



OUTLOOK

Looking to your pensions future

Winter
2014/15

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Welcome

Welcome to the Winter 2014/15 edition of Outlook, the newsletter for members of Northern Foods Pension Builder (Pension Builder).

In this new style edition, we take a look at Pension Builder's finances over the last scheme year - we hope you like the new layout of these figures. We also take a look at some important announcements by the Government earlier in 2014, which could affect how you take your benefits (if you have not already retired).

We reported in our last newsletter that Pension Builder's administration was about to move to Capita. The transfer progressed smoothly - the Trustee is happy with the service standards so far and will continue to monitor these carefully. You can see more details about some of Capita's processes and what to expect from them on pages 10-11.

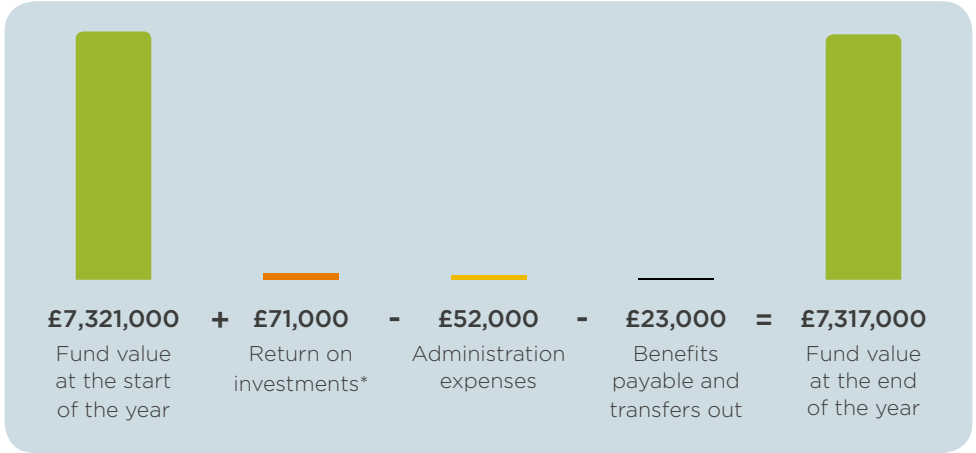
Roger Boyes

Chairman of the Trustee Board



The financials

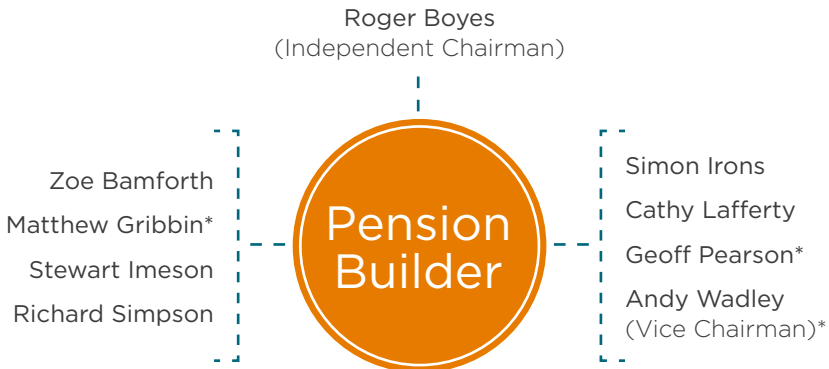
These pages show you details of Pension Builder’s finances, investments and membership for the year ended 31 March 2014.



*After management charges

Looking after Pension Builder

Pension Builder is run by Northern Foods Trustees Limited. The Trustee Board is made up of nine Trustee Directors:



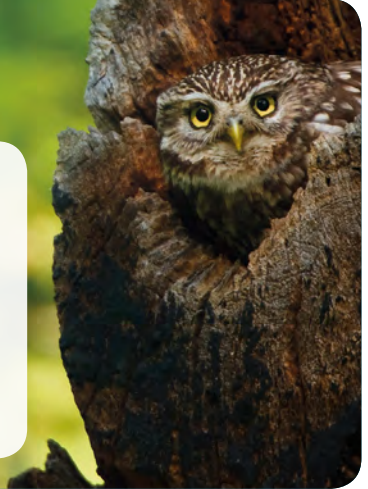
*Nominated by members

Members

Deferred members



Pensioners

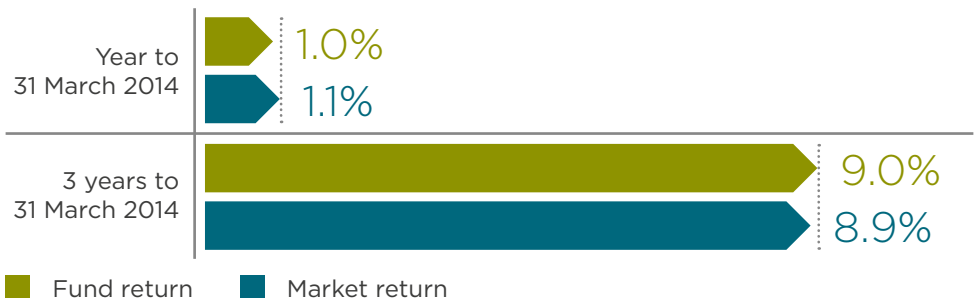


Investments

At the moment, the Trustee invests entirely in corporate bonds, which are loans issued to companies that pay interest at regular intervals. The Trustee invests through Legal & General, in a 'passively managed' fund. Passive management means that the fund mirrors its market, i.e. it invests in every bond included in the market, rather than the investment manager trying to pick bonds that it expects will perform well. This means that the fees are substantially lower than for an actively managed fund.

The fund aims to be within 0.5% of the performance of the market overall, for two years out of three.

The Trustee will be reviewing the scheme's investment strategy during 2015 and further information will be given to you in the next newsletter.



Annual Funding Statement

This Funding Statement provides a snapshot of the funding of Pension Builder, based on the assumptions used at the last full actuarial valuation as at 31 March 2012.

The valuation is based on what the Trustee (having taken advice from the Actuary) and the Company assume will happen in the future.

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'.

In the intervening years between the three-yearly full valuations, the actuary produces an approximate update of the funding position in an actuarial report. The information opposite summarises the actuarial reports as at 31 March 2013 and 31 March 2014, and compares this with the last full actuarial valuation as at 31 March 2012.

What is the ongoing funding level?

At 31 March 2014

■ Assets ■ Liabilities (amount needed to provide benefits) ■ Surplus



At 31 March 2013



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

How has the funding position changed since the last full valuation at 31 March 2012?



What about the next valuation?

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

How does Pension Builder work?

The contributions that have been paid into Pension Builder are held under trust in one fund for all members, not in individual accounts. The money held under trust is invested with the aim of producing a return each year. Benefits for all members are paid from the fund.

Solvency funding basis

On a solvency basis (sometimes called a discontinuance funding basis) the estimated funding level at 31 March 2014 was 70% (compared with 66% at the 2012 full actuarial valuation). This would be the position if Pension Builder was wound up. The solvency funding level is lower than the ongoing basis because it has to be based on very cautious assumptions about the future.

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.

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

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. The PPF provides compensation broadly equal to 90% of benefits for those under normal retirement age, and 100% of benefits for those over normal retirement age. You can find more information at www.pensionprotectionfund.org.uk

Is there any other information I should be aware of?

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 Northern Foods decided to stop Pension Builder.

State Pension update

We announced in the last newsletter that the Government had proposed to introduce a new, flat-rate State Pension from April 2016. This change has now been confirmed in the Pensions Act 2014. The new State Pension will replace the existing two-tier system of the Basic State Pension and the Additional State Pension (sometimes known as the State Second Pension or S2P).

Please note that if you are already receiving your State Pension or reach State Pension Age (SPA) before 6 April 2016, the changes will not affect your State benefits (even if you delay taking them beyond April 2016).

Under the existing system

Basic State Pension of £113.10 a week after 30 qualifying years of National Insurance (NI) contributions.



State Second Pension (S2P) based full-rate NI contributions.

Under the new system from April 2016

Single-tier pension of £148.40 a week (in today's terms) after 35 qualifying years of NI contributions, less any deduction for being a member of a contracted-out pension scheme. (Pension Builder is contracted in to S2P, so there would be no deduction in respect of your service in this scheme.)

A close-up photograph of evergreen tree branches covered in a thick layer of white frost. The branches are dark green and have a needle-like texture. The background is a soft, out-of-focus blue-grey color, suggesting a winter sky or snow-covered ground. The overall mood is cold and serene.

State Pension Age

State Pension Age (SPA) for both men and women is to rise to 66 by 2020, and was due to increase to age 67 between 6 April 2034 and 5 April 2036. The Government has now brought forward this increase so that it will now take place gradually between 6 April 2026 and 5 March 2028.

Further increases to 68 are expected in the mid-2030s, and there could be further increases beyond this.



