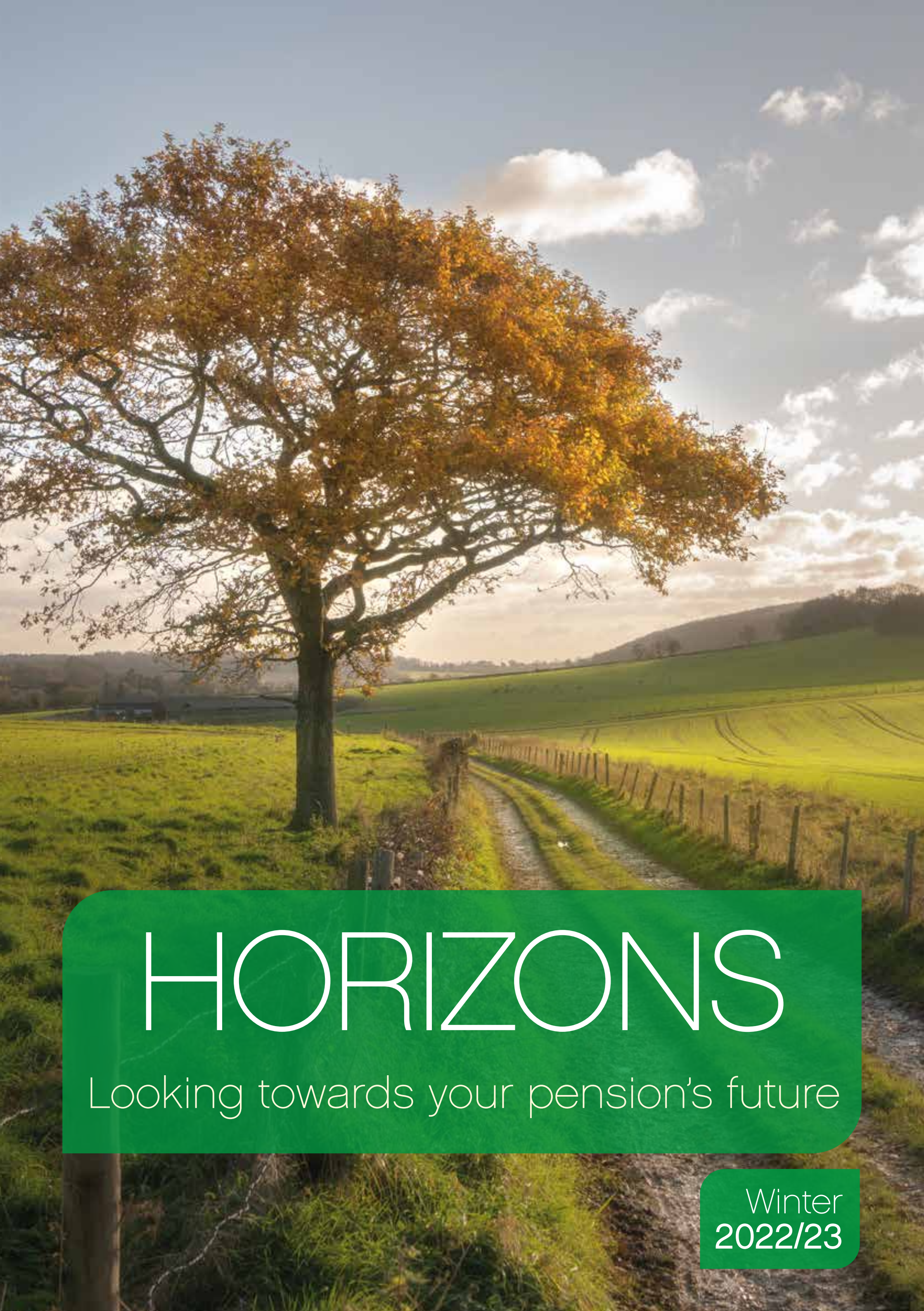


HORIZONS

Looking towards your pension's future

Winter
2022/23

Welcome

Welcome to the winter 2022/23 edition of Horizons, the newsletter for members of the Northern Foods Pension Scheme (the Scheme).

