

Somerfield Pension Scheme

pensions focus

Autumn 2023



It's what we do

Welcome

It gives us great pleasure to share with you another issue of **pensionsfocus**, from the Trustee of the Somerfield Pension Scheme.

It's been two years since our last newsletter. Last year, we were busy finalising the Scheme's triennial actuarial valuation, an in-depth look at the Scheme's funding position. We are very pleased to report that the Scheme is currently in surplus, and you can read more on pages 13 to 15.

Some UK pension schemes were affected by a sudden unprecedented rise in UK Government bond yields after the mini-budget last autumn. Let us assure you that the Scheme is well protected and member benefits were not adversely affected by the extra volatility. You can read more about the Scheme's investments, along with information about last year's events, on pages 6 and 7.

We have also, in recent months, launched a brand-new website dedicated to the Somerfield Pension Scheme. From here you can view Scheme documents, check out the latest pension news and - if you haven't retired yet -

register for Member Online, our secure member area where you can keep your personal details up to date. You can read more on page 12.

This issue of **pensionsfocus** also contains the usual summary of Scheme accounts on page 4, detailing monies going into and out of the Scheme over the past year. If you would like to see the full Report & Accounts, it is available by visiting the new Scheme website **somerfieldpensionscheme.co.uk**. From here you can also find other formal Trustee documents and copies of Evergreen (for retired members of the Scheme).

I hope that this newsletter is useful and engaging. If you have any feedback or ideas for future topics you would like to see us cover, please get in touch using the information on the back cover.

With best regards from the Trustee.



Inside

Our accounts	4
Who's in the Scheme?	5
Our investments	6
Noticeboard	8
Pension scam awareness	10
New Scheme website	12
Summary Funding Statement	13
Get in touch	16

Looking after your data

TCG Southern Trustees Limited has published its Privacy Policy on our new 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).

Our accounts

Over the course of the year, the Scheme's assets experienced a £326m drop in value to £748m. This may seem alarming, but it isn't bad news, as the Scheme's funding position has actually improved (see page 14). During the year we paid out more than £42m in benefits to Somerfield members.

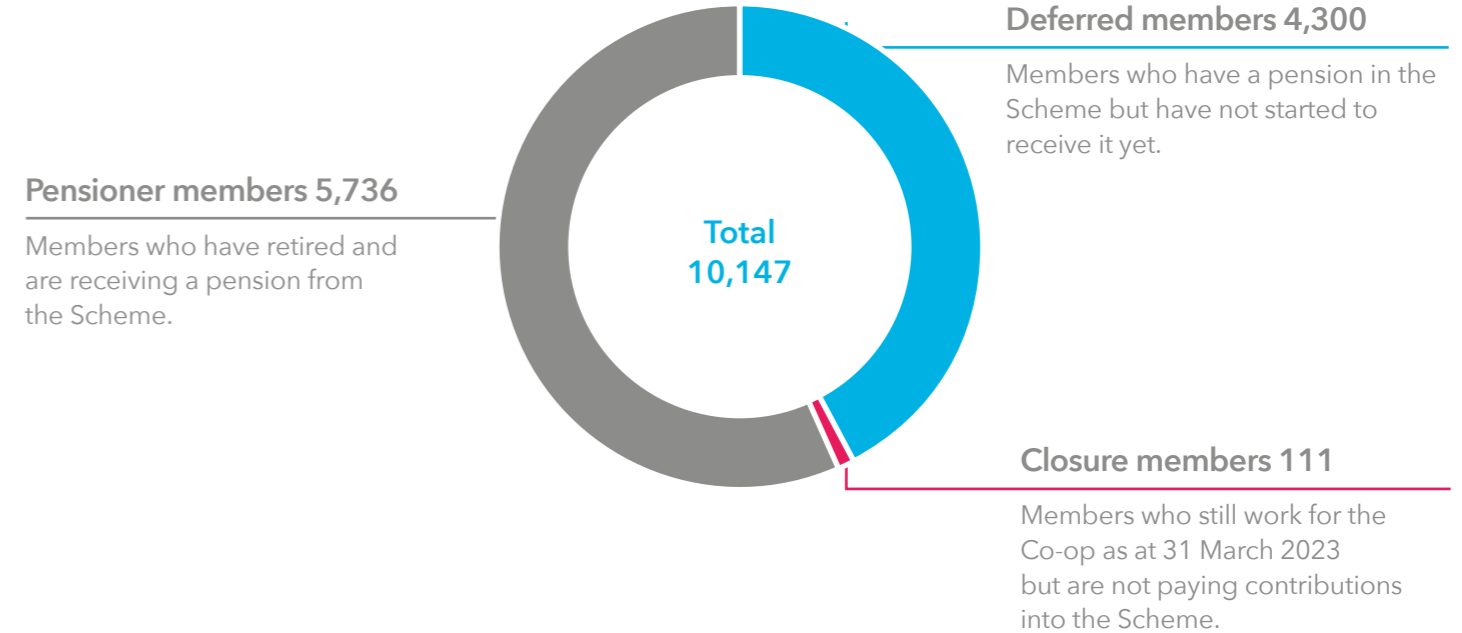
Each year, the Trustee prepares a set of financial statements that set out the transactions over the year ending 31 March. This information is audited by Deloitte, who have confirmed it provides a true and fair view of the Scheme's finances.

