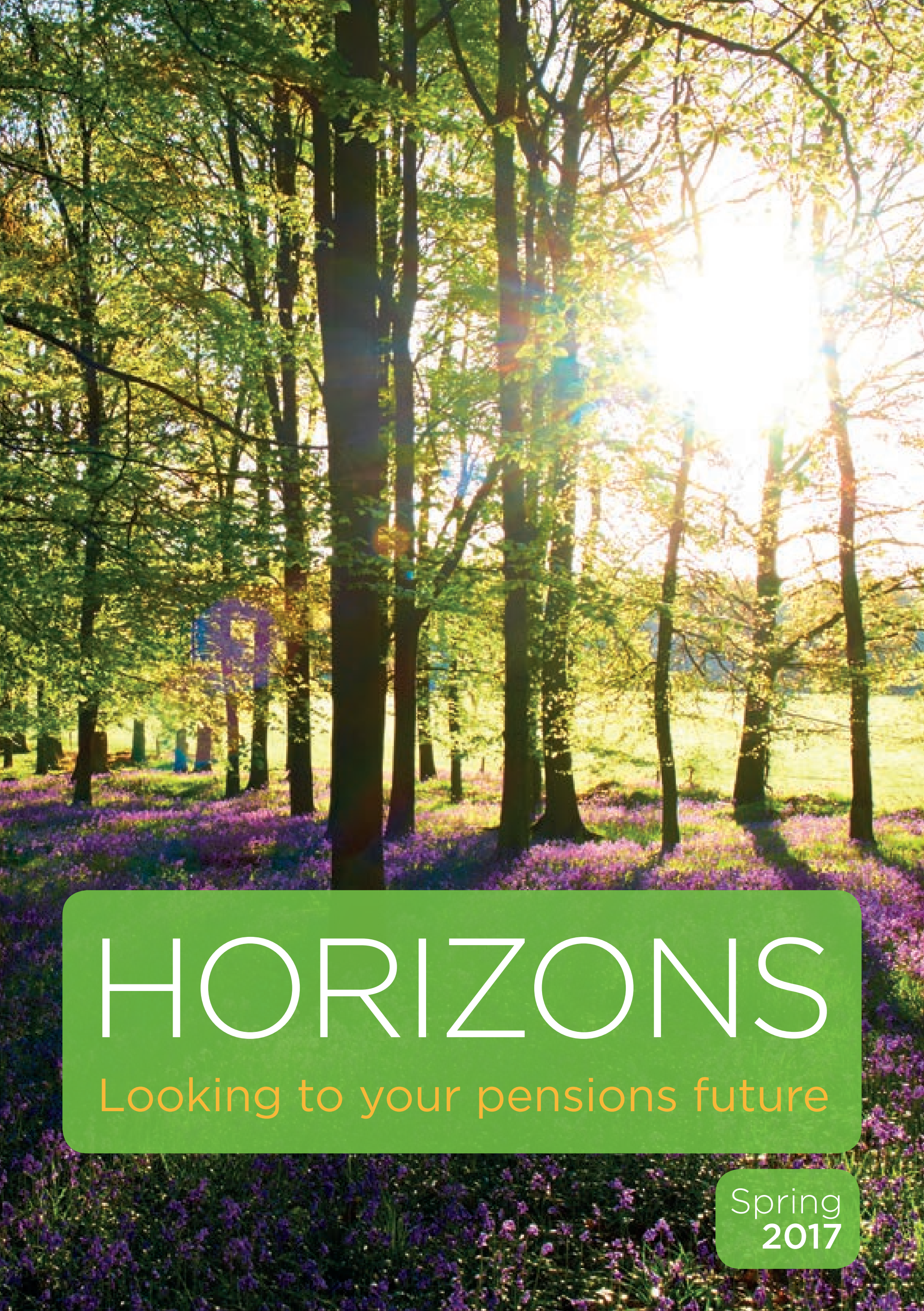


HORIZONS

Looking to your pensions future

Spring **2017**

Inside this edition...