2022 brought new challenges, as financial markets were affected by the war in Ukraine, government instability, and significant financial volatility. The Trustee Board, along with its advisers continue to monitor these events closely. You can read more on pages 3 and 4.

It's important to remember that pensions are a long-term investment and although global events can impact the value of the Scheme's assets, they are invested with the aim of long-term growth. You can find out more about the Scheme's funding position on pages 13-15.

The number of financial scams is on the rise so we have identified some of the latest. Read more on pages 8 and 9, to learn how to spot them, and who to go to if you think you've been scammed. To tackle the rise in pension scams, the government brought in new regulations in November 2021. These give you another layer of protection if you're thinking of transferring your pension into another arrangement. Read more on page 7.

We hope you enjoy this edition of Horizons. We value your feedback, so please tell us if there is anything you would like to see in future newsletters. You can find our contact details on the back page.

Chris Martin
Independent Trustee Services - Chair

Inside this edition

Investments

Investment update as at 31 March 2022

In the last edition of Horizons, we confirmed that we were reviewing the Scheme's long-term objectives. We agreed to de-risk the Scheme by selling approximately 10% of the return-seeking assets and transferring this money into liability-matching assets*. Following this, the split in investments was then 40% return seeking and 60% liability matching. This change was completed in the summer of 2021.

The target return of the new portfolio is the return on long-dated gilts (those gilts nearer to maturity) plus 1.4%. If this return is achieved, the Scheme is expected to be self-sufficient by around 2030.

Market activity and the Scheme since March 2022

You might have seen some news about pensions and investments following the mini budget in 2022.

The Scheme has a significant holding in Liability Driven Investments (LDIs) - this is to help reduce the interest and inflation risks to the Scheme. The market turbulence affected LDI portfolios and we were asked to make additional cash available to secure the investments (known as a collateral call). We can confirm we met these calls during this time. The Scheme is also currently well placed, with liquid assets, to meet any future collateral calls. Over this period, as a result of rising interest rates, the value of the Scheme's investments fell and the Trustee notes that the Scheme's liabilities will have fallen by a similar amount.

It's important to remember that pensions are a long-term savings mechanism, which means they will go down and up over time.

*Matching assets are expected to provide high-quality cashflow to match liabilities. Return-seeking assets are normally expected to produce long-term returns to exceed liability-matching assets, which compensates for the higher risk exposure.

Investments continued

Market activity and the Clerical Medical Investment Group (Clerical Medical) Additional Voluntary Contributions and Group Transfer Plan benefits

The recent worldwide and economic situations have also affected the valuation of UK government debts (gilts), which form part of pension schemes' investments, including the Scheme's Additional Voluntary Contributions (AVCs) and Group Transfer Plan arrangements with Clerical Medical.

One of the reasons for holding investments in gilts is that they are a secure investment with guaranteed returns. In the autumn of 2022 we saw a steep rise in gilt yields which pushed down gilt values. This means that some members might have seen a fall in the current value of their investments, compared to 2021.

You may have already received your annual benefit statement as at 31 March 2022. This will outline if you have any benefits in the Scheme's AVCs or with Clerical Medical. As a reminder, any benefits that were previously held with Equitable Life Assurance Society or Utmost Life and Pensions were transferred to Clerical Medical in January 2021.

We'd like to reassure you that we will continue to monitor the investment performance of the Clerical Medical funds.

If you have any questions or wish to discuss a change to your investments, please write to the Scheme Administrator at Capita Employee Solutions, PO Box 55, Stead House, Darlington, DL1 9YT or email **nfpensions@capita.co.uk**

Investments jargon buster

Gilts are UK government-issued bonds. They are considered to be a popular and low-risk investment as they are fully backed and underwritten by a national government.