You can see a full copy of the Accounts at somerfieldpensionscheme.co.uk under 'Documents'.

Value of the Scheme as at 1 April 2022	£1,074m
Plus income <i>Including the money we get from investing in things like bonds</i>	£37m
Less expenditure <i>Including pensions, cash lump sums and transfers out of the Scheme</i>	(£43m)
Change in market value <i>An increase/decrease in the value of assets during the year (after fees)</i>	(£320m)
Value of the Scheme as at 31 March 2023	£748m

Who's in the Scheme?

At 31 March 2023, the Scheme had 10,147 members. The number of members reduced by 333 over the year.



Our investments

The Scheme has a buy-in policy with Pension Insurance Corporation (PIC). As at 31 March 2023, this policy was valued at approximately £292m by the actuary. The annuity policy is considered to be an asset of the Scheme but it's not included in the performance figures below.

Investment performance

During the year, financial markets were very volatile, particularly following the then chancellor's mini-budget in September 2022. This affected pension funds around the UK, particularly those using Liability Driven Investment (LDI) strategies.

Over the year to 31 March 2023, the return on the Scheme's investments was -31.6%, while the benchmark set by the Trustee was -31.3%. While the Scheme's assets fell in value, the Trustee aims to invest in a way that largely matches the Scheme's liabilities, and these also fell in value over the year (see page 14).

Lots of schemes use LDI to help protect their overall funding positions. During the market turbulence following the mini-budget last year, many schemes – including the Somerfield Scheme – had to sell other

assets to support their LDI investments. However, as the Trustee and its investment adviser routinely monitors and assesses the robustness of its LDI strategy, it was able to respond quickly to ensure the Scheme's overall funding was protected.

Investment strategy

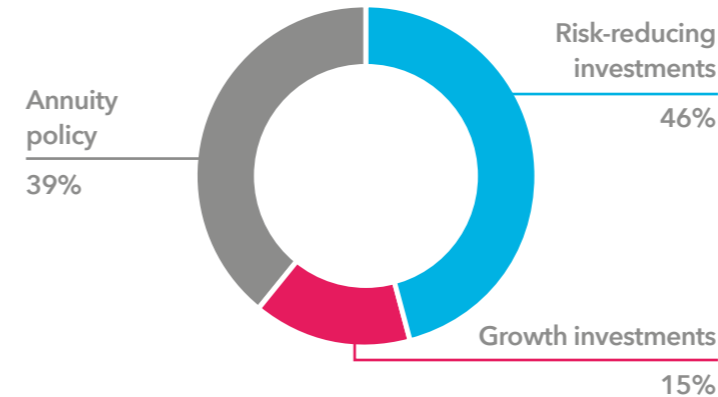
After the challenges faced by pension schemes last year, the Pensions Regulator issued new guidance to schemes on using LDI, with a requirement to hold a minimum buffer so they can absorb future changes without having to sell assets. The Trustee, along with its advisers and LDI manager, has considered this guidance and continues to ensure that the LDI strategy is supported by a sensible buffer (which is in excess of the minimum set out in the regulator's guidance).

The Trustee has also reviewed its investment strategy and has agreed to move towards a lower-risk approach,

further reducing the allocation to growth investments by reducing the Scheme's equity investments to zero.

The Trustee's objective is to invest the Scheme's assets in the best interest of the members and any beneficiaries. The current strategy expects to produce investment growth over the medium term, limiting risk where possible. The Statement of Investment Principles (SIP) was updated during May 2023 to reflect this approach, and you can read it online at somerfieldpensionscheme.co.uk under 'Documents'.

Investment split – 31 March 2023



Responsible investment

The Trustee maintains a responsible investment policy which it reviews at least annually. The policy document details Environmental, Social and Governance (ESG) considerations, including climate change, in the investment strategy process. As part of this policy, the Trustee has set a specific climate-change-related goal of achieving net-zero greenhouse gas emissions by 2050 or sooner.

