



It's what we do

Somerfield Pension Scheme

pensions focus

Autumn 2024



Welcome

We're pleased to send you another regular update from the Trustee of the Somerfield Pension Scheme.

Remember to keep your contact details updated so that we can always reach you with news about the Scheme and pensions in general. If you ever lose touch, you can just search for Somerfield Pension Scheme on the internet and you'll be directed to our new pensions website (somerfieldpensionscheme.co.uk).

After a difficult 2023, this year so far has provided some respite - inflation is back down to around 2% and interest rates, too, have started to come down. This is reflected in the most recent funding check-up, looking at the position as at 31 March 2024. This shows that the Scheme's funding level has improved from 103% to 104%. The full results are included in the Summary Funding Statement on pages 13 to 15.

I hope you enjoy reading the latest **pensionsfocus** and find it useful. If you have any comments or if there are any topics you would like to know more about in a future issue, please get in touch using the details on the back page.

With best regards from the Trustee.

Looking after your data

TCG Southern Trustees Limited has published its Privacy Policy on the Scheme website at somerfieldpensionscheme.co.uk. The policy sets out how the Trustee uses your personal information and your rights under the General Data Protection Regulation (GDPR).

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Owned by You. Right by You

In July, the Co-op Group launched one of its biggest ever campaigns - 'Owned by You. Right By You' - to explain to UK consumers the benefits (both financial and social) of a co-operative business model.

Over 50% of consumers admit they don't understand what it means when a business is a co-operative or a mutual and two-fifths (42%) admit they don't understand what constitutes a co-operative, or how being part of one could benefit themselves and their communities.

This contrasts with many European countries where co-operative businesses are integral to the culture and infrastructure of the nation, and being a member of a co-operative is the norm for the majority of citizens.

The new government has acknowledged the huge contribution co-operatives can make to the economy and pledged to double the size of the UK's co-operative and mutuals sector in its manifesto. Research from the Co-op indicates a growing public demand for more diverse models as over half of consumers (55%) are keen to see more co-operatives in business and would give them more backing.

The Co-op currently has almost six million members who own the business, can have a say in how it is run, alongside how it spends its profits, and who benefit financially every time they shop through member-only pricing and exclusive member offers. The Co-op has announced an ambition to increase the number of member-owners to eight million by 2030.

For more information, please visit coop.co.uk/owned-by-you



Our accounts

The table shows a summary of the payments into and out of the Scheme during the year to 31 March 2024.

The information on these pages has been taken from the Scheme's annual report and accounts. The accounts have been audited by Deloitte, who have confirmed it provides a true and fair view of the Scheme's finances. You can see a full copy of the accounts at [somerfieldpensionscheme.co.uk](https://www.somerfieldpensionscheme.co.uk) under 'Documents'.

Value of the Scheme as at 1 April 2023	£748m
Plus income <i>Including the money we get from investing in things like bonds</i>	£35m
Less expenditure <i>Including pensions, cash lump sums and transfers out of the Scheme</i>	(£36m)
Change in market value <i>A decrease in the value of assets during the year (after fees)</i>	(£48m)
Value of the Scheme as at 31 March 2024	£699m

During the year ended 31 March 2024, the assets of the Scheme decreased from £748m to £699m. This was expected. See page 6 for more information.

Who's in the Scheme?

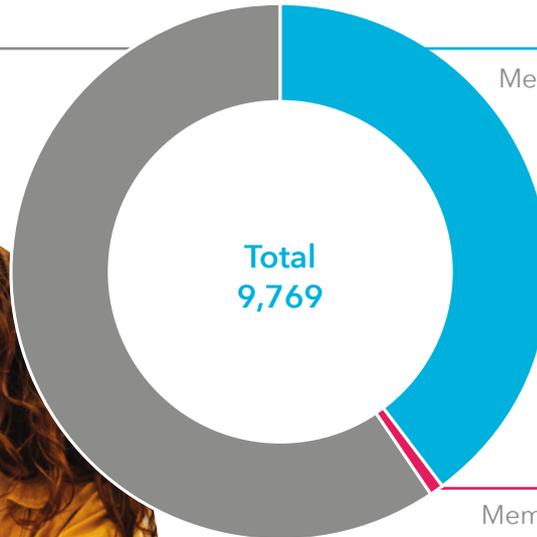
At 30 June 2024, the Scheme had just under 10,000 members, with the total number reducing by 311 over the year.

Pensioner members 5,789

Members who have retired and are receiving a pension from the Scheme.

