OUTLOOK

Looking to your pensions future

Spring
2023

Welcome

Welcome to the spring 2023 edition of Outlook, the newsletter for members of the Northern Foods Pension Builder (Pension Builder or the Scheme).

The last year brought new challenges, as financial markets were affected by the war in Ukraine, government instability, and significant financial volatility. The Trustee Board, along with its advisers, continue to monitor these events closely. You can read more about investments on pages 3-4.

It's important to remember that pensions are a long-term investment and although global events can impact the value of the Scheme's assets, they are invested with the aim of long-term growth. You can find out more about the Scheme's funding position on pages 13-15.

Sadly, the number of financial scams is on the rise so we have identified some of the latest. Read more on pages 8 and 9, to learn how to spot them, and who to go to if you think you've been scammed. To tackle the rise in pension scams, the government brought in new regulations in November 2021. These give you another layer of protection if you're thinking of transferring your pension into another arrangement. Read more on page 7.

We hope you enjoy this edition of Outlook. We value your feedback, so please tell us if there is anything you would like to see in future newsletters. You can find our contact details on the back page.

Chris Martin
Chair of the Trustee Board,
Independent Trustee Services

Inside this edition

Investments

Investment update as at 31 March 2022

In the last edition of Outlook, we confirmed that we were reviewing the Scheme's long-term objectives. In summary, our strategy is to invest 40% of the Scheme's assets in growth assets* to generate investment returns. The remaining 60% is invested in matching assets called Liability-Driven Investments (LDIs), which aim to reduce the risk of movements in interest rates and inflation having an adverse impact on the Scheme's funding position.

In the longer term, our aim is to reduce the Scheme's reliance on growth asset returns and to increase the Scheme's allocation to matching assets.

Market activity and the Scheme since March 2022

You might have seen some news about pensions and investments following the mini budget in 2022.

As mentioned above, the Scheme has a significant holding in LDIs. The market turbulence affected LDI portfolios and we were asked to make additional cash available to secure the investments (known as a collateral call). We can confirm we met these calls during this time. The Scheme is also currently well placed, with liquid assets, to meet any future collateral calls.

Over this period, as a result of rising interest rates, the value of the Scheme's investments fell and the Trustee notes that the Scheme's liabilities will have fallen by a similar amount.

It's important to remember that pensions are a long-term savings mechanism, which means they will go down and up over time.

*Growth assets are normally expected to produce long-term positive returns to exceed liability-matching assets, which compensates for their higher risk exposure.

Investments continued

In the last edition of Outlook we confirmed the Scheme was approx 100% funded on a self-sufficiency basis.

Despite difficult market conditions, the Scheme has remained well funded and at the time of writing is funded approx 108% on this basis.

Over the year to 31 March 2021 the Scheme's investment return was 5%, and 4.8% to 31 March 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 wind-up basis (see page 14). As time goes by, the Trustee expects the Self Sufficiency and wind-up basis to move closer together.

Fiduciary Management

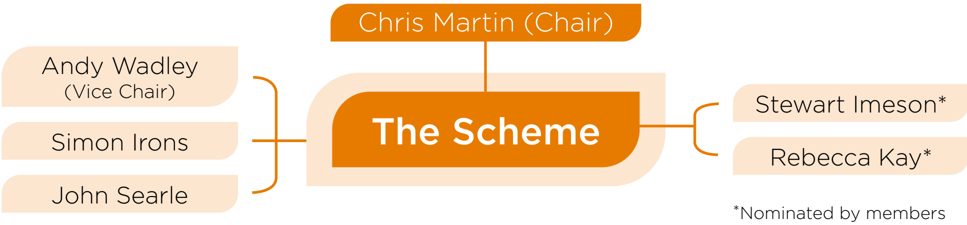
With effect from 1 June 2023, the Scheme, having completed a full review of providers in this area, will move all of its investments into Fiduciary Management with WTW.

Under Fiduciary Management we pass the day-to-day decision making, cash-flow processing, currency hedging and management of the investment managers to WTW. We remain responsible, however, for the investment strategy and the risk profile adopted for the Scheme.

More information on Fiduciary Management, and the investments held, will follow in the next newsletter.

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

There have been no changes to the Trustee Board since our last newsletter.

Executive Team update

Peter Croskin has been working with us since joining Northern Foods as the Group's Pensions Manager in 1988. He completed 50 years working in the pensions industry in November 2022. As Peter started to think about winding down, we decided to take two actions:

1. **To appoint a new Pension Executive team to help run the Scheme**. After a full selection exercise, we appointed XPS, a leading firm of pension experts.

