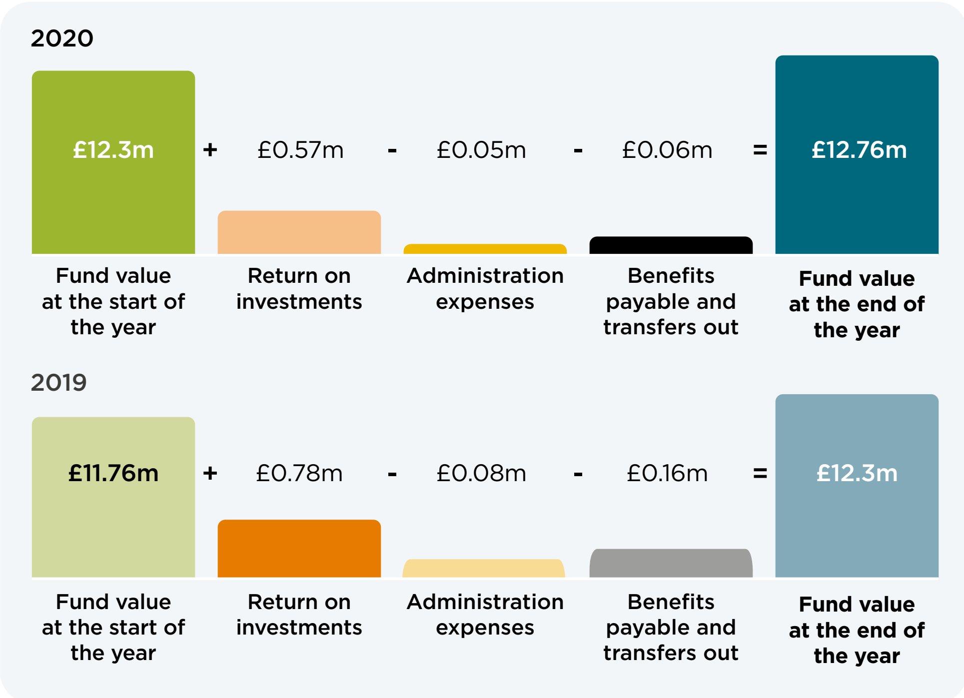
In the first three months of 2020, the investment markets were very volatile. Since then markets have generally responded positively, although we are likely to continue to experience some further volatility as we move forward.

While the Scheme's financials for the period ending 31 March 2021 won't be published until later this year, you can take a look at the Scheme's accounts for the year ended 31 March 2020 on the following page.

The financials

The Scheme's accounts

The following summarises some of the key figures from the Scheme's accounts for the year ended 31 March 2020.



Membership

As at 31 March 2020, there were 289 members in Pension Builder. You can see the change in membership over the last year below.

2020

Deferred members

248

Pensioners

41

2019

Deferred members

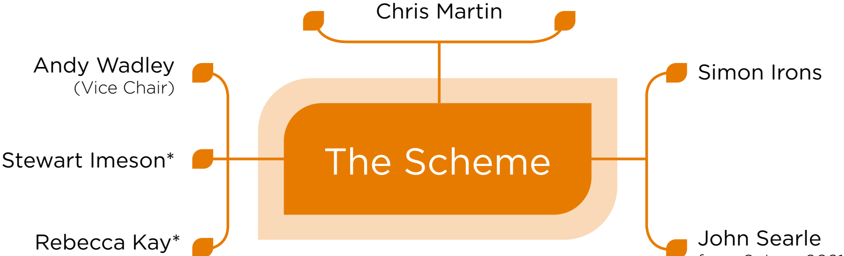
253

Pensioners

36

Looking after the Scheme

The Scheme is run by Northern Foods Trustees Limited. The Trustee Board is made up of six Trustee Directors – four appointed by the Company and two nominated by members. The current Trustee Directors are:



*Nominated by members

Trustee Board updates

Since our last update, the Trustee and Company agreed to reduce the size of the Trustee Board from nine directors to six. Following the sale of Fox's Biscuits, we felt that a slightly slimmer Board would help to make us more agile. In other changes, we also welcomed Rebecca Kay, a Member Nominated Trustee Director and John Searle as a Company Appointed Trustee Director to the Board – we look forward to working with Rebecca and John over the coming years.