As part of the Trustee's commitment to meeting its net-zero 2050 objective in June 2023, the Trustee made a strategic decision to switch into a 'net zero aligned' pooled corporate bond fund, which resulted in a material reduction in the Scheme's carbon emissions.



Noticeboard

Changes to Lifetime Allowance (LTA)

In his March budget, the chancellor announced a raft of changes to pensions tax allowances. One of the more substantial changes includes the future scrapping of the LTA. The LTA is a limit on the amount of pension savings you could build up tax free over your lifetime and had been frozen at just over £1 million. If you went over the limit, you previously had to pay a tax charge at retirement on the excess of up to 55%.

The chancellor also introduced changes to the Annual Allowance (AA), increasing it from £40,000 to £60,000 per year. This is a limit on how much you can pay into a pension tax free in each tax year. If you pay in more than your AA, you have to pay tax on the excess.

Update on the GMP exercise

You may remember in our last issue of **pensionsfocus** that we told you about a High Court ruling on Guaranteed Minimum Pensions (GMPs). GMPs built up at different rates for men and women and were payable at different ages, reflecting the State pension age for men and women at the time. It may affect you if you were an active member of the Scheme between 17 May 1990 and 5 April 1997.

Government guidelines on how GMPs should be equalised have continued to be released, and the Trustee is continuing to work with its administrators and advisers on this complex project. We will be in contact if this affects you.

State pension age rising to 67

The State pension age is set to rise from 66 to 67 by 2028. The government had considered bringing forward the planned rise to 68 to 2039 (rather than 2044-46) but it confirmed recently that it would stick to the original timetable.

The normal minimum pension age (NMPA) tracks the State pension age at 10 years younger. The NMPA is also due to increase to 57 from 2028.

Struggling with the rising cost of living?

MoneyHelper is the government's financial information and guidance service. It is the easy way to get free, trusted help for your money and pension choices. As well as lots of useful information about day-to-day money matters, you can get specific help and advice here about dealing with the cost-of-living crisis. Find out more at moneyhelper.org.uk/en/money-troubles/cost-of-living

Transferring your pension

Thinking about transferring your pension? It's a big decision and one that can't be changed once it's been made. Before you commit, ask yourself the following questions:

Is it the right choice for me?

It's important to take time to consider your options before you decide to proceed. A financial adviser can help you by explaining the differences between your Scheme pension and what you're potentially giving it up for. If your pension is worth more than £30,000, then legally you do have to speak to an adviser before a transfer can be made.

How do I find a financial adviser?

You can find an adviser local to you by visiting unbiased.co.uk or search the retirement adviser directory on the MoneyHelper website: moneyhelper.org.uk

Could this be a pension scam?

The number of people falling victim to pension scams is growing. Are you sure that the scheme you are transferring to is legitimate? For a more in-depth look into pension scams and how scammers operate, read our article on page 10.



Pension scam awareness

Sadly, we continue to need to remind members to be aware of the danger of pension scams. Research by the Financial Conduct Authority (FCA) and the Pensions Regulator found that half of pension savers do not believe that they are at risk of being targeted by a pension scammer. Pension scams can happen to anyone and the number of people being scammed out of their retirement savings is growing.

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

Scam tactics include:

- contact out of the blue (e.g. via a phone call or social media)
- promises of better, high or guaranteed returns on your pension savings
- free pension reviews
- access to your pension before age 55
- pressure to act quickly or high-pressure sales tactics

- unusual investments, which tend to be unregulated or high risk
- complicated structures, so it's 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.

Members should also be aware that scammers are operating as so-called claims management companies and attempting to use 'subject access requests' to obtain personal information and details about a saver's pension arrangements. Please be particularly vigilant if you are approached in this context.

Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. They design attractive offers to persuade you to transfer your pension to them or release funds from it. It is then invested in unusual and high-risk investments, like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

To help you identify a scam and protect your retirement savings, the FCA has launched an online tool so you can check the legitimacy of what you're being offered. 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)

We also advise that you take a look at the FCA leaflet, which you can view at [fca.org.uk/publication/fca/pensions-scams-leaflet-screen.pdf](https://www.fca.org.uk/publication/fca/pensions-scams-leaflet-screen.pdf)

We've made the pledge!

The Scheme has recently signed up to the Pension Regulator's Scams Pledge. The Scams Pledge is a voluntary commitment made by the Scheme which recognises the extra steps we will take to help protect members from scammers. By signing up, the Trustee has pledged to raise awareness, educate and protect pension savers. Please see the enclosed leaflet 'We pledge to combat pension scams' for more information.