You can find out your SPA by using the calculator at www.gov.uk/calculate-state-pension

The retirement process – what to expect

As the majority of readers have not yet started to draw their pension, we thought it would be useful to explain how the retirement process works and what to expect.

Six months ahead of your normal retirement date

Capita will write to you to enquire whether you plan to take your benefits on your normal retirement date.

You will need to decide whether or not you wish to take a cash lump sum. You are entitled to take up to 25% of the total value of your benefits in Pension Builder as a tax-free cash lump sum when you retire. If you take this option, the amount of your regular pension payments will be reduced. Capita's letter to you will explain:

..... The amount of your annual pension if you don't take a cash lump sum.

And

..... The reduced pension you would receive if you take the maximum amount of tax-free cash, and the cash amount.

If you do want to take your benefits at your normal retirement date, you need to complete the form enclosed with Capita's letter, selecting how much tax-free cash you wish to take (if any). Remember that you can take less than the maximum amount of cash if you wish, for example if you plan to use it for a specific purpose.

You also need to provide any supporting evidence that they have requested – this could include your original marriage certificate, for example. Any outstanding documentation can delay the process. You will need to provide your bank or building society account details, so that Capita can enter this on their pension payroll.

Once you have responded

Once you have returned the form and any supporting information requested, Capita will write to you, normally within a week, to confirm your pension amount and the first payment date.

Website update

The Northern Foods Pension website includes a wealth of information about your pension benefits.

The website has been designed so that you can easily find the information that's relevant to you. It also provides you with easy access to all of Pension Builder's forms and documents.

The website will soon have a new feature – a link to the new self service website provided by Capita. Self service means that you will be able to view your own personal information online. You'll be able to view and update your name and address. You can also view details of your benefits.

These new self service features will be provided during 2015 by Capita on a separate website, but to keep things simple we will add a link directly from the existing website, www.nfpensions.co.uk – so that you only have to remember one web address.

To access the new features you will need to register, using your email address. You will also need to give your National Insurance number so that Capita can verify your identity, and you will be asked a security question. You'll need to choose a username and password, and Capita will issue you with a pin number as well. You will need all three in order to login to the site. This means that the site is secure, so you don't need to be concerned about having your personal information stored online.

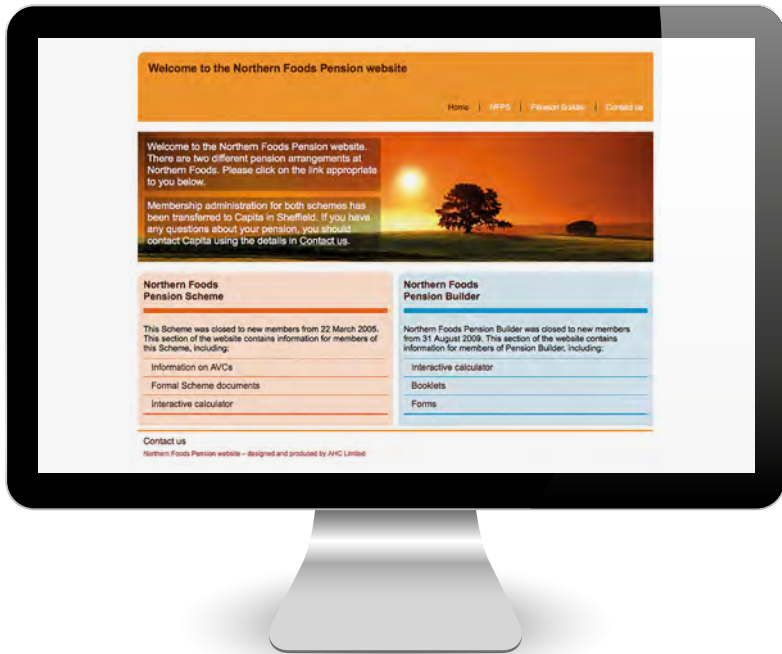
We'll let you know later this year when the self service Capita website is up and running.