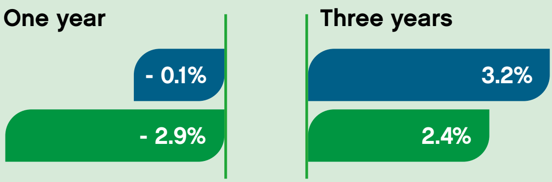
Self-Sufficiency means that the investments are held in a low-risk environment, and the Scheme is expected to be able to stand on its own, without any further contributions from the Company.

Collateral calls are when additional capital (cash or other assets) is required in order to mitigate potential risks that investments are exposed to.

Investment performance

What is a benchmark?

A benchmark is a standard point of reference against which returns can be compared. The chart below shows a comparison over one and three years to 31 March 2022:



Since 1 October 2015, the benchmark has been the return of the Scheme's liabilities.

Key Fund return Benchmark return

Fiduciary Management

On 14 September 2022 the Scheme, having completed a full review of providers in this area, moved all of its investments into Fiduciary Management with WTW.

Under Fiduciary Management we passed the day-to-day decision making, cash-flow processing, currency hedging and management of the investment managers to WTW. We remain responsible, however, for the investment strategy and the risk profile adopted for the Scheme.

More information on Fiduciary Management, and the investments we now hold, will follow in the next newsletter.

Rise in State Pension

From 6 April 2022, State Pensions rose by 3.1%

Basic State Pension

2022/2023	£141.85 per week
2021/2022	£137.60 per week

3.1%

£4.25 per week

The government has confirmed the State Pension will rise by 10.1% in April 2023.

Rise in Normal Minimum Pension Age

The government will be increasing the Normal Minimum Pension Age (NMPA) from age 55 to age 57 from 2028.

NMPA is the earliest age that you can start taking your benefits from most registered pension schemes without triggering tax charges. For most schemes, this is currently age 55 – from 6 April 2028, it will increase to age 57 to bring it 10 years below the State Pension age.

The government is currently consulting on how this change will be implemented and whether to keep lower NMPAs if this right is protected in a scheme's rules. We will carry on monitoring the situation and update you once we know the outcome.

How this could affect you:

If you were born before 7 April 1971	If you were born between 7 April 1971 and 5 April 1973	If you were born on or after 6 April 1973
You won't be affected by this change as you'll be age 57 or over by the time it comes into effect in April 2028.	You will be age 55 on 6 April 2028, so you could be affected if you have not taken all of your benefits by then. If you're taking your benefits in stages, you may have to wait until age 57 to access the balance.	You will now have a NMPA of age 57 so will not be able to take any of your benefits before then.

New pension transfer regulations announced

To help tackle the rise in pension scams, the government brought in new regulations in November 2021. These give you another layer of protection if you're thinking of transferring your pension into another arrangement.

Before your transfer can go ahead, it must meet two conditions:

1. If you're transferring your pension into an authorised arrangement in the UK (such as a public-service pension scheme, an authorised Master Trust, an authorised Collective Defined Contribution scheme, or a pension scheme operated by an authorised and regulated insurer), it's likely it can go ahead.

2. If the scheme you're transferring into isn't included above, you'll have to:

- **2a.** Prove you have an employment link to the receiving scheme
- **2b.** Prove you have a residential link to the receiving scheme if it is a Qualifying Recognised Overseas Pension Scheme

If you can prove 2(a) and 2(b), and no red or amber flags are present, your transfer can go ahead.

- **2c**. But if one (or more) **amber flag** is present, your transfer can be paused until you can prove you've taken scams advice through MoneyHelper, even if you've taken advice from a regulated financial advisor
- **2d.** And/or if one (or more) **red flag** is present, your transfer can be stopped.