Welcome

Welcome to the Spring 2017 edition of Horizons, the newsletter for members of the Northern Foods Pension Scheme (the Scheme).

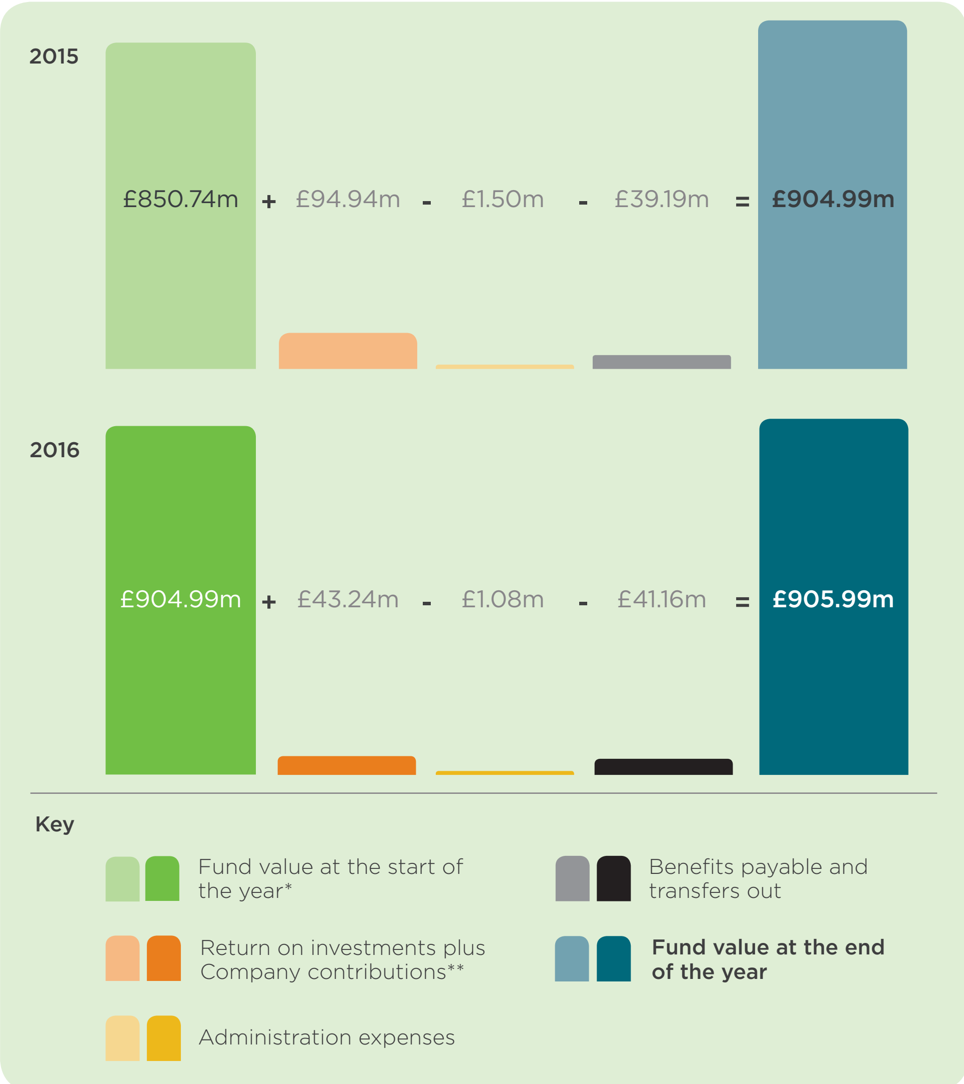
In this edition, we take a look at the Scheme's finances including the annual accounts for the years ended 31 March 2015 and 31 March 2016.

To help you understand how Capita (the Scheme administrators) can help, we are continuing to share some of their processes for members. In the last edition of Horizons, we explained how the retirement process works and what to expect. On page 15 of this edition, Capita explains 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

The following pages summarise some of the high level figures from the Scheme's accounts for the years ended 31 March 2015 and 31 March 2016, including its investments and membership numbers.



