



OUTLOOK

Looking to your pensions future

Winter
2016/17

Inside this edition...

The financials

4

Membership

5

Investments

5

Annual Funding Statement

6-8

Budget update

9

When someone dies

10

Pension scams update

11

Contact details

12



Welcome

Welcome to the 2016/17 edition of Outlook, the newsletter for members of Northern Foods Pension Builder (Pension Builder).

In this edition, we take a look at Pension Builder's finances, including the annual accounts for the year ended 31 March 2015 and 31 March 2016.

Defined benefit schemes, like Pension Builder, must complete an actuarial valuation every three years. The scheme's actuary calculates the value of the scheme's assets and measures them against its liabilities to calculate the funding level. The most recent actuarial valuation was carried out as at 31 March 2015 and you can read the results on pages 6-8.

Pension Builder's administration is now managed by Capita and to help you to understand how they can help we are continuing to share some of their processes for members. In the last edition of Outlook, we explained how the retirement process works and what to expect. On page 10 of this edition, Capita explain to us what relatives need to do in the event of the death of a member. We hope you find these insights useful.

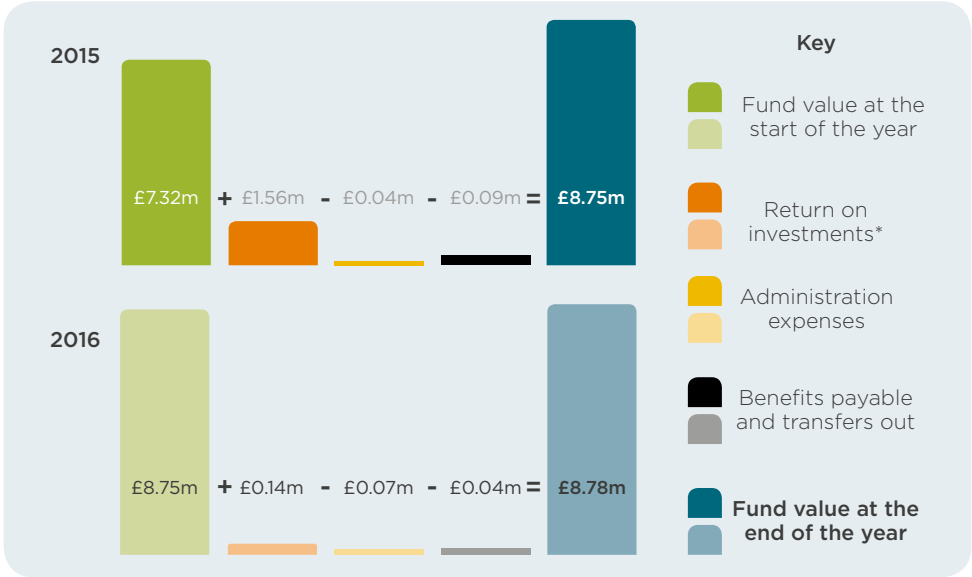
Roger Boyes

Chairman of the Trustee Board



The financials

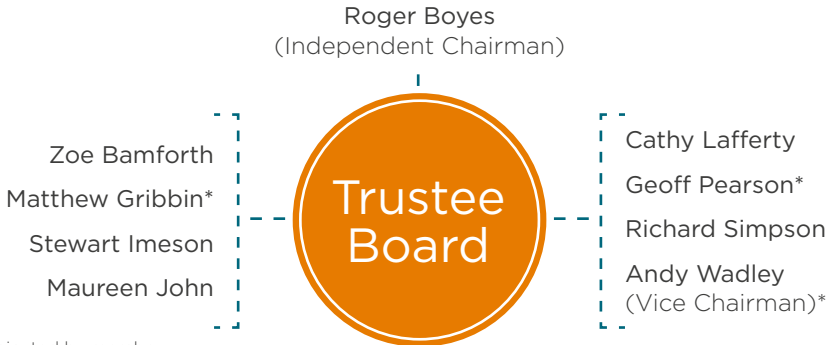
These pages summarise some of the high level figures from Pension Builder's accounts for the year ended 31 March 2015 and 31 March 2016, including its investments and membership numbers.



