

United Norwest Co-operatives Employees'
Pension Fund

pensionsfocus

Autumn 2016



Welcome

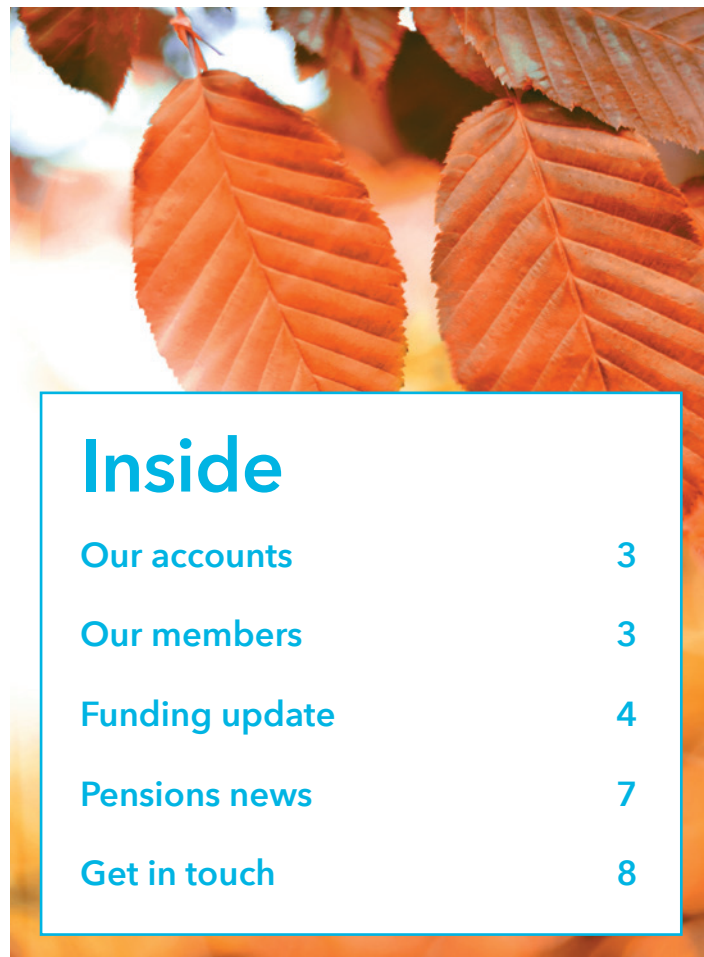
Welcome to your second **pensionsfocus** of 2016.

We sent you an issue earlier this year that looked at the Fund's finances on 31 January 2015, but now that the 2016 accounts have been finalised, we can share these details with you too.

This report includes the 2016 summary funding statement, which gives the actuary's latest update on our funding level – an improvement on 2015 (see page 5). There's also an update on page 7 about changes to the State Pension Age.

If you want to see any of the Trustee's documents on which this issue of **pensionsfocus** is based, just go online to: **coop.co.uk/pensions** and click on 'Other pension schemes'.

Terry Auckland has been re-appointed and Sarah Horne has been appointed as Trustee directors, with effect from 11 July 2016 and 20 July 2016 respectively.



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Our accounts

Here are some of the headline figures, taken from the Fund's full Report & Accounts. The Fund's independent auditor has confirmed that the Report & Accounts show a true picture of the Fund's financial activities over the year to 31 January 2016.

Value of the Fund as at 1 February 2015	£509.3m
Plus income	£25.5m
including contributions from the Co-op of £17.7m and investment income of £7.8m.	
Less expenditure	(£21.9m)
including pensions, individual transfers and other benefits of £19.6m.	
Change in market value	(£4.4m)
a decrease in the value of the assets during the year.	
Value of the Fund as at 31 January 2016	£508.5m

Our members

9,663

(139 fewer than a year ago)



Controls

The Trustee looked at the controls in place to manage risks and make sure members receive a high quality service. The auditor also checks the controls as part of the annual audit.

Funding update

Every three years, the actuary, an adviser to the Trustee, looks at the finances of the Fund. This is called a valuation.

The valuation calculations, and discussions with the Co-op on how to deal with any shortfall, can take around 15 months to complete. The actuary also carries out less detailed but more regular 'annual check-ups' on the Fund.

The estimated cost of providing the benefits built up in the Fund to date is known as the 'liabilities'. The liabilities are based on assumptions about the future – for example, the growth of investments, inflation and how long members will live. These assumptions are agreed by the Trustee and the Co-op. The money paid into the Fund by 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 funds for each individual (with the exception of members' Additional Voluntary Contributions). The amount of money invested is known as the 'assets'.

The actuary compares the value of the liabilities to the assets. If the Fund has fewer assets than liabilities, it is said

to have a 'shortfall'. If the assets are more than the liabilities, it is said to have a 'surplus'.

Both the valuation and the annual check-ups look at the position of the Fund on a particular day – in our case, 31 January. Pensions are not all paid out on one day but over a very long period of time. Having a shortfall now does not mean that the Fund won't be able to pay members' benefits in the future.

The Trustee and the Co-op are working together to remove the shortfall and to reduce the risk of the shortfall increasing significantly, for example by changing the investment strategy so that the shortfall is less likely to change suddenly and unexpectedly.

