Horizons

Looking to your pensions future

Spring 2013

Welcome

Welcome to the Spring 2013 edition of Horizons, the newsletter for members of the Northern Foods Pension Scheme (the Scheme). In this issue you will find a brief summary of the accounts for the Scheme, as well as an update about Government changes affecting pensions.

Inside

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 2011 and 31 March 2012.

2011

Fund value on 31 March 2010 = **£768.7m**

+

Money coming into the Scheme: Contributions and transfers
Total for the year = £12.3m

Increase in value of investments:
Total for the year = £62.9m

–

Money going out of the Scheme: Pension benefits and other expenses
Total for the year = £89.9m*

=

Fund value on 31 March 2011 = **£754m**

2012

Fund value on 31 March 2011 = **£754m**

+

Money coming into the Scheme: Contributions and transfers:
Total for the year = £21.7m

Increase in value of investments:
Total for the year = £56.2m

–

Money going out of the Scheme: Pension benefits and other expenses
Total for the year = £39.7m*

=

Fund value on 31 March 2012 = **£792.2m**

* This figure includes an amount paid by the Scheme for deferred members who transferred out of the Scheme under the Company's enhanced transfer value exercise (£53.9m for 2011). Enhancements to the normal transfer values were paid by the Company so this did not affect the amount paid out by the Trustee for these members.

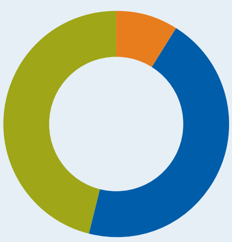
Membership

Before the Scheme closed to future pension accrual on 31 October 2011, there were three different categories of member:

- Active members – those who worked for the Company and made regular contributions to the Scheme. Following the closure of the Scheme to future pension accrual, all active members became deferred members from 1 November 2011.
- 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.

Membership figures at 31 March 2011 and 31 March 2012 are shown in the charts below.

At 31 March 2011



Active	1,759
Deferred	8,340
Pensioner	8,498

At 31 March 2012

Deferred	9,969
Pensioner	8,790

Investments

The Trustee invests the money in the Scheme (its assets) with the aim of ensuring that there is enough to pay pensions now and in the future. This means that the Trustee wants to maximise the value of the Scheme's assets, without taking too much risk. It does this by investing in two different types of investment – return seeking investments and liability matching investments.

Around 70% of the Scheme's assets are invested in return seeking funds. These are exposed to some risk, but their potential return is higher than for other investment types. Around 30% of the Scheme's assets are invested in liability matching investments, which generally achieve lower returns but also have a lower level of risk.

The Scheme's investments

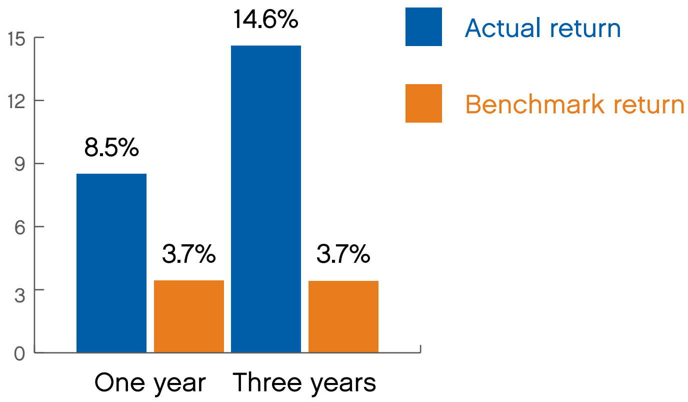
Return seeking investments

In order to get the right balance of risk and return, the Trustee invests in a wide range of different types of return seeking investments. This helps to spread the risk, because different economic factors affect different investment types in different ways – so if one investment performs less well, others should be performing better to compensate.

Often, return seeking investments are actively managed. This means that the investment manager aims to do better than a particular target, often a market index (such as the FTSE 100 index). In order to do this, the investment manager chooses investments it believes will do well. (This contrasts with passive management, where the manager will select investments of every type that make up an index.)

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 to 31 March 2012. 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.



Pensions news

Financial update

In the last edition of Horizons, we reported on the takeover of Northern Foods by Boparan Holdings Limited in early 2011. Since then, there have been a number of changes to the business which have improved its financial outlook. In October 2012, it was announced that the business had made a profit of £42.5m for the year to 28 July 2012, compared with a loss of £19.2m the previous year, with like-for-like sales up by 9.5%.

Administration

The decision has been taken to outsource pension administration. This means that an external company will provide administration services for the Trustee on a day-to-day basis. The Trustee will still be responsible for making key decisions and ensuring the Scheme is properly managed. It is expected that this transition will take place in the second half of 2013. We will write to you once the details have been finalised, to let you know how this will affect you and how to contact the new administrator.