*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:



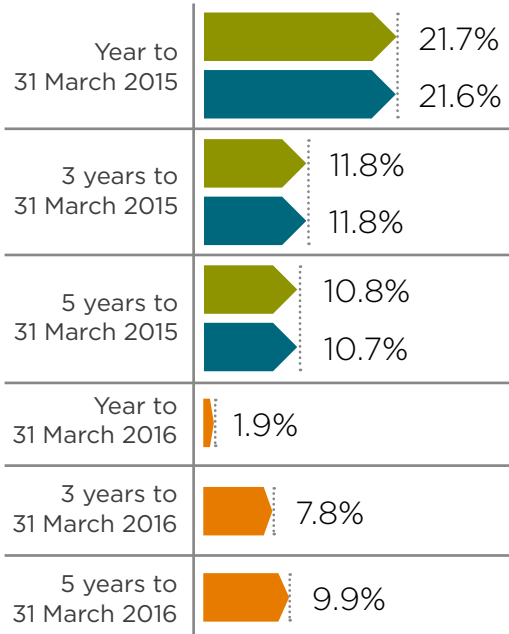
*Nominated by members

Membership



Investments

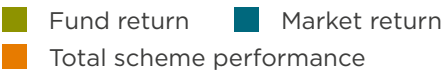
The Trustee Board mainly invested in corporate bonds, which are loans issued to companies that earn interest at regular intervals. The Trustee Board invested through Legal & General, in a passively managed fund. Passive management means that the fund mirrors its market, i.e. it invests in every bond 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.



With effect from 1 December 2015, the Trustee Board moved the scheme's investment from corporate bonds into Legal & General's Diversified Fund (55% of scheme assets) and liability-driven investments (LDI*) (45% of scheme assets). The Diversified Fund invests in a range of assets to achieve growth but with lower risk than an equity fund, whilst the LDI funds help to remove interest rate and inflation risk.

Overall the switch of investments reduced the risk on the scheme's assets by 77%.

As the scheme's current investments have been in place for less than a year, no performance information is available. Performance for the total scheme is shown to the left.



*LDI are assets where values move up or down broadly in line with the scheme's liabilities

Annual Funding Statement

Your 2016 funding statement provides a snapshot of the funding of Pension Builder, based on the last actuarial valuation as at 31 March 2015 and an update as at 31 March 2016.

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 on the next page summarises the actuarial report as at 31 March 2016, and compares this with the last full valuations as at 31 March 2015 and 2012.

Jargon buster

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

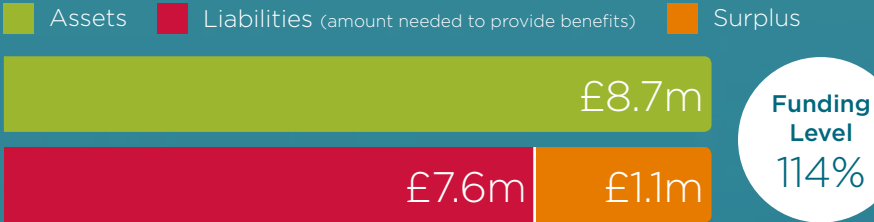
Liabilities are the estimated costs of providing the benefits earned to date by all deferred members, together with any pension benefits already in payment.

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.

What is the ongoing funding level?

At 31 March 2016 (the latest actuarial update)



At 31 March 2015 (the last full valuation)



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



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

How does Pension Builder work?

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.

Change in the funding position since the 2015 valuation

The funding of the scheme (the ratio between the assets and the liabilities) is measured in two ways. The ongoing basis assumes the funding continues in the same way as now and this is broadly unchanged in the 2016 update.

Solvency funding basis

On a solvency funding basis the estimated funding level at 31 March 2016 has fallen to 49% (compared with 55% at the 2015 valuation). This is a result of the decrease in net yields, together with changes in pricing in the buy-out market.

The solvency funding level is always lower than the ongoing funding level because it has to be based on very cautious assumptions about the future.

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.



Budget update

State Pension

As we mentioned in the last edition of Outlook, anyone retiring on or after 6 April 2016 will receive a new 'flat-rate' State Pension of up to £155.65 a week. The amount of State Pension you will actually receive will depend on your National Insurance record. You will need:

- 10 years of National Insurance contributions to receive any State Pension; and
- 35 qualifying years to receive the full amount of £155.65.

You can find out how much you could receive at

www.gov.uk/check-state-pension

For more general information about the new State Pension visit

www.gov.uk/new-state-pension

Pension Credit

Some changes to Pension Credit have been introduced by the Government. The changes mean that most people reaching State Pension Age (SPA) on or after 6 April 2016 will no longer be entitled to Savings Credit. If you reached SPA before 6 April 2016, you may be able to receive Savings Credit depending on your circumstances.

To find out more you can visit **www.gov.uk/pension-credit/overview**

State Pension Age

Under current legislation, SPA will increase to age 66 by October 2020 and then further to age 67 between 2026 and 2028.

You can check your SPA at **www.gov.uk/state-pension-age**

Increase in personal allowance

Your personal allowance is the amount you can earn before you start paying tax. For the 2016/17 tax year, the standard personal allowance is increasing to £11,000. The Government has also increased the basic tax rate limit to £32,000 and the higher rate threshold to £43,000 in the 2016/17 tax year.

