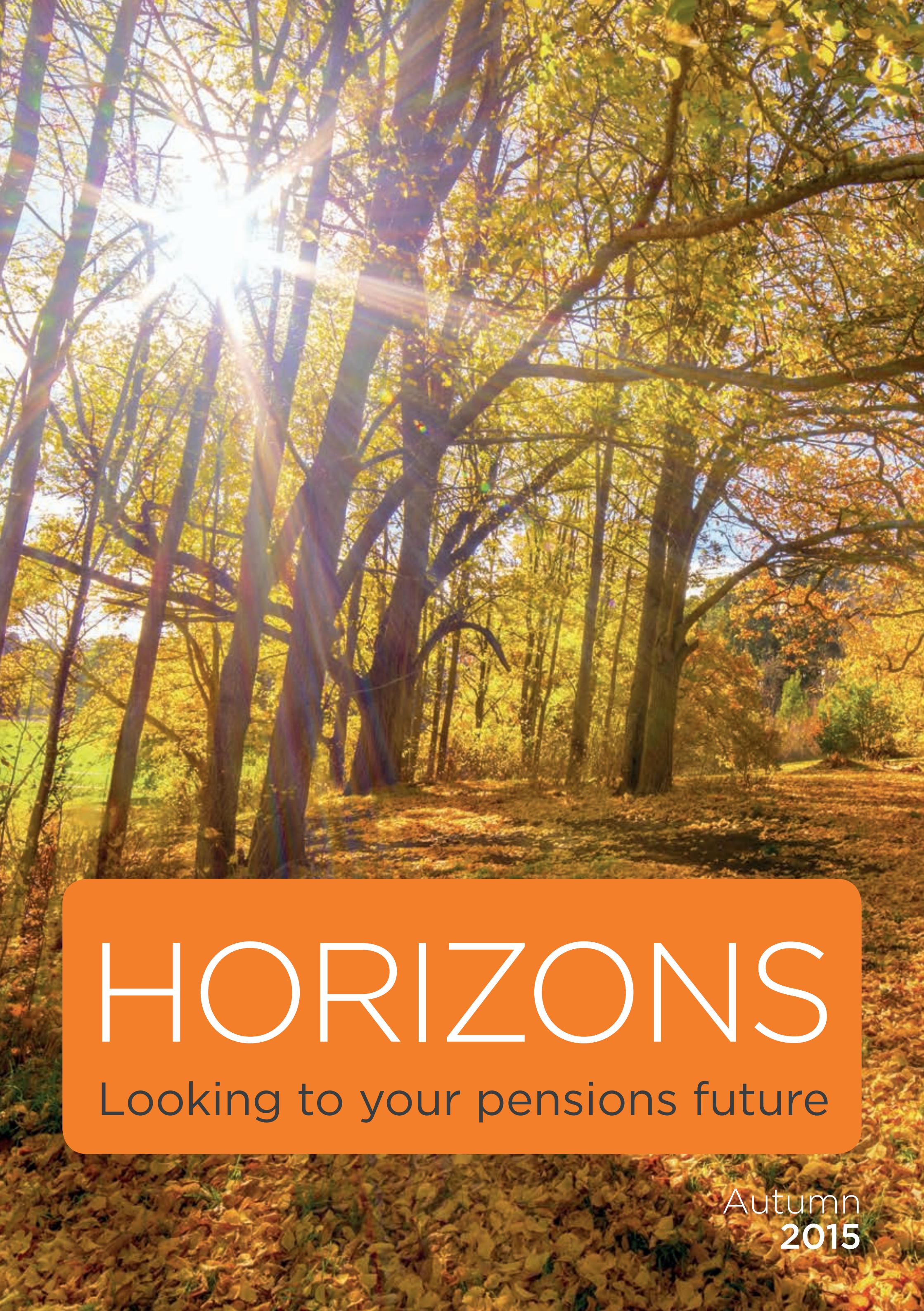


HORIZONS

Looking to your pensions future

Autumn
2015

Inside this edition...

Welcome

Welcome to the Autumn 2015 edition of Horizons, the newsletter for members of the Northern Foods Pension Scheme (the Scheme).

This edition has been delayed pending completion of the actuarial valuation of the Scheme as at 31 March 2013.