   The new team is headed up by Graham Burgess, a senior pension consultant based in the XPS Leeds office. The core team includes three of Graham's colleagues, and benefits from the backing of the expertise of the wider XPS Group.

   Following XPS's appointment, Peter Croskin and Phil Bradish's roles will phase out over an agreed period, which gives time for them to help XPS transition into the role.

2. **To transfer all the investment work that had previously been completed by Peter Croskin, Tony Dix and Chrissie Hills to Fiduciary Management**. For further information on this, please see page 4. Peter will now spend time documenting the Scheme's history and working on special projects as required.

Update from Capita – cyber incident

Capita, who provides administration services for the Scheme, has experienced a cyber incident and informed us that it has taken steps to isolate and contain the issue. Their ongoing investigation has identified that a limited amount of data was compromised. The Trustee has written to those members of the Northern Foods Pension Scheme or Northern Foods Pension Builder who have been affected by this data breach.

Increase in State Pension

From 6 April 2022, the New State Pension increased by 3.1% and by 10.1% from April 2023.

New State Pension

2023/2024	£203.85 per week
2022/2023	£185.15 per week

10.1%

£18.70
per week

Rise in Normal Minimum Pension Age

The government will be increasing the Normal Minimum Pension Age (NMPA) from age 55 to age 57 in 2028.

The NMPA is the earliest age that you can start taking your benefits from most registered pension schemes without triggering extra tax charges. For most schemes, this is currently age 55. From 6 April 2028, it will increase to age 57 to bring it 10 years below the State Pension Age.

The government is currently consulting on how this change will be implemented and whether to keep lower NMPAs if this right is protected in a scheme's rules. We will carry on monitoring the situation and update you once we know the outcome.

How this could affect you:

If you were born before 7 April 1971	If you were born between 7 April 1971 and 5 April 1973	If you were born on or after 6 April 1973
You won't be affected by this change as you'll be age 57 or over by the time it comes into effect in April 2028.	You will be age 55 on 6 April 2028, so you could be affected if you have not taken all of your benefits by then. If you're taking your benefits in stages, you may have to wait until age 57 to access the balance.	You will now have an NMPA of age 57 so will not be able to take any of your benefits before then.

New pension transfer regulations announced

To help tackle the rise in pension scams, the government brought in new regulations in November 2021. These give you another layer of protection if you're thinking of transferring your pension into another arrangement.

Before your transfer can go ahead, it must meet one of two conditions:

1. If you're transferring your pension into an authorised arrangement in the UK (such as a public-service pension scheme, an authorised Master Trust, an authorised Collective Defined Contribution scheme, or a pension scheme operated by an authorised and regulated insurer), it's likely it can go ahead.
2. If the scheme you're transferring into isn't included above, you'll have to:

   2a. Prove you have an employment link to the receiving scheme

   2b. Prove you have a residential link to the receiving scheme if it is a Qualifying Recognised Overseas Pension Scheme.

If you can prove 2a or 2b, and no red or amber flags are present, your transfer can go ahead.

   2c. But if one (or more) amber flag is present, your transfer can be paused until you can prove you've taken scams advice through MoneyHelper, even if you've taken advice from a regulated financial advisor

   2d. And/or if one (or more) red flag is present, your transfer can be stopped.

Examples of red flags include being pressured to make the transfer quickly, or being offered an incentive. Examples of amber flags include the receiving scheme making use of high-risk or unregulated investments, or having investment structures that are unusual or unclear.

Find out more about the regulations and what constitutes a red or amber flag on The Pensions Regulator's website at **https://bit.ly/3apyrxT**

You can find a regulated financial adviser near you at **unbiased.co.uk** and you can find scams advice at **moneyhelper.org.uk/en/money-troubles/scams**

Don’t lose your pension to scammers

While new transfer regulations mean that trustees and scheme administrators can stop or pause a pension transfer, you are still the best line of defence when it comes to keeping your pension safe.

It’s vital you remain vigilant and know how to spot the signs of a pensions scam, how to report one, and what to do if you think you’ve been a victim of one.