Deferred members 3,880

Members who have a pension in the Scheme but have not started to receive it yet.



Total
9,769

Closure members 98

Members who still work for the Co-op as at 30 June 2024 but are not paying contributions into the Scheme.



Our investments

The Scheme's largest investment is an insurance policy with Pension Insurance Corporation (PIC).

PIC pays an income to the Scheme that matches the benefit payments due to those members covered by the policy; this helps to reduce risk to all members of the Scheme.

The value of the policy changes in line with changes to the Scheme's liabilities. As at 31 March 2024, the Scheme actuary valued it at approximately £266m (versus £292m in 2023). The policy is considered to be an asset of the Scheme but it's not included in the performance figures below.

Investment strategy

The Trustee aims to invest the Scheme's assets so that it achieves a return that is higher than what's required to improve the funding level, both an ongoing basis and solvency basis (the Summary Funding Statement on page 13 explains these terms in more detail). It's also important to ensure that the assets and liabilities move in tandem when interest rates and inflation rates change, to protect the funding level.

The Trustee regularly reviews its investment strategy and, in previous reports, we have told you how the Trustee was moving towards a lower-risk approach as the Scheme matures. During the year, the Trustee de-risked the Scheme's investments further by reducing its allocation to illiquid credit investments and increasing the allocation to risk-reducing investments.

Investment performance

Over the year to 31 March 2024, the return on the Scheme's investments was -1.4%. The Scheme performed better than the benchmark return of -2.0% which is based on the Scheme's chosen investment strategy and therefore linked to the movement of the Scheme's liabilities.

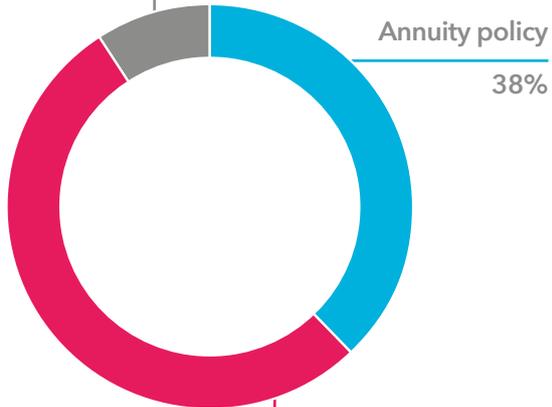
The Trustee's approach is set out in the Statement of Investment Principles (SIP), which is available to read online at somerfieldpensionscheme.co.uk under 'Documents'.

Investment split - 31 March 2024

Growth investments

(illiquid credit which includes less actively traded bonds and debt, with higher expected returns)

9%



Risk-reducing investments

(includes government bonds, company bonds and investments designed to protect the Scheme's funding level from changes in interest rates and inflation)

53%

Responsible investment

The Trustee has a responsible investment policy which it reviews at least annually. The document details the policy for considering Environmental, Social and Governance (ESG) factors, including climate change, in the investment strategy process. The policy reflects three broad issues which the Trustee believes represent particular risk to the Scheme but can be addressed. These may change over time but they are currently:

- climate change and the protection of the environment
- working conditions and equal pay
- corporate governance.

In addition, the Trustee has previously stated its ambition to achieve net-zero greenhouse gas (GHG) emissions by 2050 or sooner. As part of the Trustee's commitment to meeting this net-zero objective, it regularly reviews the carbon emissions arising from the Scheme's assets, with the most recent analysis showing the Scheme is making good progress towards achieving this aim.

Noticeboard

Review of administration services

The Co-op Pensions Department (CPD), which is the Co-op's own in-house pensions team, has been looking after the Scheme's members by administering their benefits since 2011. However, due to changes within CPD as the result of wider changes to the Co-op's pension arrangements, the administration services currently provided by CPD are in the process of being outsourced to a new provider. It's important to the Trustee that Scheme members continue to receive the best support available, so earlier this year we approached a number of third-party administration providers and asked them to tender for the Scheme's administration services.

The Trustee is carrying out a thorough review of the shortlisted providers and will provide you with an update once a new Scheme administrator has been chosen.

Check the website for updates

The pensions website at somerfieldpensionscheme.co.uk remains your first port of call for the latest news about the Scheme. If service in future is disrupted for any reason, we will post updates on the website as they are confirmed - making this the quickest way to keep in touch with the Scheme. It's also a good idea to visit the website regularly anyway, as it has lots of useful information about your pension and how it works.