Visit **www.gov.uk/income-tax-rates/current-rates-and-allowances** for more information.

When someone dies

When a Pension Builder member dies, there are a few things that family members need to do. You may want to consider what would happen if you died, and pass this information on to your relatives.

Informing the scheme administrators

As the entitlement to pension stops on the date of the member's death, it is important to inform the scheme administrators as soon as possible. There are several ways to contact the scheme administrators to tell them about a death. You can write to them, send an email or give them a call. All the contact details can be found on page 12 of this newsletter.

It's always good to be prepared, so what information needs to be at hand? Capita will need to know:

- The full name and address of the deceased member
- Their NI number
- Their date of death and date of birth
- The name of the next of kin and their relationship to the deceased
- The next of kin's address, to which any communication will be sent.

What happens next?

In the two weeks following the member's death, the scheme administrators will write to the next of kin to request any further information they need. Capita will require sight of the original death certificate (for legal reasons, they cannot accept photocopies or certified copies of the original certificates). Additionally, if a spouse's or dependant's pension is being claimed, Capita would also need to see the original marriage and birth certificates. Your original documents will be returned within 10 working days by recorded delivery.

Once Capita have received the documents, they will calculate and set up a spouse's or dependant's pension. If the member died in retirement, this is payable from the first day of the month following the member's death. If the member died in deferment, a spouse's or dependant's pension is payable from the day after the member's death.

If you would like any further information about the death benefits payable from the scheme, please refer to the Northern Foods Pension Builder Member's Booklet which you can download from the Northern Foods Pensions website at **nfpensions.com**. You can also contact a member of the administration team who will be happy to help.

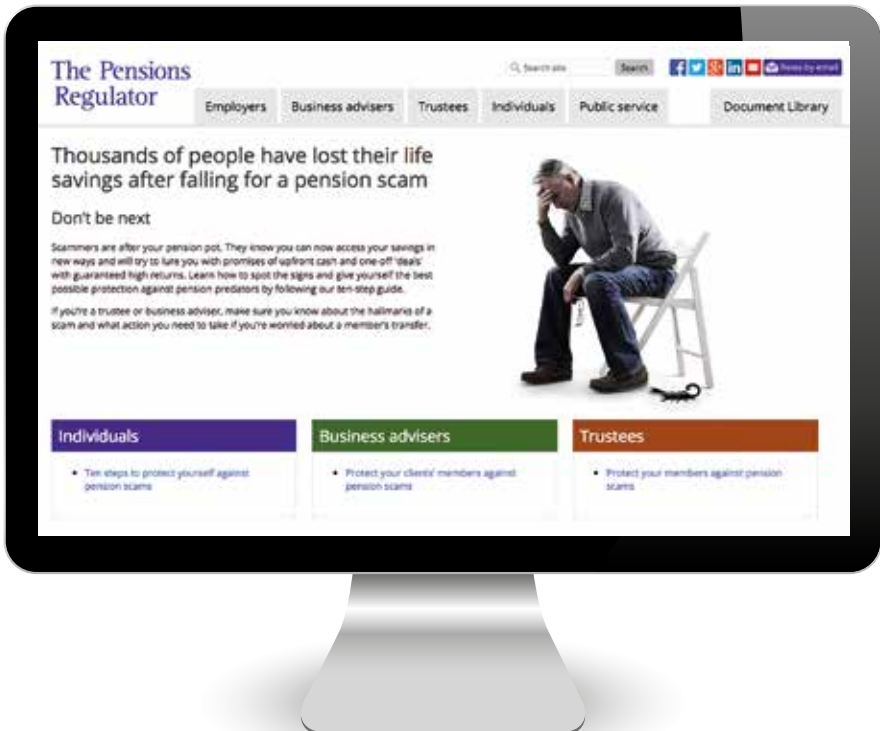
Pension scams update

Many people have already been caught out by pension scams, so make sure you don't become one of them!

Pension scammers have developed lots of 'tricks' to lure people into giving up their hard-earned pension savings. Scammers target anyone, often with promises of early access to pension savings, up-front cash and better returns on your money with overseas investments.

Scammers use many tactics and some of the most common include cold calls, text messages, website pop-ups or even door-to-door calls, as well as convincing and persuasive marketing materials offering a 'free pension review'.

'Scammed out of his retirement. Don't be next.' is a comprehensive guide which gives you more information. It's available at www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf





Where can I get more information?

If you have any questions or you would like to request a copy of the actuarial valuation at 31 March 2015, please contact the administration team.



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