*Restated to include valuation of annuity policy in line with FRS102
**After management charges

Membership

2015 Deferred members 9,253

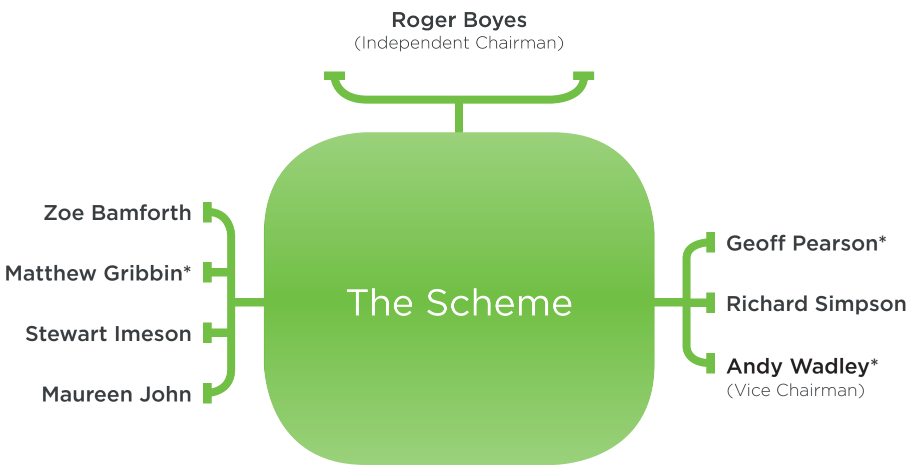
2016 Deferred members 8,883

2015 Pensioners 9,454

2016 Pensioners 9,533

Looking after the Scheme

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

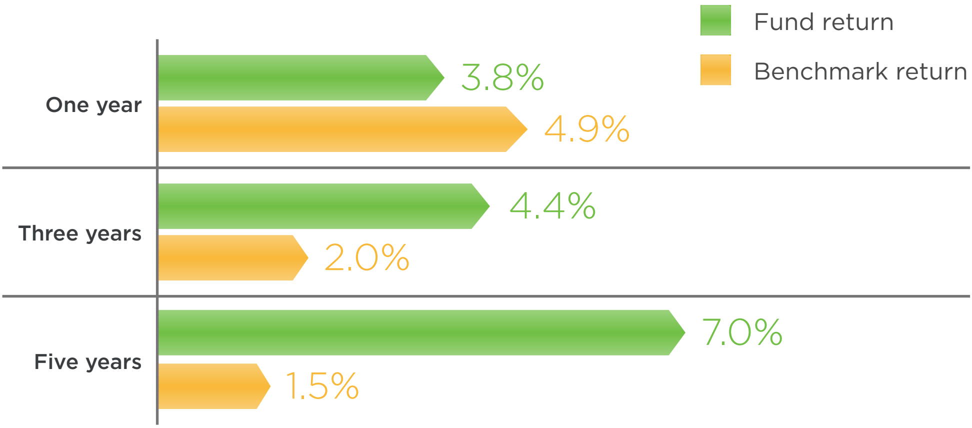


*Nominated by members

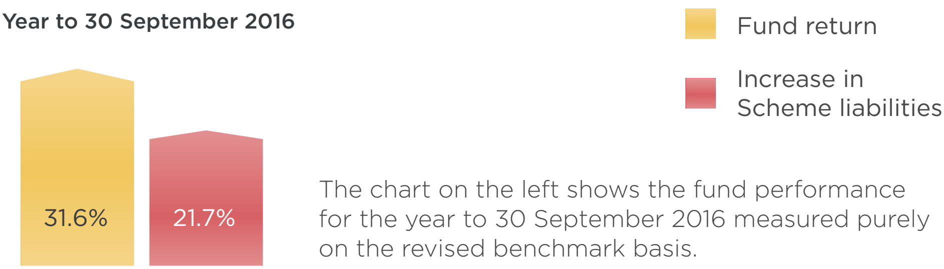
Investments

Investment update as at 31 March 2016

The Scheme's current investment strategy, which we introduced in 2008, continues to perform well. Performance is measured against a benchmark and the chart below shows a comparison over various time periods.