Equitable Life update

Since the last edition of Horizons, the processing of Equitable Life compensation claims has speeded up considerably. The Equitable Life Payment Scheme was set up on 30 June 2011 and within its first year wrote to just under half a million eligible individual policyholders. Over 288,000 policyholders have received payments totalling more than £277m, although the final payments will not be made until summer 2014.

If you have with-profit AVCs or with-profit Group Transfer Plan benefits, you may be entitled to compensation. Compensation is being offered to people 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. If you are eligible, the Equitable Life Payment Scheme will contact you. You can find more details by visiting **www.equitablelifemembers.org.uk**

State pension update

The Government has recently proposed some changes to the State Pension which come into effect from April 2016. In this article, we summarise the changes and how they could affect you. Please note that some of the finer details have not yet been agreed; we will keep you updated in future newsletters.

Currently, someone retiring with 30 years of National Insurance (NI) contributions can qualify for a Basic State Pension worth £107 a week (for a single person). They may also have built up entitlement to an Additional State Pension through paying higher NI contributions. The Additional State Pension is also known as the State Second Pension (S2P) and was previously known as the State Earnings Related Pension (SERPS).

What's changing?

In the future, there will be a single-tier system. Rather than paying two separate sums, the Government will offer a single pension worth up to £144 a week (in 2012/13 terms). The length of time you need to pay National Insurance contributions in order to receive the full amount is also increasing to 35 years. These changes will be introduced in April 2016.

What does it mean for me?

The changes mean that if you reach State Pension Age after April 2016, you will receive a single payment of £144 a week in retirement as long as you have paid NI contributions for 35 years or more.

However, there is some protection for people who have already built up a combined (Basic and Additional) pension of more than £144 a week. If this applies to you, you will keep the level of State Pension you have already built up, but you will not continue to build up further Additional State Pension benefits in the future.

If you reach State Pension Age in April 2016 or before

The changes will not affect your State benefits (even if you delay taking them beyond April 2016). Only people reaching State Pension Age (SPA) from April 2016 are affected.

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'.

Changes to State Pension Age

As reported in the last edition of Horizons, the State Pension Age for both men and women is to rise to 66 by 2020. However, the Government has now announced that it will review the State Pension Age every five years, in order to keep the retirement age in line with increases in life expectancy. There will be at least ten years' notice for any change. Further rises to 67 (and eventually 68) are expected in the future but as yet no timescales have been agreed for these.

Please note that if you are already receiving your State Pension, you will not be affected by any of the changes outlined in this article.

Pensioner focus – State benefits

As a large proportion of our readers are pensioners, we thought we would include a feature on some of the State benefits for which you may be eligible.

Winter Fuel Payments

A Winter Fuel Payment is a tax-free payment which is currently given out every year during the winter to help with fuel costs. If you're a woman, you can claim a Winter Fuel Payment if you have reached State Pension Age. If you're a man, you can claim a Winter Fuel Payment when you reach the State Pension Age of a woman with the same date of birth as you. For this year, this means that you must have been born on or before 5 July 1951. The amount you receive depends on your circumstances, as explained in the table below:

Circumstance	Born on or before 5 July 1951	Aged 80 or over
You qualify and live alone (or none of the people you live with qualify)	£200	£300
You qualify and get certain means tested benefits (such as Pension Credit)	£200	£300
You live with someone under age 80 who also qualifies	£100	£200
You live with someone age 80 or over who also qualifies	£100	£150

You can find more details on the Government website, **www.gov.uk** – click on 'Benefits' and 'Heating and housing benefits'.

Pension Credit

Pension Credit is a means-tested social security benefit that aims to provide a guaranteed level of income. You can claim Pension Credit whether or not you are still working, as long as you have reached pension benefit qualifying age. You do not need to have paid any National Insurance contributions. Pension Credit is currently made up of Guarantee Credit and Savings Credit, although the Savings Credit element is expected to be abolished with effect from 2016.

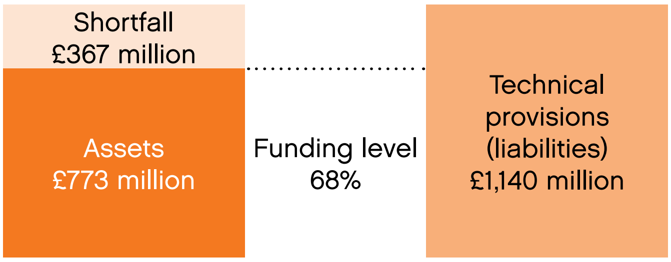
You need to claim for Pension Credit. The national telephone helpline for Pension Credit is 0800 99 1234 (textphone 0800 169 0133). If you telephone, the Pension Service staff can fill in an application form and send it to you to check and sign, if you would find this helpful. There is further information on the Government website, **www.gov.uk** - click on 'Working, jobs and pensions' and 'State Pension'.

Valuation update

We are pleased to provide you with your 2012 Funding Statement. The purpose of this statement is to provide a snapshot of the funding of the Scheme, based on the last actuarial valuation as at 31 March 2010. The results of any valuation can only ever be an estimate at a set point in time. The valuation is based on what the Trustee and the Company, on the advice of the Scheme Actuary, assume will happen in the future. As the funding level is based on assumptions about what will happen in the future, it will fluctuate over time.