Remember, to register you'll need:

- ✓ Your NI number
- ✓ A username and password of your choice

To login in future you'll need:

- ✓ The same username and password
- ✓ The pin number issued by Capita when you register



www.nfpensions.co.uk

The Budget

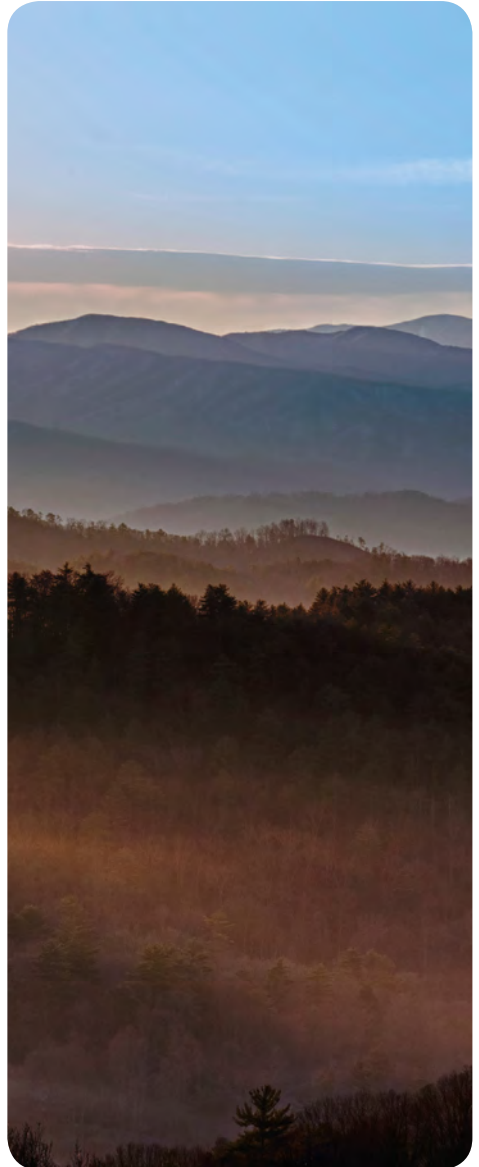
You may have heard about proposals to change the UK's pension system announced in the March 2014 Budget, which have been called the most radical reforms to pensions in the last century.

Currently, savers in defined contribution (DC) schemes can take 25% of their total pension pot as tax-free cash, and most buy an annuity with the remaining fund. An annuity pays a regular income, usually for life. The Government changes mean that anyone in a DC scheme reaching age 55 from April 2015 can take their whole pension as a cash lump sum, with the first 25% tax-free and the rest taxed at their marginal rate.

The Government also plans to ensure that all DC members receive appropriate guidance to help them decide how to take their benefits.

As Pension Builder is a Defined Benefit (DB) scheme, these changes will not affect you directly. If you wish, you could transfer your benefits from Pension Builder into a DC scheme, in order to access the new freedoms, however, the Trustee would strongly advise that you take financial advice before taking this option.

i You can find a financial adviser in your area by visiting www.unbiased.co.uk

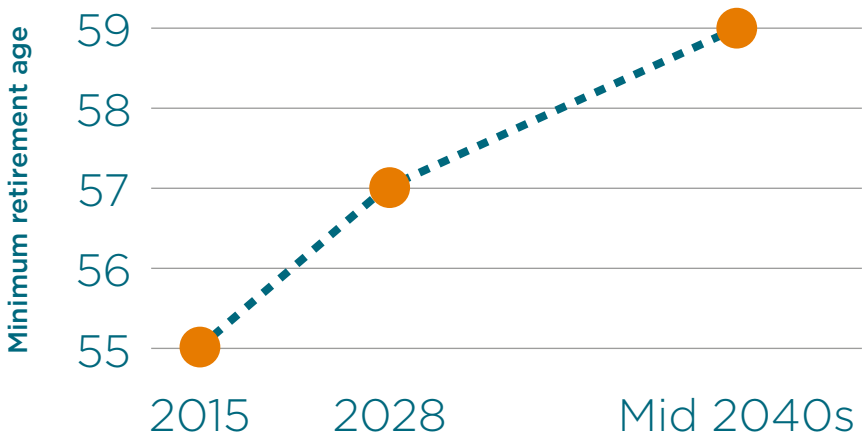


Very small pensions

The rules around very small pensions have also been changed – these have already come into effect. If your total pension fund is worth £10,000 or less (equal to a DB pension of around £500 a year or less), or your savings across all your pension schemes are worth £30,000 or less, you may be able to take all of your pension savings as a lump sum. The first 25% would be tax-free and the rest taxed at your marginal rate.

Raising the minimum retirement age

The Government intends to raise the minimum age that people can access their pension savings from 55 to 57 from 2028. The minimum age would then rise in line with State Pension age (SPA) – increases to which have now been confirmed as outlined on page 10. The minimum age to access your pension savings would be ten years under your SPA, suggesting it will increase to 59 by the mid-2040s.





Where can I get more information?

If you have any questions or you would like to request a copy of the Annual Actuarial Report as at 31 March 2014, please contact the administration team.



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