This report includes the details of the last valuation in 2014 and the annual check-ups in 2015 and 2016. The next valuation of the Fund will take place as at 31 January 2017. We will send you another **pensions**focus in 2018, once we have completed this valuation.

What did the 2014 valuation and the 2015 and 2016 annual check-ups show?

	2016 (check-up)	2015 (check-up)	2014 (valuation)
Funding level	71%	69%	79%
Assets	£506m	£507m	£454m
Liabilities	£712m	£731m	£574m
Shortfall	£206m	£224m	£120m

What changed between 2015 and 2016?

Between January 2015 and January 2016, the value of the Fund's liabilities decreased, primarily as a result of an increase in long-term interest rates, while the value of the Fund's assets was broadly unchanged. This meant the funding level increased over the year to January 2016 from 69% to 71%, although it remained lower than as at January 2014 when it was 79%.

What is being done about the shortfall?

After each valuation, the Trustee and the Co-op discuss what contributions may be required from the Co-op to remove the shortfall. The Recovery Plan agreed after the 2014

valuation planned to remove the shortfall by 30 September 2026. This involves the Co-op paying additional contributions (known as 'deficit reduction contributions') into the Fund of £16.64m each year until 30 April 2018, and then £15m a year from 1 May 2018 to 30 September 2026.

When setting up this payment schedule, the Trustee and the Co-op took into consideration the worsening of the funding level since the 2014 valuation. It was also agreed that, if the Fund is fully funded after 1 October 2022, then the Co-op will stop paying these contributions. The Fund will pay administration expenses and Pension Protection Fund (PPF) levies. (See overleaf for more information on the PPF.)

Funding update continued

Payments to the Co-op

The Trustee must also tell you whether there have been any surplus payments to the Co-op out of the Fund in the last 12 months. The Fund does not currently have a surplus (see previous page) and no surplus payments have been made in recent years.

Shortfall on winding up

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

If the Fund had wound up as at 31 January 2014, the actuary estimated that the Trustee would have had to pay an insurance company £830m to provide all the benefits in full. This would have left the Scheme with a shortfall of around £376m, or a funding level of 55%.

The Trustee aims to have enough money to pay pensions and other benefits to members as they fall due, rather than having to pay an insurance company to provide the benefits, which can be very expensive.

Pension Protection Fund

The Pension Protection Fund (PPF) was set up in 2005 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:

www.pensionprotectionfund.org.uk

The Pensions Regulator

The Pensions Regulator regulates work-based pension schemes in the UK. Its aims include protecting members' benefits and promoting good scheme administration. You can find more details at:

www.thepensionsregulator.gov.uk

The Trustee needs to tell you if the Regulator has used its powers in relation to the Fund 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 Co-op's contribution rate. The Regulator has not used its powers in this way.

Pensions news

State Pension Age and your Fund benefits

The Government has announced changes to the State Pension Age which will be increasing gradually to age 68 by 2046. To find out your current State Pension Age, you can use the Government's calculator at: **www.gov.uk/state-pension-age**. It's important to be aware that this could change again in future.

The Fund's Rules determine the benefits payable to members. The Rules are not affected by the changes to State Pension Age and the Fund's Normal Retirement Age is not changing. You will continue to be able to retire and receive your benefits from the Fund at the same age as you could previously.

For some members who retire early, the Fund also pays a temporary pension, which is generally paid until age 65. This part of the pension was originally intended to provide a higher Fund pension until State benefits were expected to commence. However, as a result of changes to the State Pension Age, some members may now find that any temporary pension payable from the Fund stops before State benefits start.

It's important to be aware of any temporary pension within your benefits and to take it into consideration when planning for retirement. Details of the temporary pension that applies to you, and the age to which it will be paid, will be included on your retirement statement.

Please note: The Fund's Rules are complex and the benefits that apply to you depend on many factors, including your membership category and service dates. If you have any questions about your benefits, please contact the Fund's administrator, Mercer (contact details overleaf). If there is any discrepancy between the 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 Mercer.

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 with HR.

Pensioner members

For questions about the payment of your pension:

In writing:

Pensions Payroll Team

HR People Services

Co-op, 7th Floor

1 Angel Square

Manchester M60 0AG

By phone: **0330 606 9449**

Deferred and closure members

If you have any questions in relation to your pension, or would like any more information, please contact the Fund's administrator, Mercer:

In writing:

Mercer Limited, Belvedere

12 Booth Street, Manchester M2 4AW

By phone: **0370 010 1461**

By email:

Co-opGroupPensions@mercero.co.uk

Please quote the name of the Fund and your National Insurance number when making contact.

General queries

If you have any concerns that cannot be dealt with by Mercer, or if you wish to give us your comments or suggestions on this report, please contact the Pensions Department:

In writing:

Pensions Department, Dept 10406

Co-op, 1 Angel Square

Manchester M60 0AG

By phone:

Pensioner members: **0330 606 9449**

All other members: **0843 751 1700**

By email:

utdpensions@coop.co.uk

Help for visually impaired members

A large print version of this report is available on the Co-op's pensions website, **coop.co.uk/pensions**