Changes to the earliest age you can take your pension

The government has confirmed that the minimum retirement age (the earliest age at which you can draw your pension unless you are in ill health) is set to increase from age 55 to age 57 from 6 April 2028. This won't apply to pension savers who already have a protected early retirement age below 55, and in some cases members may be able to 'lock in' early retirement at age 55 as long as it's set out in the rules of their scheme. Broadly speaking, no protected right to retire before 57 will apply to the Scheme from 2028 onwards.

Stay alert to pension scams

Many people have been targeted by pension scammers, who offer seemingly attractive 'investment opportunities' to encourage you to transfer your retirement savings into their funds. These scams could result in the loss of your entire retirement savings, and you could also face significant tax penalties.

Scam tactics include:

- contact out of the blue (this could be via a phone call or via social media for example)
- promises of high or guaranteed returns or better returns on your pension savings
- free pension reviews and/or access to your pension before age 55
- pressure to act quickly and high-pressure sales tactics
- unusual investments, which tend to be unregulated or high risk and/or complicated structures, so it is not clear where your money will end up
- several groups or companies involved which all take a fee, meaning the amount taken from your pension will be significant.



To help you identify a scam and protect your retirement savings, the Financial Conduct Authority has launched an online tool so you can check that the firm you are dealing with is regulated and see if what you're being offered is a known scam or has signs of a scam. You can access this tool and find out more information on scams by visiting [fca.org.uk/scamsmart/how-avoid-pension-scams](https://www.fca.org.uk/scamsmart/how-avoid-pension-scams)

MyHR security improvements for pensioners

We're making some changes to improve MyHR security and keep your pension information safer. This change will affect everyone who accesses MyHR.

What does this mean for me?

We're asking you to stop accessing MyHR using the normal browser sign-in option. You will no longer be using your old MyHR username and password.

If we had your email address, you would have received an email to your personal email address. It contained an invitation to set up a guest account. You **MUST** do this so that you can access MyHR. The email came from cooponline.onmicrosoft.com.

To log in via this more secure method after you have signed up, go to: <http://myhr.coop.co.uk>

Need support?

If you're having issues logging into MyHR, please log in to your personal email account in the usual way and check your junk folder. If you have any questions, please send an email to pensionselfserve@coop.co.uk. Nothing we're doing as part of these changes will affect the password for your personal email account.



Pensions news

Pension Schemes Bill

In the King's Speech at the opening of Parliament in July, the new government set out its legislative priorities for the months ahead. This included a new Pension Schemes Bill, which forges ahead with many of the previous government's proposals.

The main takeaway for pension schemes is a push to deliver better value for savers and to increase investment by pension schemes in the UK economy.

In addition, the new Bill will prevent people from losing track of their pension pots through consolidating small pots (similar to the previous government's 'pot for life' proposal).

Pensions dashboard faces delays

Despite hopes that the pensions dashboard would be launched by now, the timetable has been pushed back to give the pensions industry more time to get ready for this major project. When it's launched, the dashboard will provide a single place where you can get information about all your pension savings across all schemes, as well as track down any lost pension pots. The project has been given a new deadline of 31 October 2026, so many schemes - including ours - are working hard to get everything ready before then.



Limits on tax-free cash

One of the perks of saving for retirement through a workplace pension scheme is that you can usually take a portion of the value of your benefits as tax-free cash.

When the Lifetime Allowance (LTA) was scrapped earlier this year, the government introduced two new allowances that put a limit on how much tax-free cash you can take from your retirement savings:

- **The Lump Sum Allowance (LSA)**

When you take your benefits, the LSA caps the amount that can be taken tax free at the lower of £268,275, your available LSDBA (see below) or the amount permitted under the pension scheme's rules (this applies across all pension schemes, not just the Somerfield Scheme).

- **The Lump Sum and Death Benefit Allowance (LSDBA)**

A limit of £1,073,100 now applies to the tax-free elements of lump sums that can be paid from all your retirement savings, including any paid on your death or ill health.

Most of our members are unlikely to be affected by the allowances. Whether they affect you or not will generally depend on the total value of your pension savings and whether you've already taken tax-free cash from other pension schemes, as this reduces the amount of LSA and LSDBA available to you. If you want to take part of your Scheme benefits as tax-free cash when you retire, we'll need to check you have enough LSA and LSDBA available first. If you don't have enough LSA or LSDBA available, your tax-free cash will be restricted to the lower of the allowances you have remaining and the amount allowed in the Scheme rules.