Examples of red flags include being pressured to make the transfer quickly, or being offered an incentive. Examples of amber flags include the receiving scheme making use of high-risk or unregulated investments, or having investment structures that are unusual or unclear.

Find out more about the regulations and what constitutes a red or amber flag on The Pensions Regulator's website at **https://bit.ly/3apyrxT**

You can find a regulated financial adviser near you at **unbiased.co.uk** and you can find scams advice at **moneyhelper.org.uk**

Don't lose your pension to scammers

While new transfer regulations mean that trustees and scheme administrators can stop or pause a pension transfer, you are still the best line of defence when it comes to keeping your pension safe.

It's vital you remain vigilant and know how to spot the signs of a pensions scam, how to report one, and what to do if you think you've been a victim of one.

How do I know if it's a scam?	What may they do to try to scam me?
Cold calling to sell pensions products has been illegal in the UK since 2019, so if anyone does phone you, just end the call. Unfortunately, criminals are getting around the law by using email, text or social media instead.	By pressuring you into making decisions quickly, you won't have time to do your research or get regulated financial advice.
Some investment types aren't regulated by UK law so if you invest in them you might not be able to trace your money.	No investment will ever provide returns that are guaranteed to be high. Even the best-performing investments can lose value from time to time.
You can't access your pension until you reach age 55 (rising to age 57 in 2028) unless you're in very ill health.	Most financial-services firms have to be authorised by the Financial Conduct Authority (FCA). Check their Financial Services Register at **fca.org.uk/firms/financial-services-register** to see if a firm or individual is authorised or registered with the FCA.
Always access the Register from the FCA's website rather than by clicking on links in emails or on the website of a firm offering you an investment.	Always check if the firm's contact details and registration number match the ones on the Register.

If you're suspicious, report it

If you think you've been approached by scammers, you can report the firm or the scam to the FCA by calling 0800 111 6768 or using the FCA's reporting form at **fca.org.uk/consumers/report-scam-us**

Stay scam smart

We've grown increasingly comfortable conducting our lives online. But we want you to be aware there are potential pitfalls.

Criminals have been quick to profit from the shift to digital from cash transactions. UK Finance reports that impersonation fraud – where scammers pretend to be a legitimate company asking for personal information – has almost doubled to nearly 40,000 reported cases over the last year.

Examples include text messages pretending to be from Royal Mail asking for your bank details so you can pay additional postage fees. You could be expecting an online delivery now – would you click that link?

Other links can install malware that can steal your passwords, giving criminals access to all areas of your life, including your bank account.

Take advice

We strongly recommend you take regulated financial advice if you're thinking of transferring out of the Scheme. By law, you have to take advice if the value of your benefits is over £30,000. However, whatever the value of your benefits, it's always a good idea to get a professional opinion on whether transferring out of the Scheme is right for you.

Find an adviser near you at **unbiased.co.uk**

Online safety tips

1. Don't click on links in text messages or emails – check URLs to make sure they're genuine
2. Contact companies directly using a known email or phone number
3. Forward suspicious emails to **report@phishing.gov.uk**
4. Forward suspicious texts to your mobile network provider
5. Never give remote access to your computer following an unsolicited call or text
6. And finally, if you think you've been a victim of fraud, call your bank immediately and file a report with Action Fraud at **reporting.actionfraud.police.uk**

What you need to know from the Autumn Statement

What has changed?

On Thursday 17 November 2022, Chancellor Jeremy Hunt gave his Autumn Statement. This is an announcement from the government which lays out their economic plans. Some of the changes he announced may impact your retirement savings.

Tax

How much tax you pay can affect your finances, including what you can afford to save into a pension. Here is a list of the key changes to tax revealed in the Autumn Statement:

- Income tax thresholds are staying the same apart from the top rate of tax, which will go down from £150,000 to £125,140.
- Personal allowance and higher rate thresholds are staying the same.
- Currently, local councils have to hold a referendum if they want to increase Council Tax by more than 3%. This is increasing to 5%.