It should be noted that the basis of the benchmark changed on 1 October 2015. Prior to this date it was the London Interbank Offered Rate (LIBOR), and after this date it was changed to be the return of the Scheme's liabilities.



The chart on the left shows the fund performance for the year to 30 September 2016 measured purely on the revised benchmark basis.

The Scheme's investment managers

The Scheme has a wide range of investment managers (52 managers at 31 March 2016) to help to reduce investment risk. Having a range means that the risk posed by those funds that are performing less well can be compensated by those that are performing better. The Scheme is invested in the following asset classes:

Asset class	%	No. of Managers
Liability Driven Investments	30%	1 manager
Equities	13.5%	5 managers
Alternative Betas	11%	7 managers
Opportunistic Private Markets	10.3%	17 managers
Alternative Credit	9%	3 managers
Hedge Funds	9%	9 managers
Investment Grade Credit	8.5%	4 managers
Core Private Markets	7.2%	5 managers
Cash	1.5%	1 manager

The Scheme's liabilities

Although the investments have performed well since 2008, the reduction in interest rates over the last few years has meant that the liabilities of the Scheme have increased at a greater rate than the Scheme's assets. 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 was completed in December 2015. With the interest rate risk being stabilised the funding level has started to improve, with returns coming in from the Scheme's investments and the deficit contributions being made by the Company. As an example of this, the Scheme's funding level was 68.9% on 30 September 2016 and this had increased to 69.4% by 31 December 2016.

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 full actuarial valuation is being carried out as at 31 March 2016, and the results will be published in the next newsletter.

This statement provides you with a snapshot of the funding of the Scheme, based on the last actuarial valuation as at 31 March 2013. The Actuary has also prepared an update on the funding position as at 31 March 2015.

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?

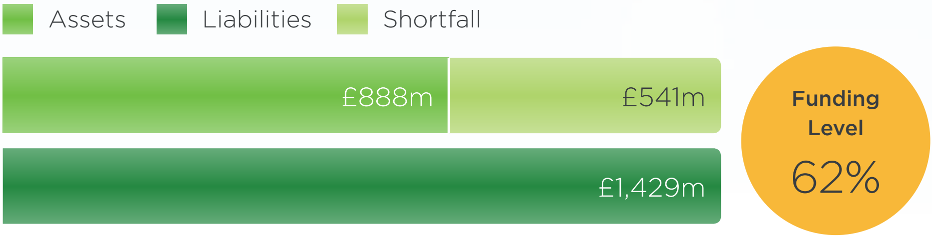
An actuarial valuation is carried out by the Actuary (a qualified and independent professional) at least every three years to assess the financial security of the Scheme. This valuation compares the assets of the Scheme with its liabilities on both an ongoing and a solvency basis. If the Scheme has fewer assets than liabilities, it is said to have a 'deficit'. If the assets are greater than the liabilities, there is 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.

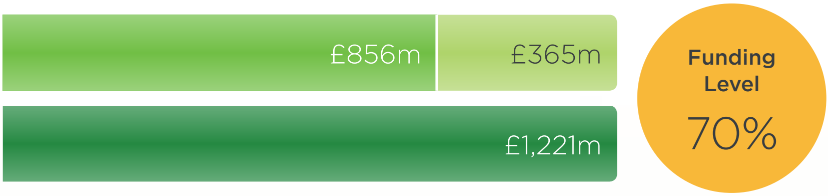
In the intervening years between the three-yearly full valuations, the Actuary produces an approximate update of the funding position in an actuarial report.

What is the ongoing funding level?