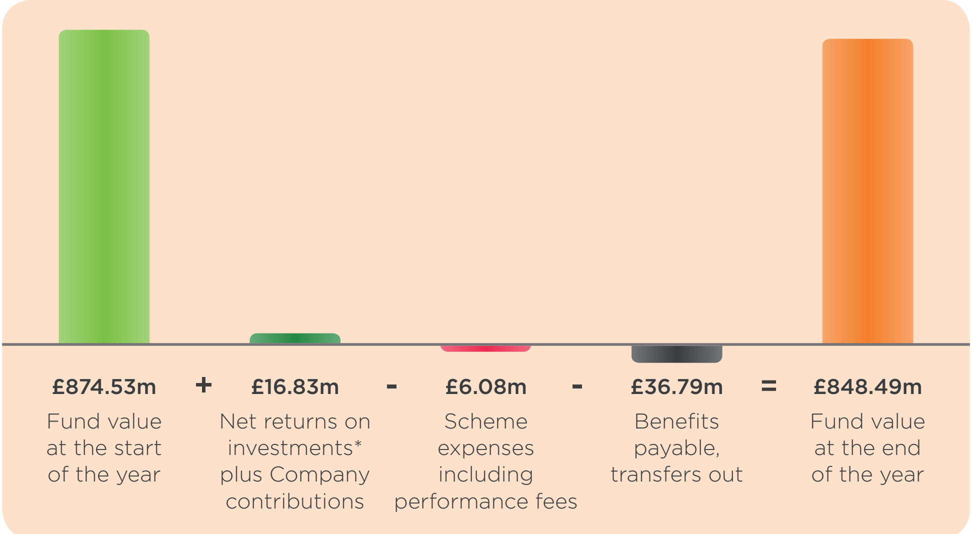
In this new-style edition, we take a look at the Scheme's finances over the last Scheme year – we hope you like the new layout of these figures. We also take a look at some important announcements made by the Government last year, which could affect how you take your benefits (if you have not already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

We reported in our last newsletter that the Scheme'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 page 13.

Roger Boyes
Chairman of the Trustee Board

The financials

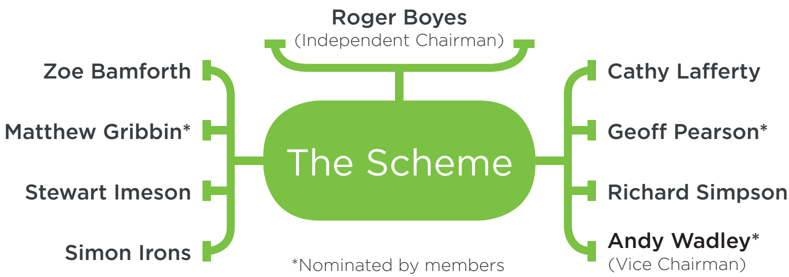
These pages show you details of the Scheme's finances, investments and membership for the year ended 31 March 2014. Details of the year ended 31 March 2015 will be available later this year.



*After management charges

Looking after the Scheme

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



Members

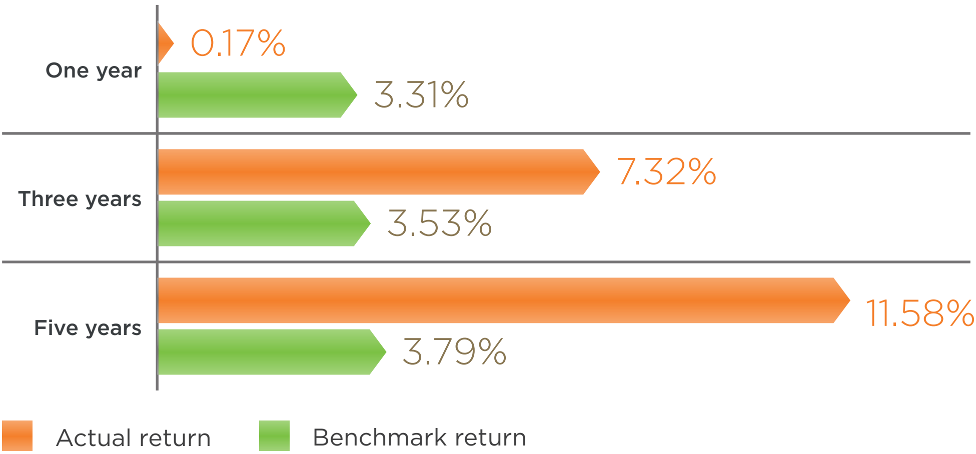
9,561
Deferred members

9,425
Pensioners

Investments

Investment update

The Scheme's current investment strategy, which we introduced in September 2008, continues to perform well. 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.