Some things to watch out for	What may they do to try to scam me?
Cold calling to sell pensions products has been illegal in the UK since 2019, so if anyone does phone you, just end the call. Unfortunately, criminals are getting around the law by using email, text or social media instead.	By pressuring you into making decisions quickly, you won’t have time to do your research or get regulated financial advice.
Some investment types aren’t regulated by UK law so if you invest in them you might not be able to trace your money.	No investment will ever provide returns that are guaranteed to be high. Even the best-performing investments can lose value from time to time.
You can’t access your pension until you reach age 55 (rising to age 57 in 2028) unless you’re in very ill health.	Most financial-services firms have to be authorised by the Financial Conduct Authority (FCA). Check their Financial Services Register at **fca.org.uk/firms/financial-services-register** to see if a firm or individual is authorised or registered with the FCA.
Always access the Register from the FCA’s website rather than by clicking on links in emails or on the website of a firm offering you an investment.	Always check if the firm’s contact details and registration number match the ones on the Register.

If you’re suspicious, report it

If you think you’ve been approached by scammers, you can report the firm or the scam to the FCA by calling **0800 111 6768** or using the FCA’s reporting form at **fca.org.uk/consumers/report-scam-us**

Stay scam smart online

We've grown increasingly comfortable conducting our lives online. But we want you to be aware there are potential pitfalls.

Criminals have been quick to profit from the shift to digital from cash transactions. UK Finance reports that impersonation fraud – where scammers pretend to be a legitimate company asking for personal information – has almost doubled to nearly 40,000 reported cases over the last year.

Examples include text messages pretending to be from Royal Mail asking for your bank details so you can pay additional postage fees. You could be expecting an online delivery now – would you click that link?

Other links in texts or emails can install malware that can steal your passwords, giving criminals access to all areas of your life, including your bank account.

Take advice

We strongly recommend you take regulated financial advice if you're thinking of transferring out of the Scheme. By law, you have to take advice if the value of your benefits is over £30,000. However, whatever the value of your benefits, it's always a good idea to get a professional opinion on whether transferring out of the Scheme is right for you.

Find an adviser near you at **unbiased.co.uk**

Online safety tips

1. Don't click on links in text messages or emails – check URLs to make sure they're genuine
2. Contact companies directly using a known email or phone number
3. Forward suspicious emails to **report@phishing.gov.uk**
4. Forward suspicious texts to your mobile network provider
5. Never give remote access to your computer following an unsolicited call or text
6. And finally, if you think you've been a victim of fraud, call your bank immediately and file a report with Action Fraud at **reporting.actionfraud.police.uk**

What you need to know about changes to pensions tax

In the Spring Budget speech on 15 March 2023, the Chancellor Jeremy Hunt announced some significant changes to pensions tax laws.

This is a summary of some of the key changes.

The **Annual Allowance (AA)** is the maximum amount that you can build up from all your pension arrangements (excluding the State Pension) every tax year without paying an additional tax charge. From 6 April 2023, the standard AA increased from £40,000 to £60,000.

Up until April 2023, there was a **Lifetime Allowance (LTA)** to consider. The value of your pension benefits taken at retirement was assessed against the LTA. If the total value of your benefits was higher than the allowance, you needed to pay a tax charge on any savings above the LTA.

The tax charge was removed from the LTA from 6 April 2023, and the LTA will be removed completely from April 2024. For most people, the amount you can take as a tax-free cash lump sum will stay at 25% of the previous LTA of £1,073,100, which is £268,275.

For more information visit **www.gov.uk/tax-on-your-private-pension**

Process

The Bill bringing the changes into law has to make its way through Parliament, and it is widely expected to be passed and to receive Royal Assent before Parliament adjourns for the summer.

Neither Northern Foods or the Trustee can give tax-planning advice or any other kind of financial advice. We recommend that you discuss with your own financial adviser how the changes could affect your retirement planning.

If you do not already have a financial adviser, you may find the following links helpful:

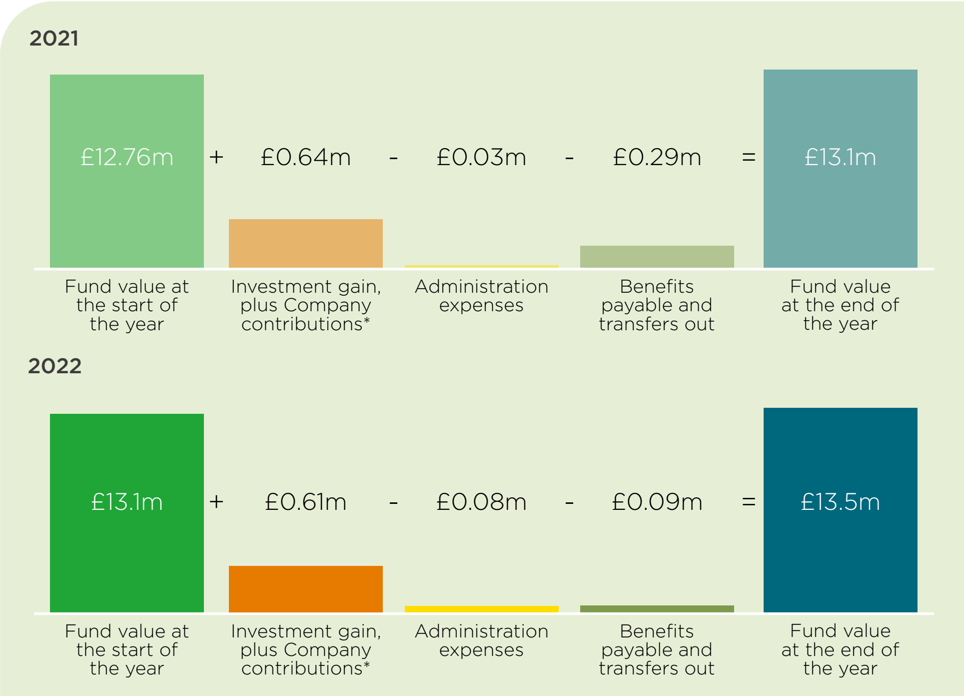
www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser

www.fca.org.uk/consumers/finding-adviser

The financials

The Scheme's accounts

The following is a summary of the key figures from the Scheme's accounts for the year ended 31 March 2021 and 31 March 2022.



*After management charges

Figures have been rounded

Membership

As at 31 March 2022, there were 285 members in the Scheme. You can see the change in membership from 2021 to 2022 below.

2021 Deferred members 243

2022 Deferred members 236

2021 Pensioners 43

2022 Pensioners 49

Actuarial report

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 actuarial report.

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 current and future benefits to its members (liabilities).

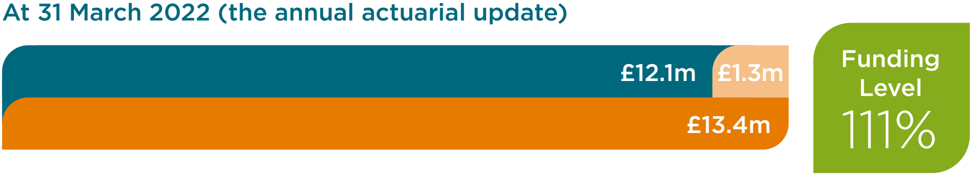
How is the Scheme's financial health measured?

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

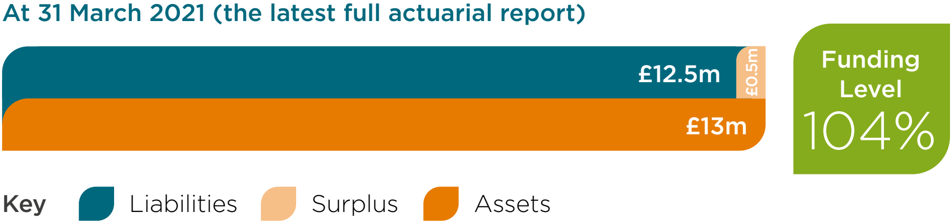
What was the funding position as at 31 March 2022?

The latest annual actuarial update as at 31 March 2022 showed that the Scheme had a surplus of £1.3 million on an ongoing basis.

At 31 March 2022 (the annual actuarial update)



At 31 March 2021 (the latest full actuarial report)



Actuarial report continued

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

The 31 March 2021 actuarial valuation showed the Scheme had a surplus of £0.5 million. The 31 March 2022 update revealed a surplus of £1.3 million. The improvement has been from assets outperforming liabilities.

Looking after the Scheme

We are 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. We have no intention to wind up the Scheme.

On this basis, the estimated funding level at 31 March 2021 has increased to 69% (compared with 65% at the 2018 actuarial valuation), and in the annual update as at 31 March 2022 this has increased to 77%.

We are also happy to confirm that neither the Trustee Board nor the Company has taken any money out of the Scheme, nor has The Pensions Regulator had to use any of its powers to intervene in how we run the Scheme.

Financials 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 payments.

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.

Wind up 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.

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

Where can I get more information about my pension?

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.