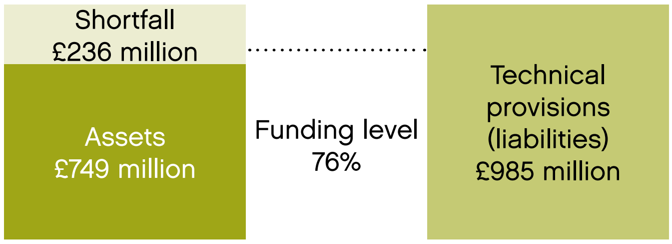
What is the updated position?

Since 31 March 2010 the funding level has reduced. This is mainly due to a reduction in interest rates, although this has been offset slightly by asset returns being higher than assumed. The results of the latest actuarial update at 31 March 2012 are as follows:



What were the results of the 2010 valuation?

The 2010 actuarial valuation showed that, as at 31 March 2010, the funding position on an ongoing basis was as follows:



How does the Scheme work?

The Company pays money into the Scheme and until the closure of the Scheme to future pension accrual in 2011, active members also paid money into the Scheme. The 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 an assessment of the financial security of the Scheme, carried out at least every three years by the Scheme Actuary, a qualified professional who is independent from the Company.

An actuarial valuation makes a comparison of the Scheme's assets with its liabilities on both an ongoing and a solvency basis. If the Scheme's assets are less than its liabilities, there is a shortfall. If the assets are more than the liabilities there is 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 the future. The Trustee then agrees a level of contribution with the Company to meet this target.

How has the position changed since the 2008 valuation?

The funding position of the Scheme has worsened since the 31 March 2008 valuation, when the funding level was 91%. This is due to lower than expected returns on the Scheme's investments during the economic downturn and an increase in the value placed on the liabilities as a result of falling interest rates and increasing life expectancy.

Recovery plan

Following the 2010 valuation, the Trustee and the Company have agreed a recovery plan to address the shortfall. Under the recovery plan, the Company will pay contributions to the Scheme of £15.5m a year in 2012 and 2013 and £15m a year thereafter until 2021.

Solvency funding basis

On a solvency basis (sometimes called a discontinuance funding basis) the funding ratio at 31 March 2010 was 52% (compared with 72% at the 2008 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

Your Questions Answered

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

Pension legislation will generally require the company, if it is able, to ensure there is sufficient 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 isn't enough money to cover the cost of buying all members' benefits from an insurance company.

In broad terms, the PPF aims to provide:

• 90% of the benefits for active or deferred members, or for pensioners who have not reached the scheme's normal retirement age. (This is subject to an overall limit, currently of £30,644.85 a year for benefits coming into payment at the scheme's normal retirement age.)

- 100% of the benefits for pensioners who are over the scheme's normal retirement age.
- Dependants' pensions of 50% of the member's pension.

The annual increases to pensions in payment provided by the PPF are lower than those of the scheme in some cases. You can find more information on the Pension Protection Fund's website 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 Northern Foods Pension 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. We are happy to confirm that neither of these have occurred.

When Boparan Holdings Limited acquired Northern Foods, the Trustee ensured that the Scheme was protected by a legal agreement between the Trustee and the Company. This provides some important protections to the Scheme including the following:

- A payment of £15m per year in deficit contributions based on a recovery period of 11 years (£15.5m in the first two years).
- A series of negative pledges to protect the businesses, income streams and assets of the Northern Foods companies.
- A set of cross guarantees between the employing Northern Foods companies for all amounts due from the employing Northern Foods companies to the Scheme.
- A parental guarantee from Boparan Holdings Limited for the contributions due under the recovery plan.
- An agreement from Boparan Holdings Limited to block the payment of dividend payments to its shareholders for a three year period (i.e. until the next valuation) unless the deficit contributions in the relevant year have been paid.

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 2012 the Trustee Directors were as follows:

Trustee Directors

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 or you would like to request a copy of the Actuarial Report as at 31 March 2012, please contact the Pensions Department at the following address:

Northern Foods Trustees Limited
Unit 32
Priory Tec Park
Saxon Way
Hessle
East Yorkshire
HU13 9PB

Tel: 01924 831395

Email: pensions@2sfg.com

Website: www.nfpensions.com

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Warning: pensions fraud on the increase

Pension fraud is becoming more common. Although there is no evidence of Scheme members being targeted, we wanted you to be aware of the dangers of such fraud. ‘Pensions liberation’ happens when a member’s benefits are transferred out of a pension scheme and turned into cash before retirement. These arrangements can seem attractive as they allow early access to pension benefits as cash. Members who are affected by this will lose their entitlement to benefits on retirement and will also receive a large tax bill of 40-55% of any payment received. Please read the enclosed leaflet from the Pensions Regulator for further details and advice on how to avoid becoming a victim.

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