

Horizons

Looking to your pensions future

Autumn 2013



Welcome

Welcome to the Autumn 2013 edition of Horizons, the newsletter for members of the Northern Foods Pension Scheme (the Scheme). In this issue, we update you on the changes to the Scheme's administration arrangements. You will also find a brief summary of the accounts for the Scheme, as well as an update about Government changes affecting pensions.

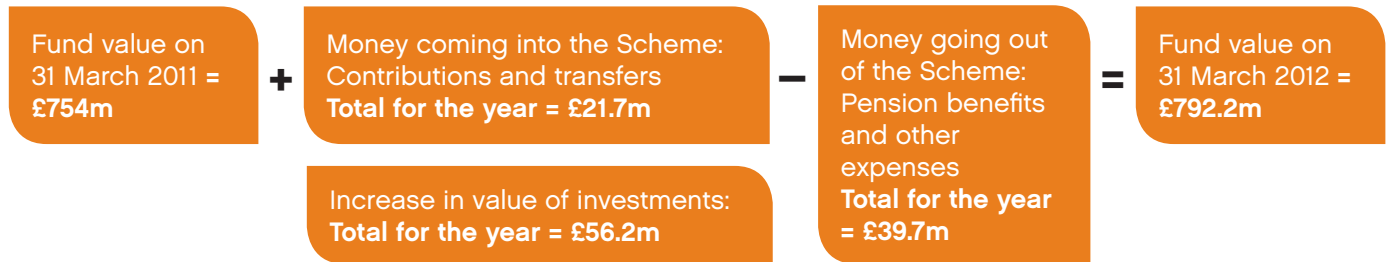
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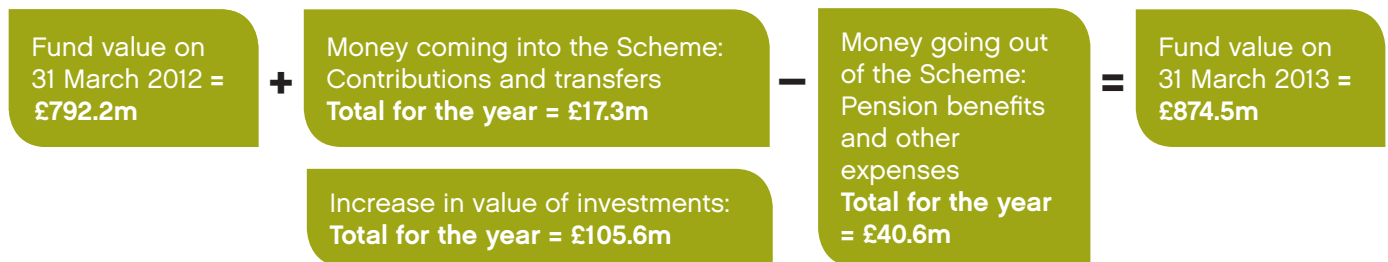
The Financials

Below is a brief summary of the money that has come into and gone out of the Scheme over the years ending 31 March 2012 and 31 March 2013.