If you previously had some sort of LTA protection, you might be able to take more tax-free cash. You can find out more at gov.uk/tax-on-your-private-pension/lump-sum-allowance



Summary Funding Statement

What is a valuation?

Every three years the Scheme's actuary, an adviser to the Trustee, carries out an in-depth look at the Scheme's finances. This is called a valuation. The actuary also carries out less detailed but more regular 'annual check-ups' on the Scheme's financial position.

Funding level

Both the valuation and the annual check-ups look at the position of the Scheme on a particular day - in our case, 31 March. The funding position can change from day to day.

Assets

The money that has been paid into the Scheme by members and the Co-op is invested so that it will grow and can provide members' benefits as they become payable. The money is held in a communal fund, not separate accounts for each individual (with the exception of members' Additional Voluntary Contributions).

The amount of money invested is known as the Scheme's 'assets'.

Liabilities

The estimated cost of providing the benefits that you and other members have built up in the Scheme to date is known as the 'liabilities'. This includes the benefits of members who have left employment but whose pension is still in the Scheme, or who have retired and are receiving a pension from the Scheme.

Shortfall

To check the Scheme's financial security, the actuary compares the value of its liabilities to its assets. If the Scheme has fewer assets than liabilities, it's said to have a 'shortfall'. If the assets are more than the liabilities, it's said to have a 'surplus'.

Pensions are not all paid out on one day but over a very long period of time, so a shortfall doesn't mean that the Scheme won't be able to pay members' benefits. If a shortfall exists, the Trustee and the Co-op work together to remove it or to reduce the risk of it increasing significantly, for example by changing the investment strategy so that the Scheme's shortfall is less likely to change suddenly and unexpectedly.

How has the funding position changed?

2024 update

Assets £696m

Surplus £28m

Liabilities £668m

Funding level 104%

2023 update

Assets £738m

Surplus £19m

Liabilities £719m

Funding level 103%

2022 valuation

Assets £1,062m

Surplus £59m

Liabilities £1,003m

Funding level 106%

Since the last Summary Funding Statement, the Scheme's funding level has improved from 103% to 104%. Although the value of assets has reduced between 2023 and 2024, the liabilities have fallen by a greater margin resulting in an improvement in the surplus and funding level.



Recovery plan

As the Scheme is in surplus, a recovery plan is not required.

Payments to the Co-op

By law, the Trustee must also tell you whether there have been any surplus payments to the Co-op out of the Scheme in the last 12 months. The Scheme has not made any surplus payments in recent years.

What would happen if the Scheme was wound up?

As part of the valuation, the actuary must also look at the funding level if the Scheme was wound up. Including this information does not mean that the Co-op or the Trustee are planning to wind up the Scheme. The Trustee is required by law to give you this information.

If the Scheme had wound up as at 31 March 2022, the actuary estimated that the Trustee would have had to pay an insurance company £1,105m to provide all the benefits in full. This would have left the Scheme with a shortfall of around £43m and a funding level of 96%.

Pension Protection Fund

The Pension Protection Fund was set up in 2005 by the government to compensate members of eligible UK pension schemes which are wound up when the employer is insolvent and the scheme does not have enough assets to cover members' benefits. All eligible pension schemes are required to contribute to the PPF by paying a levy each year. Further information is available at ppf.co.uk

The Pensions Regulator

The Pensions Regulator is responsible for regulating workplace pension schemes in the UK. Its aims include protecting members' benefits and promoting good scheme administration. You can find more details at thepensionsregulator.gov.uk

The Trustee needs to tell you if the Regulator has used its powers in relation to the Scheme over the last year, for example, by changing the way future benefits build up, or the way the funding target is worked out, or amending the employer contribution rate. The Regulator hasn't used its powers in relation to the Scheme.

Get in touch

Please remember to update your nomination form if your circumstances change, and tell us if you move house so we can keep in touch. If you work for the Co-op, any change to your address details will be updated when you update your employee records on MyHR.

Email: somerfieldpensions@coop.co.uk

Phone: 0330 606 1000

Pension payroll phone: 0330 606 9449

Find us online: somerfieldpensionscheme.co.uk

Email should only be used for general enquiries and not for submitting personal information.

Write to us:

Co-operative Group Limited
Pensions Department
Department 10406
1 Angel Square
Manchester
M60 0AG

Please note: your benefits are determined by and subject to the Scheme Rules as amended from time to time ('the Rules'). If there is any conflict between any information in this members' report and the Rules, the Rules will be overriding and will determine the benefits you receive. You can request a copy of the Rules from the Pensions Department.