To find out which tax band you are in, visit **gov.uk/income-tax-rates**

The State Pension

The government has decided to keep the "triple lock", and increase the State Pension in line with inflation at 10.1%. This increase will take effect from April 2023.

How this may affect you

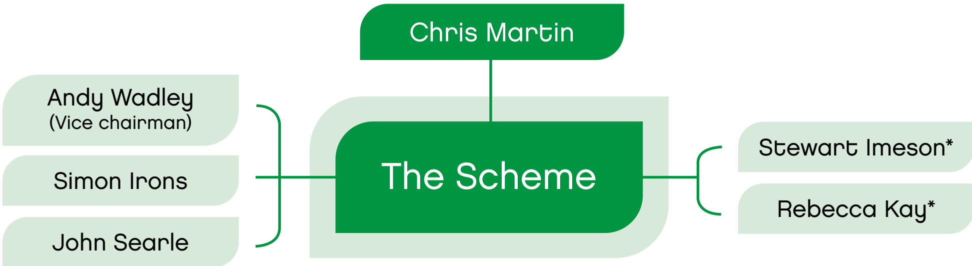
If your income goes up enough to take you into a higher tax threshold, you will end up paying more tax. The only exception to this is that if you earn between £125,140 and £149,999 you will be brought into a higher tax band, even if your income stays the same.

If you are approaching State Pension age, or currently receiving your State Pension, the amount you will get is increasing from April 2023.

To find out when you can receive a State Pension and how much you will get, visit **gov.uk/check-state-pension**

Looking after the Scheme

The Scheme is run by Northern Foods Trustees Limited. The Trustee Board is made up of six Trustee Directors – four appointed by the Company and two nominated by members. The current Trustee Directors are:



*Nominated by members

Trustee Board updates

Since our last update, Clare de Arostegui stood down as Company Appointed Trustee Director from 31 May 2021. We are very grateful to Clare for her valuable contribution to the running of the Trustee Board. Clare was replaced by John Searle, who works in the Boparan Private Office in Birmingham. John has previous experience as a Trustee under his former employer and we are pleased to welcome him on board.

Executive Team update

Peter Croskin has been working with us since joining Northern Foods as the Group's Pensions Manager in 1988. He completed 50 years working in the pensions industry in November 2022. As Peter started to think about winding down we decided to take two actions:

1. To appoint a new Pension Executive team to help run the Scheme. After a full selection exercise we appointed XPS who are a leading firm of pension experts.

   The new team is headed up by Graham Burgess, a senior pension consultant based in the XPS Leeds office. The core team includes three of Graham's colleagues, and benefits from the backing of the expertise of the wider XPS Group.

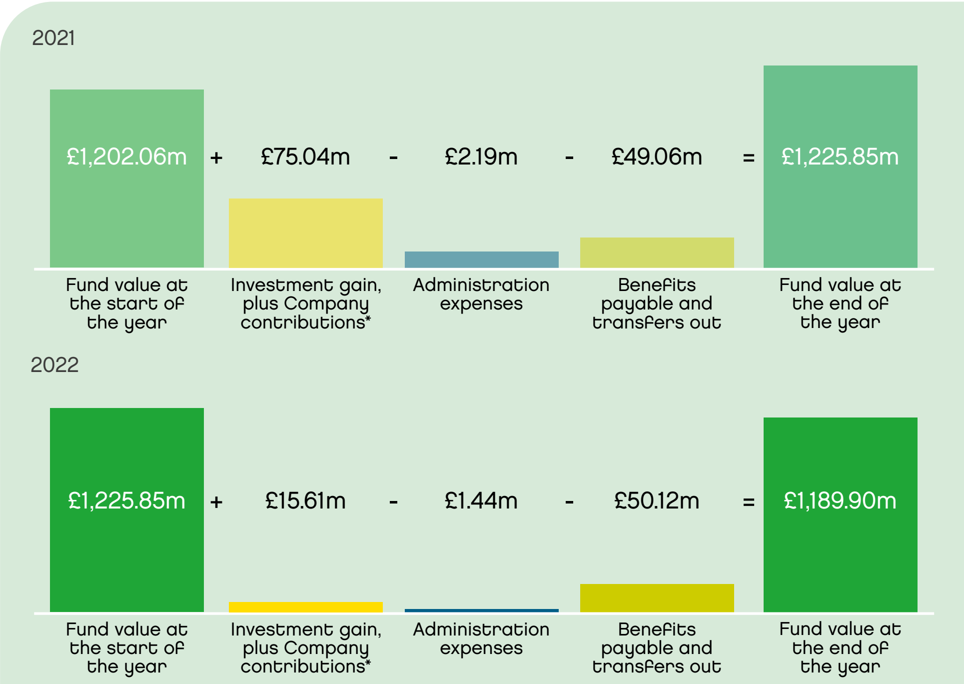
   Following XPS's appointment, Peter Croskin and Phil Bradish's roles will phase out over an agreed period, which gives time for them to help XPS transition into the role.