2012



2013

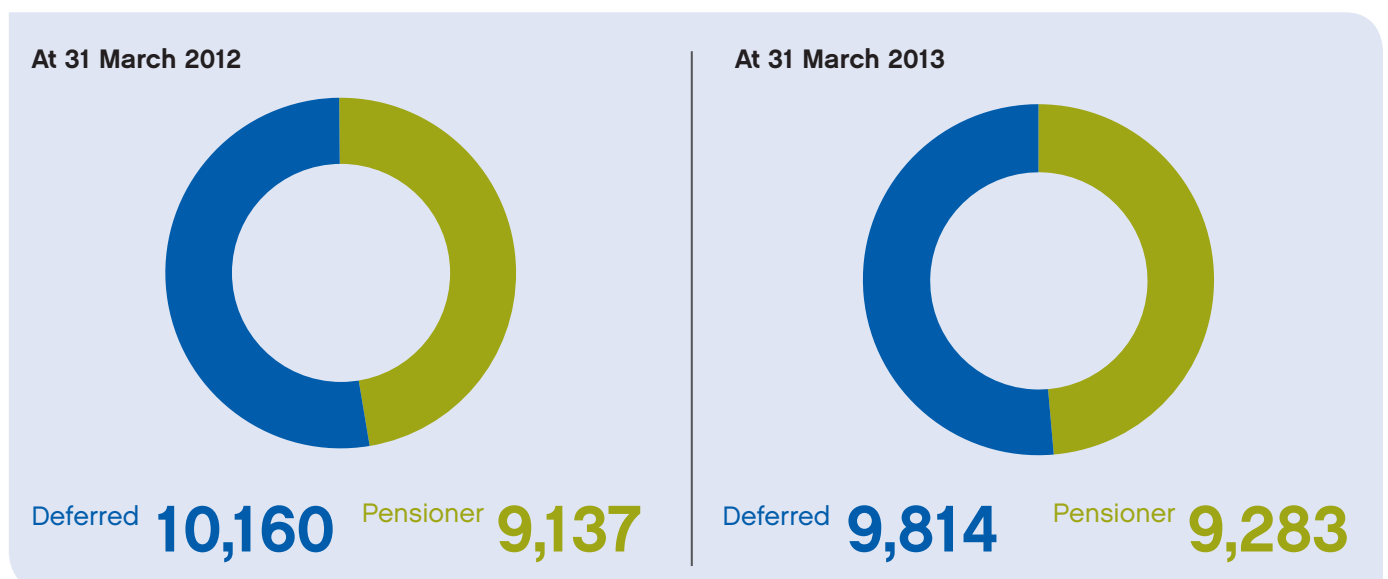


Membership

There are two different categories of member:

- Deferred members – those who no longer make contributions to the Scheme, but whose benefits remain in the Scheme.
- Pensioner members – those who already receive a pension from the Scheme.

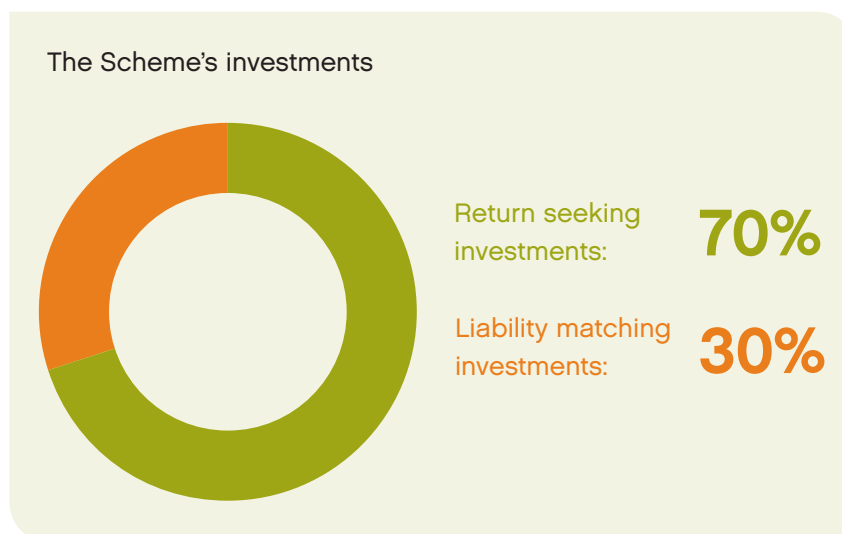
Since the Scheme closed to future pension accrual in 2011, there have been no active members making contributions to the Scheme. Membership figures at 31 March 2012 and 31 March 2013 are shown in the charts below. Please note that the membership figures have been consolidated to include deferred and pensioner members from the Cavaghan & Gray and Fletchers pension schemes who previously transferred into the Scheme.



Investment update

As outlined in the last edition of Horizons, the Trustee invests the money in the Scheme (its assets) with the aim of ensuring that there is enough money to pay pensions now and in the future (its liabilities). It does this by investing in two different types of investments – return seeking assets and liability matching assets.

We also noted previously that 70% of the Scheme's assets were in return seeking investments. The remaining 30% of the assets are invested in liability matching funds. These act as a safety net (called a collateral pool) backing up the Scheme's cash flows.



