

Plymouth & South West Co-operative Society Limited
Employees' Superannuation Fund

pensionsfocus

Summer 2016



Welcome

Welcome to pensionsfocus - the members' report for the Plymouth & South West Co-operative Society Limited Employees' Superannuation Fund ('Fund').

This report provides a summary of the Fund accounts over the year to 31 March 2015. It also includes an update on how the Fund's assets are invested (page 6) and the latest funding update from the actuary (pages 8-11).

The 2015 funding update showed that the Fund had a funding level of 53%.

Although members no longer pay contributions into the Fund, the Co-op continues to pay contributions to help deal with the funding shortfall.

The next report will be sent to you when the next funding update is available towards the end of 2017. In the meantime, the Fund accounts over the year to 31 March 2016 will be available on the Co-op's pensions website, www.pensions.coop, from November 2016.

Changes to the Trustee

You may remember from the last issue of **pensionsfocus**, the structure of the Trustee company that manages the

Fund has changed. On 1 June 2015, TCG Southern Trustees Limited was appointed as the Trustee for the Plymouth Fund and the Somerfield Pension Scheme.

Since early 2016, the Trustee Board comprises:

- **Independent Trustee Director appointed by the Co-op**
Peter Stanyer (Chair of the Trustee Board)
- **Appointed by the Co-op**
Peter Batt - Divisional Managing Director, Food, Co-op
Fabienne Lesbros - Chief Procurement Officer, Co-op
Julian Sykes - Director of Talent, Leadership and Performance, Co-op
Adam Williams - Head of Financial Shared Services Centre, Co-op
- **Appointed from members of the Fund and the Somerfield Scheme**
John England - pensioner member, Somerfield Scheme
Graham Jones - closure member, Somerfield Scheme
John Riley - pensioner member, Plymouth Fund

With best regards from The Trustee

Help for visually impaired members

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

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Please note: your benefits are determined by and subject to the Fund 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 Mercer (see page 12).

Please note that the Co-op reserves the right to amend the future benefits provided under the Fund from time to time and will notify members of any proposed changes.

Our accounts

Between 2014 and 2015, the Fund increased in value by almost £12 million. As at 31 March 2015, it was worth £90.6 million.

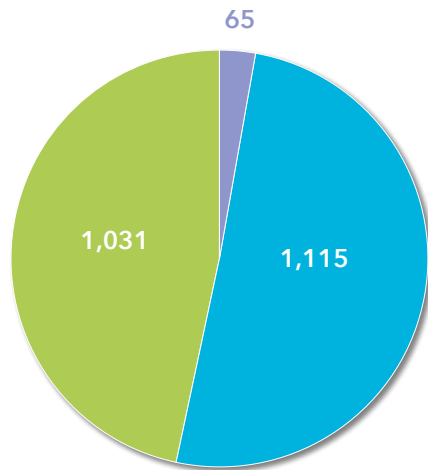
The Trustee produces formal accounts, which are audited by Deloitte, an independent company. Deloitte has confirmed that the 2014/15 accounts give an accurate picture of the money paid into and out of the Fund during the financial year to 31 March 2015. You can see a full copy of the accounts at www.pensions.coop

Value of the Fund as at 1 April 2014	£78.6m
Plus income	£10.6m
including contributions from the Co-op of £5m and investment income of £5.6m	
Less expenditure	(£4.9m)
including pensions and other benefits of £4.7m	
Change in market value	£6.3m
an increase in the value of the assets during the year	
Value of the Fund as at 31 March 2015	£90.6m



Who's in the Fund?

As at 31 March 2015, the Fund had 2,211 members.



Closure members 65

These members were still working for the Co-op at 31 March 2015 but are no longer paying contributions into the Fund.

Deferred members 1,115

These members haven't yet started to receive their pension but have a pension in the Fund.

Pensioner members 1,031

These members are receiving a pension from the Fund.

Total 2,211

Controls

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

Our investments

The Trustee monitors how the money in the Fund is invested on a regular basis. The way the money is invested means that the Fund can pay out all the pensions that have been promised to members.

Investment performance

Over the year to 31 March 2015, the overall value of assets in the Fund increased to £90.6m. This included investment growth of 15.5%, which was higher than the target set by the Trustee of 11.6%.