2. To transfer all the investment work that had previously been completed by Peter Croskin, Tony Dix and Chrissie Hills to Fiduciary Management. For further information on this please see page 5. Peter will spend time now documenting the Scheme's history, and working on special projects as required.

The financials

The Scheme's accounts

The following is a summary of the key figures from the Scheme's accounts for the year ended 31 March 2021 and 31 March 2022.



*After management charges

Figures have been rounded

Membership

As at 31 March 2022, there were 14,076 members in the Scheme. You can see the change in membership from 2021 to 2022 below.

2021 Deferred members 7,028

2021 Pensioners 7,384

2022 Deferred members 6,598

2022 Pensioners 7,478

Actuarial report

Every three years, the Scheme's Actuary (a qualified and independent professional) carries out a full actuarial valuation to assess the financial security of the Scheme. In the years between the actuarial valuations, the Actuary produces an approximate update of the funding position in the annual actuarial report.

What is an actuarial valuation?

An actuarial valuation is a financial health check for the Scheme. It compares the money the Scheme has (assets) to the expected cost of providing all current and future benefits to its members (liabilities).

How is the Scheme's financial health measured?

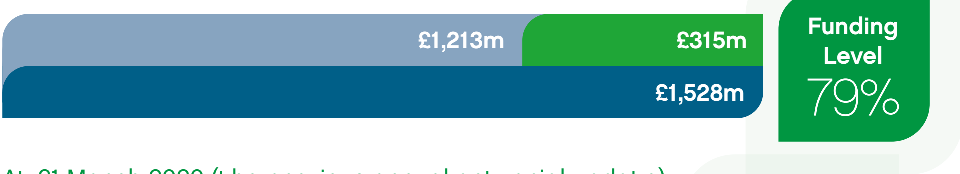
The actuarial valuation measures the value of the Scheme's assets against its liabilities. If the liabilities are higher than the assets, the Scheme has a shortfall. If the assets are higher than the liabilities, the Scheme has a surplus.

What was the funding position as at 31 March 2019?

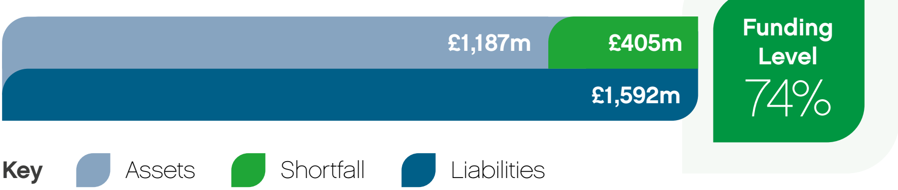
The last full actuarial valuation as at 31 March 2019 showed that the Scheme had a shortfall of £395 million. This meant that the Scheme needed additional funding to be able to provide members' expected benefits in the future.