The Scheme's investment managers

The Scheme has a wide range of managers - there are currently 51 managers appointed by the Trustee. This helps to reduce the investment risk; if one investment performs less well, others should be performing better to compensate. At the moment the Scheme invests in the following asset classes:

Asset class	%	Managers
Liability Reduction	28%	1 manager
Credit Managers	17.8%	9 managers
Equities	14.7%	5 managers
Other managers	11.1%	8 managers
Hedge Funds	10.2%	10 managers
Private Equity	7.3%	5 managers
Property	5.3%	6 managers
Infrastructure	3.2%	5 managers
Cash	2.4%	2 managers

The Scheme's liabilities

Although the investments have performed well since 2008, the fall in interest rates over the last few years has meant that the liabilities of the Scheme have gone up at a greater rate than the Scheme's assets. This means that the funding position has worsened. In February 2015 the Trustee decided to expand the Scheme's protection against interest rate movements to match the Scheme's asset value; this exercise will be completed by the end of 2015. This will help to stabilise the funding rate from now on, although it should be noted that interest rates are currently lower than they were in March 2013 when the assumptions for the last full valuation were set. With the interest rate risk being stabilised the funding level should start to improve, with returns coming in from the Scheme's investments and the deficit contributions being made by the Company. You can find more details in the valuation update on page 8.

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 £115.95 a week after 30 qualifying years of National Insurance (NI) contributions.

+

State Second Pension (S2P) based on 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. (The Scheme is contracted in to S2P, so there would be no deduction in respect of your service in this Scheme).

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**

Valuation update

We are pleased to provide you with the results of the 31 March 2013 valuation. The following two pages contain the information normally contained in the Annual Funding Statement. As well as the valuation results, the Actuary has also prepared an update on the funding position as at 31 March 2014.

How does the Scheme work?

The Company pays money into the Scheme. This money is 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.

What is an actuarial valuation?

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 the Scheme. This valuation compares the assets of the Scheme with its liabilities on both an ongoing and a solvency basis. If the Scheme 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'.

Following each valuation, the Actuary advises the level of contributions that should be paid into the Scheme so that it can expect to be able to continue to pay all the pensions due from the Scheme in future. The Trustee then agrees a level of contribution with the Company to meet this target.

In the intervening years between the three-yearly full valuations, the Actuary produces an approximate update of the funding position in an actuarial report.

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.

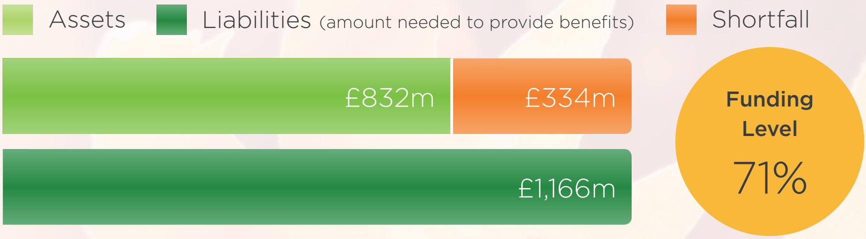
Assets are the funds built up from monies invested, together with returns on the Scheme's investments.

Ongoing basis for a valuation uses assumptions agreed between the Trustee and the Company and assumes that the Scheme 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 close the Scheme.

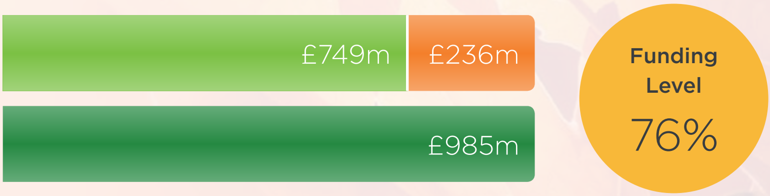
What is the ongoing funding level?

At 31 March 2014 (the latest actuarial update)



At 31 March 2013 (the last full valuation)

At 31 March 2010 (the previous valuation)



How has the position changed since the last valuation?

The funding position of the Scheme has worsened since the 31 March 2010 valuation, when the funding level was 76%. This is due to the value of the liabilities increasing faster than the value of the Scheme's assets, due to the very low interest rates of recent years.

Recovery plan

Following the valuation, the Trustee and the Company have agreed a recovery plan to address the shortfall. Under the recovery plan, the Company will pay:

- £1.25m a month from 1 July 2015 to 31 March 2017
- £1.67m a month from 1 April 2017 to 31 March 2022
- £2.09m a month from 1 April 2022 to 31 January 2031
- £1.5m a year to cover the costs of administering the Scheme

Solvency funding basis

On a solvency basis (sometimes called a discontinuance funding basis) the estimated funding level at 31 March 2013 was 46% (compared with 52% at the 2010 valuation). This would be the position if the Scheme was wound up. We are legally obliged to advise you of the solvency position but it does not mean that the Company is thinking of winding up the Scheme.