Roger Boyes stood down as Chair on 31 December 2020 after 15 years at the helm, and the Trustee would like to record its thanks to Roger for his highly valued service to the Scheme.

Zoe Eyre left the Board following the sale of Fox's Biscuits, and Matthew Gribbin and Geoff Pearson stood down as Member Nominated Trustee Directors from 31 December 2020. Clare de Arostegui also stood down as a Company Appointed Trustee Director from 31 May 2021. The Trustee is very grateful to them for the valuable contributions each made to the running of theTrustee Board.

Executive Team updates

The Executive Team, along with the Scheme's advisers, are responsible for the day to day running of the Scheme.

Chrissie Hills retired from the Executive Team on 31 March 2021, and our thanks go to Chrissie for her highly valued help in all areas of the Trustee's work over many years.

We welcome Paul Smith of Paragon Pensions to the team as the new Scheme Secretary. He will work with Peter Croskin, Phil Bradish and Tony Dix, who are the other members of the Executive Team.

Investments

The investment objective of the Scheme is to maintain a portfolio of suitable assets that will generate investment returns to meet (together with any future contributions) the benefits payable under the Trust Deed and Rules as they fall due.

The Trustee sets the investment strategy taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the Scheme, and the funding position of the Scheme. The investment strategy is set out in the Company's Statement of Investment Principles (SIP). You can download this at **nfpensions.com/nfpb/investment-and-funding.html**

The current strategy is to hold:

- 60% in pooled Liability Driven Investments (LDI) funds, which use derivative contracts so that all of the Scheme's assets move in line with its long term liabilities. The LDI allocation, which includes UK government bonds, aims to hedge against the impact of interest rate and inflation movements on the Scheme's liabilities.
- 40% in return seeking investments, including but not limited to UK and overseas equities and real assets, plus fixed income, alternative credit and private equity assets. This is the growth engine of the investment strategy.

Over the year to 31 March 2019 the Scheme's investment return was 7%, and 5% to 31 March 2020.

In the last edition of Outlook, we confirmed that the Scheme was 94% funded on a Self Sufficiency basis (as at 31 March 2019). Since then the investment strategy has worked well and at the time of writing the Scheme is around 100% funded on this basis.

As part of the 2021 actuarial valuation, the Trustee and Company will be considering the long term funding objectives of the Scheme. We will let you know the results of that review in the next edition of Outlook in 2022.

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 9). As time goes by, the Trustee expects the Self Sufficiency and Solvency funding basis to move closer together.

Annual funding update

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

What is an actuarial valuation?

An actuarial valuation is a financial health check for the Scheme. It compares the money the Scheme has (assets) to the expected cost of providing all future benefits to members (liabilities).

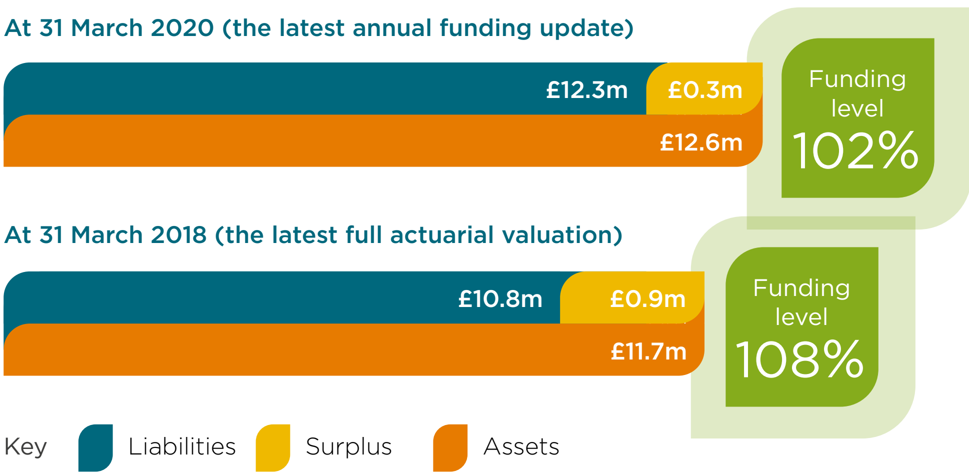
How is the Scheme's financial health measured?

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 funding position at 31 March 2018?

The previous full actuarial valuation as at 31 March 2018 showed that the Scheme had a surplus of £0.9 million.