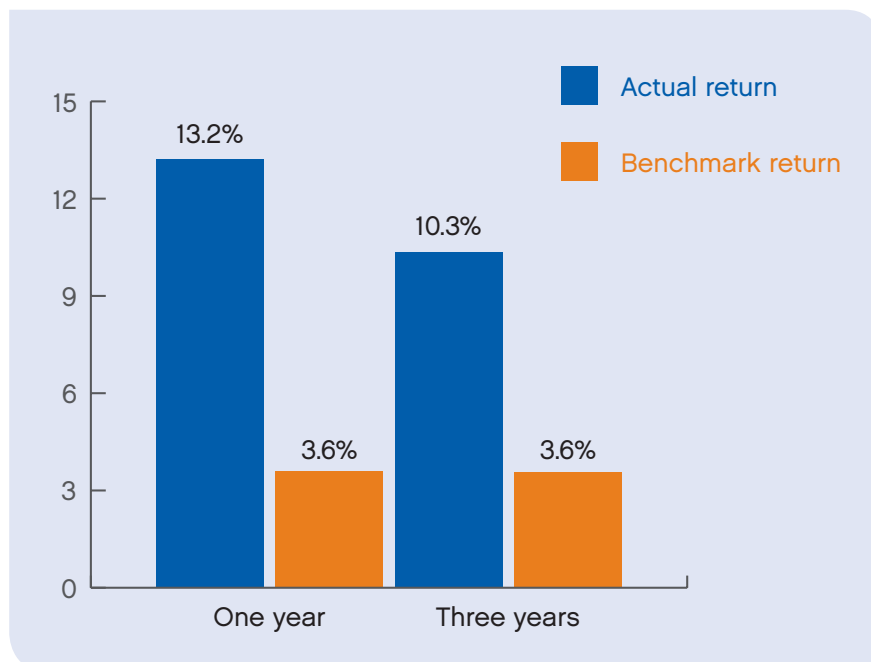
Swap contracts

When the Trustee decided to diversify the investments in 2008 they also agreed to put in place Swap contracts to reduce the interest rate and inflation risk to the Scheme. Swap contracts sound complicated but they are simply an exchange of cash flows between two parties (i.e. between the Trustee and a bank). For example, in inflation Swaps the Trustee promises to pay a fixed amount and the bank promises to pay the rate of inflation. Most pensions paid by the Scheme are linked to inflation (with a maximum cap), so the Swap contract effectively insures the Scheme against inflation increasing more than expected (which would increase the Scheme's liabilities).

Although the Trustee has put inflation Swaps into place, it has not been able to secure all of the interest rate Swaps it would like because of the current low level of interest rates. When interest rates go down, the value placed on the Scheme's liabilities goes up. This is what has happened since the last actuarial valuation in 2010. So although the asset's returns have been higher than assumed, the funding level has reduced as a consequence of low interest rates.

Investment performance

The Trustee changed the Scheme's investment strategy in September 2008 and since then the investment returns have been very good, as shown in the chart. Performance is measured against a target known as a 'benchmark'. The London Interbank Offered Rate (LIBOR) is used in setting the benchmark – the current benchmark is 2.8% above LIBOR.



State Pension update

In the last edition of Horizons, we reported that the Government has announced changes to the way State Pensions are structured. Since then, the Government has announced some further changes.

The Queen's Speech in May highlighted State Pension reform as one of the Government's priorities. At present, there is a flat rate Basic State Pension for everyone who has paid National Insurance (NI) contributions for at least 30 years, plus an Additional State Pension based on any extra NI contributions (paid on salaries above a certain amount). The Additional State Pension is currently known as the State Second Pension (S2P) and was previously the State Earnings Related Pension Scheme (SERPS). Additionally, some pensioners with low incomes can claim Pension Credit to top up the State Pension.

The new State Pension

With effect from April 2016, the current arrangement is to be replaced with a new, single tier system. This will mean that everyone who has paid NI contributions for 35 years will receive a pension worth £144 a week (in today's terms). The Savings Credit element of Pension Credit will be abolished (although the Guarantee Credit element will remain).

The State Pension will now be paid to individuals, rather than to couples, meaning that there will be some change to the amount that married couples receive.