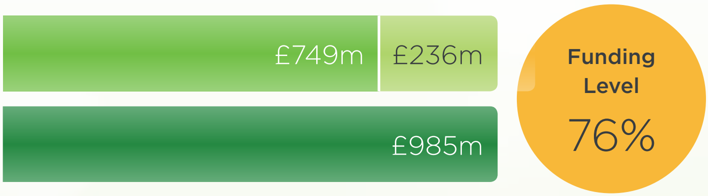
At 31 March 2015 (the latest actuarial update)



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
- £2.09m a month from 1 April 2022 to 31 January 2031
- £1.67m a month from 1 April 2017 to 31 March 2022
- £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 goes 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 into the Scheme, the Scheme would have to be wound up (see the next page).

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.

Jargon buster

Liabilities are the estimated costs of providing the benefits earned to date by deferred members who have left benefits in the Scheme, and pensions 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.

Budget update

The Chancellor of the Exchequer, Philip Hammond, presented the Government's Autumn Statement on 23 November 2016. A summary of the proposed pension changes is detailed below, along with a reminder of some previous budget news.

State Pension

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 (NI) record. You will need:

- 10 years of NI 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 scams update

In the Autumn Statement, Philip Hammond announced that the Government will be consulting on how to tackle pension scams, including banning pensions cold calling.

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 is available at **www.thepensionsregulator.gov.uk/docs/pension-scams-booklet-members.pdf**

Money Purchase Annual Allowance

In the March 2017 Budget the Government outlined its intention to reduce the Money Purchase Annual Allowance (MPAA) from £10,000 to £4,000 a year from April 2017, though this change has not been passed into law as yet. However, it's important to note that the reduction to £4,000 a year may be introduced later in the year.

The MPAA applies to anyone who has flexibly accessed their pension benefits, but wishes to make further contributions to a money purchase scheme.

State Pension triple lock

The State Pension triple lock, which increases the State Pension each year by the higher of inflation, the increase in average earnings, or 2.5%, will remain in place until at least 2020.

Pension Credit

Pension Credit is an income-related benefit which could increase the amount of State Pension you receive. It is made up of two parts, Guarantee Credit and Savings Credit, and you may be eligible to one or both parts.

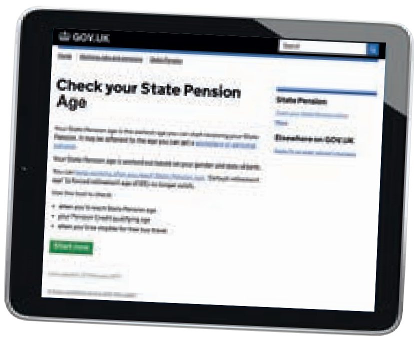
Most people reaching State Pension Age (SPA) on or after 6 April 2016 will no longer be entitled to Savings Credit. However, if you reached State Pension Age before 6 April 2016, you could receive Savings Credit, depending on your circumstances.

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 income tax. The standard Personal Allowance increased from £11,000 to £11,500 in April 2017. 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 and then £50,000 by 2020.

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

Pension Increase Exchange

The Company is discussing with the Trustee the possibility of carrying out a Pension Increase Exchange (PIE) exercise.

PIE aims to give members more flexibility in how they choose to receive their benefits whilst at the same time helping to improve the financial health of the Scheme.

Some pensioners may be given the option to exchange current annual increases on part of their pension for a higher pension that will either not increase in future, or will increase by a lower annual amount.

What happens next?

You don't have to do anything at the moment. If the PIE exercise goes ahead and you are eligible for this offer we will write to you with further information.

When someone dies

When a Scheme 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 a 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 the back page.

It is always good to be prepared, so what information needs to be at hand? The Scheme administrators will need to know:

- The full name and address of the deceased member.
- Their National Insurance 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 notification of the member's death, the Scheme administrators will write to the next of kin to request any further information they need. They 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, they 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 the Scheme administrators 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 Scheme Booklet which you can download at **nfpensions.com**. You can also contact a member of the administration team who will be happy to help.

Designed by AHC 2017_102806

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 2013, please contact the administration team.

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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.