The latest full actuarial valuation as at 31 March 2021 is currently underway but you can see the latest funding update as at 31 March 2020 below.



How has the funding position changed since the last full actuarial valuation?

The 31 March 2018 actuarial valuation showed the Scheme had a surplus of £0.9 million. The 31 March 2020 update revealed a surplus of £0.3 million. Although investment returns were positive and the Scheme remains in surplus, the funding level has reduced slightly since the previous full actuarial valuation. This is due to a reduction in fixed interest gilt yields, which increased the value placed on the Scheme's liabilities.

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

The Trustee Board is legally obliged to let you know what the Scheme's funding position would be if the Scheme were to wind up (close) and members' benefits had to be paid by an insurance company instead. There is no intention of winding up the Scheme.

On this basis, the estimated funding level at 31 March 2020 has decreased to 60% (compared with 65% at the 2018 actuarial valuation).

If the Scheme were unable to cover the cost of providing members' benefits either 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.

Why is the funding position different for wind up?

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 insurer, if the Scheme were to wind up, is very conservative.

Jargon buster

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

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

Ongoing basis uses assumptions agreed between the Trustee Board and the Company and assumes that the Scheme will continue.

Solvency basis estimates the amount needed to fully secure all earned benefits from an insurance company if Northern Foods decided to wind up (close) the Scheme.

Pension updates

Get money smart with MoneyHelper

The MoneyHelper website brings together three independent financial guidance bodies: The Money Advice Service, The Pensions Advisory Service, and Pension Wise.

MoneyHelper works closely with the Department for Work and Pensions and HM Treasury to provide financial and debt advice. Its aim is to help everyone make the most of their money, including their pensions.

The website has been set up to:

- help people make the most of their money and pensions,
- ensure people can easily access the information they need to make the right financial decisions for them throughout their lives, and
- increase awareness of financial wellbeing.

Can MoneyHelper help you to improve your financial outlook?

Find out by visiting **moneyhelper.org.uk**

Pension scams

Pension scams have become increasingly common – especially during the COVID-19 pandemic. To help combat this rise, The Pensions Regulator has been asking trustees, providers and administrators of pensions schemes to take a pledge to protect the members they represent from pension scams.

Here at Northern Foods, we are pledging to tackle scammers in any way that we can. This is why we will continue warning you regularly about the risks of transferring your pension out of the Scheme, and provide you with the tools you need to protect your hard-earned savings.

For more information about protecting your pension, visit **fca.org.uk/scamsmart**

If you are thinking of talking to a financial adviser, you should always check with the FCA that the adviser is authorised to provide the services you need. For more information, visit fca.org.uk/firms/financial-services-register

Sam's story

Sam, an experienced investor, was looking forward to her retirement. She had always been interested in bolstering her pension, and so when Sam received an unexpected phone call one day that described an exciting opportunity, she got excited. The caller told her that, if she moved some cash from her pension fund to an account with new investments, she'd be guaranteed high returns. With large returns, Sam could enjoy regular holidays abroad, as well as a very comfortable retirement income.

The caller pressured Sam into making a quick decision, as the account would close to new investors soon. She managed to find time to do some quick research. The company seemed to be reputable – it had a very convincing website that even had the Financial Conduct Authority (FCA) logo on its homepage. When the caller got back in touch, she agreed to transfer thousands of pounds into their account to invest and Sam was told that she should receive a lump-sum payment in the next few months.

Months passed, and no money appeared. Sam tried to call the number the caller had given her, but the line had been disconnected and no other contact information was available on the company's website. Sam's thousands were completely gone.

To ensure what happened to Sam doesn't happen to you, follow these four simple steps, and remember – if a deal sounds too good to be true, it probably is:

1. Reject any and all unexpected offers or calls about your finances, including over the phone or at your door.
2. Double check who you're dealing with – always ask for ID if someone's at your door - even if you have arranged for an adviser to visit you, and remember to carefully research the company anyone claims to be working for.
3. Don't feel rushed or pressured into making any decisions.
4. Seek information or impartial advice before making any changes to your funds or investments by visiting **unbiased.co.uk**

You can find more information on the FCA website at **fca.org.uk**

You can find further information about the Scheme at **nfpensions.com**

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

Remember to let the administration team know if you change address – otherwise important correspondence about your pension might not reach you. We may also be unable to pay your pension if your address does not match the one on our records.