The results of the actuarial updates as at 31 March 2020 and 2021 show an improvement in the funding level.

At 31 March 2021 (the latest annual actuarial update)



At 31 March 2020 (the previous annual actuarial update)



Actuarial report continued

How has the funding position changed since the last full actuarial valuation?

- The 31 March 2019 actuarial valuation showed the Scheme had a shortfall of £395 million.
- The 31 March 2021 valuation revealed a shortfall of £315 million. The improved position is from the contributions paid to the Scheme, including the Scheme's share of the sale proceeds received in December 2020.

What is the recovery plan?

As we noted in our previous edition of Horizons, the Trustee Board and Company agreed a recovery plan to address the shortfall from the 2019 valuation, with Company contributions starting at £20m each year from April 2019, increasing to £31.6m each year from April 2025. The Company also pays additional contributions in respect of Scheme expenses and levies issued by the Pension Protection Fund. It was also agreed that the Company would pay part of certain business sale proceeds and in December 2020 it paid £63m to the Scheme following the sale of Fox's biscuits.

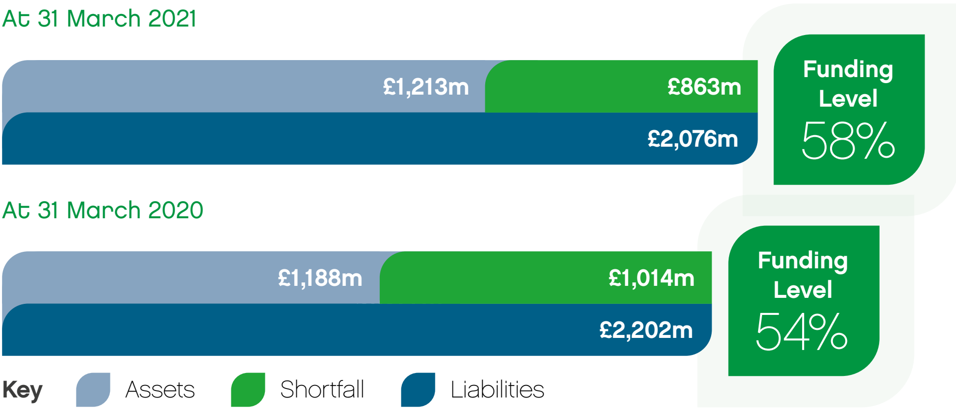
Recently, following a request from the Company, some contributions due under the recovery plan have been rescheduled with some contributions being deferred. The deferred contributions are due to be repaid by July 2023. The Trustees agreed to this to help the Company's cash flow in a challenging trading environment, with contingent security provided by the Company to protect the Scheme's position.

The recovery plan is being reviewed as part of the Scheme's 31 March 2022 actuarial valuation.

Looking after the Scheme

We are legally obliged to let you know what the Scheme's funding position would be if the Scheme were to wind up (close), and members' benefits had to be paid by an insurance company. **We have no intention to wind up the Scheme.** We are also happy to confirm that neither the Trustee Board nor the Company has taken any money out of the Scheme. Nor has The Pensions Regulator had to use any of its powers to intervene in how we run the Scheme.

If the Scheme were to wind up, the estimated figures are:



Financials 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 in payments.

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

Ongoing basis uses assumptions agreed between the Trustee Board and the Company and assumes that the Scheme will continue.

Solvency basis estimates the amount needed to fully secure all earned benefits from an insurance company if Northern Foods decided to wind up (close) the Scheme.

Where can I get more information about my pension?

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

Northern Foods Pension Scheme
Capita Employee Solutions
PO Box 555
Stead House
Darlington
DL1 9YT

0114 229 7851

nfpensions@capita.co.uk

Remember to let the administration team know if you change address – otherwise important correspondence about your pension might not reach you. We may also be unable to pay your pension if your address does not match the one on our records.