Why is the funding level worse on the solvency basis?

On wind up, an insurance company would link the Scheme's liabilities to gilt investments (loans made to the Government). These produce lower investment returns, so the cost of securing the benefits goes up and the funding level down.

What are the funding objectives?

Our aim is for there to be enough money in the Scheme to meet the cost of members' benefits and other expenses both now and in the future. This depends, however, on the Company continuing to pay into the Scheme. If the Company became insolvent or decided to stop paying for the Scheme, the Scheme would have to be wound up (see below).

What happens if the 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 the Scheme 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 the Scheme, or if the Pensions Regulator has had to use its powers to intervene in the running of the Scheme in the last 12 months and we are happy to confirm that neither of these have occurred.

Funding protection

In the Spring 2013 issue of Horizons (page 7), we summarised the important protection provided to the Scheme under a legal agreement between the Trustee and the Company. As part of the valuation discussions for the 31 March 2013 valuation, the protections have been revised and replaced with the following:

If a business or part of a business is sold, the Company and Trustee have agreed a number of possible responses whereby Boparan Holdings Limited will enter into a guarantee in favour of the Scheme tailored to the circumstances of the sale as below:

- If the whole of a company or business sponsoring the Pension Scheme is sold, then a debt would ordinarily arise under legislation (known as the section 75 debt). Instead of this, however, liabilities otherwise amounting to the section 75 debt will be apportioned to one or more of the Companies continuing to sponsor the Scheme. Boparan Holdings Limited will enter into a guarantee in respect of these liabilities.

- If a business or part of a business is sold in a situation where the section 75 debt does not apply, Boparan Holdings Limited will enter into a guarantee for a particular sterling amount. This amount is worked out by reference to a scale that has been agreed between the Trustees and the Company to produce a reasonable approximation of the potential reduction in support available to the Scheme as a result of the sale, taking account of the solvency deficit in the Scheme at that time.

- Special terms cover any small disposals there may be.

All of these terms have been fully documented in a new legal agreement between the Trustee and the Company.

Pensions news

Pension scams

Pension scams are on the increase in the UK. The scammers' techniques are constantly changing, but some common ones include offering free pension reviews, health checks and the promise of better returns on your savings, pension loans or upfront cash. Never let yourself be rushed into a decision. Arm yourself with the facts to stop a lifetime's savings being lost.

Find out more by going to **www.thepensionsregulator.gov.uk**

Clerical Medical Investment Group

Some members' additional voluntary contributions are invested with the Clerical Medical Investment Group (CMIG), which is part of the Scottish Widows Group of companies. To enable it to simplify its business and therefore improve efficiencies, CMIG plans to rename itself Scottish Widows Limited, and transfer all of the policies from some other companies within the same group to it. Your policy would not move – it would just be re-named as a Scottish Widows Limited policy. There would be no changes to your benefits as a result. The proposal is subject to approval by the High Court – we will keep you updated in future editions of Horizons.

The retirement process – what to expect

As the Scheme has many members who have yet to draw their pensions, 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 to take a cash lump sum. You are entitled to take up to 25% of the total value of your benefits in the Scheme 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 will 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 request – 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 its 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 the Scheme's 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.
- View details of your benefits – how much you could receive when you retire, including early retirement.

These new features will be provided on a separate website, but to keep things simple we will add a link directly from **www.nfpensions.co.uk**

To access the new features, you will need to register using your email address. You will also need to give your National Insurance (NI) 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 log into the site. This means that the site is secure, so you don't need to be concerned about having your personal information stored online.

Remember, to register you'll need:

Your NI number

A username and password of your choice

To log in in future you'll need:

The same username and password

The pin number issued by Capita when you register

www.nfpensions.co.uk

Budget 2014

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 up to 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 of income tax for the year (20%, 40% or 45%).

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

As the Scheme is a Defined Benefit (DB) scheme, these changes will not affect your benefits in the Scheme. You could transfer your benefits from the Scheme 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.

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

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 7. The minimum age to access your pension savings would be ten years before your SPA, suggesting it will increase to 59 by the mid-2040s.

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 £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 of income tax for the year (20%, 40% or 45%).

Where can I get more information?

If you have any questions or you would like to request a copy of the Actuarial Valuation Report as at 31 March 2013, please contact the administration team.

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

0114 229 7851

nfpensions@capita.co.uk

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

Designed by Anthony Hodges Consulting Limited 2015_101442