Other useful websites include:

MoneyHelper
[moneyhelper.org.uk](https://www.moneyhelper.org.uk)

The FCA
[fca.org.uk](https://www.fca.org.uk)

The Pensions Regulator
[thepensionsregulator.gov.uk](https://www.thepensionsregulator.gov.uk)

Remember: don't sign up for anything that you don't understand. If you have any doubts, you should contact MoneyHelper on 0800 011 3797 to discuss your concerns.



New Scheme website launched

We're delighted to announce that we now have a dedicated website for Somerfield Pension Scheme members, available at: somerfieldpensionscheme.co.uk

Information about the Scheme has historically been available via the Co-op's pension website, but the Trustee believes that a stand-alone website will make it easier for members to find out about their Somerfield pension.

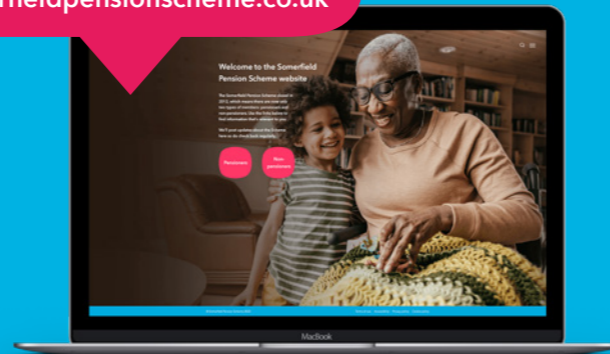
You can access it anywhere, any time, for:

- the latest Scheme news
- information about who runs the Scheme
- answers to frequently asked questions about pensions and the Scheme
- access to your pension paperwork via MyHR.

If you're a non-pensioner member of the Scheme, you also have the option to register with Member Online which will allow you to update your details, when necessary, and view your nomination information.

In the Documents section of the site, you will find important legislative information, such as the Privacy Policy, Report and Accounts, Statement of Investment Principles and the Implementation Statement. From here you can also download Evergreen, our newsletter for retired members, and view instructions and videos that guide you through how to make changes on MyHR.

You can visit the website at somerfieldpensionscheme.co.uk



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

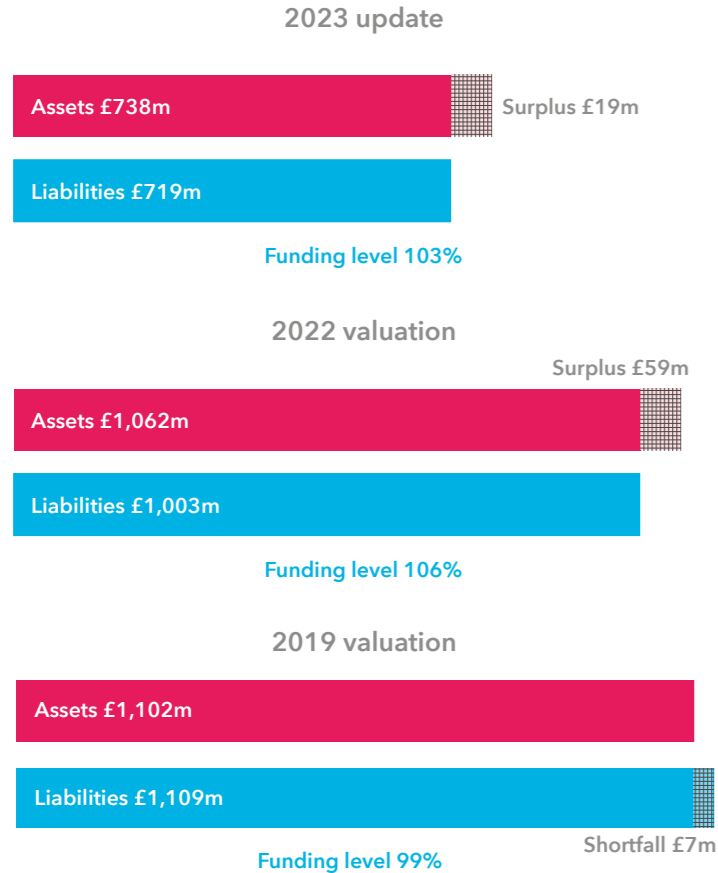
The estimated cost of providing the benefits that you and other members have built up in the Scheme to date is known as the 'liabilities'. This includes the benefits of members who have left employment but whose pension is still in the Scheme, or who have retired and are receiving a pension from the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



Over the three-year valuation period (2019-2022), the Scheme's funding level improved to 106%. Even though the value of the assets is lower than it was in 2019, liabilities reduced by more, mainly due to higher gilt yields.

Since the 2022 valuation, the actuary has undertaken a further funding update as at 31 March 2023. The funding level decreased slightly to 103% but is still in surplus by £19m.



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.