To recognise the fact that, in the past, one spouse often did not work, the State has allowed married partners to claim a pension based on the employed spouse's NI contributions. This was known as the Married Couples' Allowance and is worth up to £66 a week. Where both partners have earned enough to claim a larger State Pension, this is paid instead of the married couple's pension.

The new State Pension will be based purely on your own NI contributions; your spouse's contributions will not be taken into account. To qualify for the full amount you will need to have made NI contributions for at least 35 years. To qualify for any pension at all you will need to have worked a specific number of years – this has not yet been confirmed, but is likely to be between seven and ten.

Finding out more

If you would like further details of the changes and how they could affect you, please visit www.gov.uk and click on 'Working, jobs and pensions' and 'State Pension' links.

Please note that if you reach State Pension Age before April 2016, you will not be affected by these changes.



Scheme news

Valuation update

A full actuarial valuation must be carried out at least every three years to assess the financial security of the Scheme. The latest actuarial valuation is being carried out as at 31 March 2013. The Trustee will shortly be discussing the results with the Company. This is a complex process and you will receive details of the valuation results following these discussions.

Equitable Life update

Since the last edition of Horizons, the Trustee has provided data to the Equitable Life Payment Scheme. This is currently being processed by the payment scheme, and members entitled to compensation will be contacted once this has been completed.


The members likely to receive compensation are those who have with-profit AVCs or with-profit Group Transfer Plan benefits and who lost out as a result of buying with-profits policies between 1993 and 2000. The amount of compensation is based on how Equitable Life investments performed compared with typical policies elsewhere. You can find more details by visiting www.equitablelifemembers.org.uk

Administration update

As reported in the last edition of Horizons, the Company and Trustee have decided to outsource the administration of the Scheme. This means that an external company will be responsible for carrying out the day to day administration of the Scheme. The Trustee will still be responsible for making key decisions and ensuring the Scheme is properly managed.

The new administrator

Following a rigorous selection process, we have selected Capita, a leading provider of pension administration services, to administer the Scheme on an ongoing basis. With a team of experienced administrators working from its principal administration office in Sheffield, we are confident that members should not see any reduction in the quality of service they receive. For more information about Capita, visit its website at www.capita.co.uk/employeebenefits



“The Trustee will still be responsible for making key decisions and ensuring that the Scheme is properly managed.”

The transition

The administration will be moving to Capita on 30 September 2013. However, the pension payroll will move on 1 September 2013. This means that if you are a pensioner, your September pension payment will be made by Capita.

Every effort will be made to ensure a smooth hand over, so that there should be no disruption to service delivery. After 30 September 2013 you should contact Capita with any enquiries regarding your pension, using the details shown below:



In writing:

Northern Foods Pension Scheme
Capita
Hartshead House
2 Cutlers Gate
Sheffield S4 7TL



By phone: 0114 229 7851



By email: nfpensions@capita.co.uk

You can find a contact card on the back of this newsletter with Capita's contact details – why not keep this handy as a reminder.

As part of its administration service, Capita will provide a website that will allow you to access your personal pension information online. We will bring you further details in the next issue of Horizon.

Thank you to the current team

We would like to take this opportunity to thank the current pension administration team at Northern Foods. The long serving, dedicated team members have worked tirelessly, providing a high quality service to members as well as supporting the Trustee. We wish them all the best for the future.

Your Trustees

The Scheme is run by Northern Foods Trustees Limited. The Trustee Board is made up of nine Trustee Directors. As at 31 March 2013 the Trustee Directors were as follows:

Trustee Directors

Roger Boyes (Independent Chairman)
Zoe Bamforth
Kirsty Derry
Matthew Gribbin*
Stewart Imeson

Simon Irons
Cathy Lafferty
Geoff Pearson*
Andy Wadley (Vice Chairman)*

*Nominated by members


Where can I get more information?


The following Scheme documents are available on the pension website at www.nfpensions.com

- Full Trustee Report and Accounts
- Scheme updates sent to members – Horizons

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

After 30 September 2013, please contact:

 Northern Foods Pension Scheme
Capita
Hartshead House
2 Cutlers Gate
Sheffield S4 7TL

 **Tel:** 0114 229 7851

 **Email:** nfpensions@capita.co.uk

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