Over the three-year period to 31 March 2015, the Fund's investments grew by 7.0% a year, which was ahead of the target of 5.3% a year.

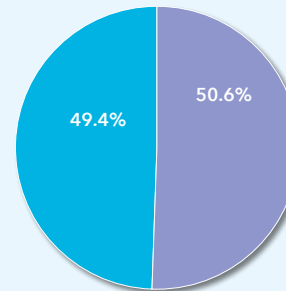
Investment strategy

The long-term aim of the Fund's investment strategy is to ensure the Fund's assets keep up with changes in the value of the pensions it has to pay in the years ahead.

The Trustee revised the investment strategy since the last **pensions** focus was issued. The changes made are to help reduce the likelihood of large changes in the funding level by increasing the amount of risk reducing investments by 15%. The Trustee continues to monitor the investment

performance on a regular basis and will carry out a detailed review of the strategy once the 2016 valuation results are known.

Investment split - March 2015



Growth investments 50.6%

Growth investments consist of shares, property and diversified growth.

Risk reducing investments 49.4%

Includes government bonds, company bonds and investments which are designed to protect the Fund's funding level from changes in interest rates and inflation.

You can download a copy of the **Statement of Investment Principles (SIP)**, which describes the investment strategy, from the Co-op's pensions website: www.pensions.coop

Changes to State pensions

Your Fund pension is paid on top of any State pension you may receive. From 6 April 2016, anyone reaching State pension age will receive the new State pension. The new State pension replaces the basic State pension and additional State pension (S2P/SERPS).

6 April 2016

If you reached State pension age before this date, the maximum weekly basic State pension amount is
£119.30

After this date, the maximum weekly amount of State pension is

£155.65



(reduced for the period you were in the Fund or another scheme which was contracted out of the additional State pension)

To get the full State pension, you need to have paid National Insurance for 35 years.

That's an increase of 5 years.

To get any State pension, you need at least 10 years of National Insurance payments.

The new State pension is an individual benefit, so spouses will not be able to inherit State pension from their partner's National Insurance record.

Important changes to GMP for members reaching State pension age after 5 April 2016

If you were a member of the Fund between 6 April 1978 and 5 April 1997, part of your pension from the Fund may represent your Guaranteed Minimum Pension or 'GMP'. Once this GMP comes into payment, the increases applied to that part of your pension are different to the increases applied to the other parts of your pension. The Fund pays increases in line with Consumer Prices Inflation up to 3% on any GMP earned after 6 April 1988 (and this is not changing). Under the old State pension system, the Government paid increases on GMP earned before 6 April 1988 and topped up increases on GMP earned after 6 April 1988. The new State pension will no longer provide increases on your GMP. However, the loss of these increases may be balanced out by the new State pension. Members who reached State pension age before 6 April 2016 are not affected by this change.

More information about the new State pension can be found here: www.gov.uk/new-state-pension

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 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 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 March. Pensions are not all paid out on one day but over a very long period of time. A shortfall does not mean that the Fund won't be able to pay members' benefits.

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. In the meantime, members' benefits are paid in full.

The next valuation of the Fund at 31 March 2016 is under way and the results will be sent to you towards the end of 2017. In the meantime, this report includes the details of the last valuation in 2013 and the annual check-ups in 2014 and 2015.

What did the 2013 valuation and 2014 and 2015 annual check-ups show?



*Excluding Additional Voluntary Contributions.

Funding update continued

What changed during 2014-2015?

Between March 2014 and 2015, the assets increased by £12m because of investment growth and the deficit contributions paid by the Co-op. However, liabilities increased by £29m, mainly as a result of falling long-term interest rates, which increased the value placed on the liabilities. The funding level in 2015 was 53%, so lower than the funding level of 55% at the 2014 update – but please remember that the annual check-ups are estimates only.

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 2013 valuation planned to remove the shortfall by October 2027. At 31 March 2015, the Fund's funding level was slightly worse than the Recovery Plan expected. The position will be reviewed and a new Recovery Plan agreed as part of the 2016 valuation.

What is the Trustee doing to manage the Fund's funding level?

The Fund's investment strategy is intended to help reduce the likelihood of large changes in the funding level. This includes investing in assets that grow in a similar way to the liabilities. The Trustee monitors the funding level and investment strategy regularly. It will be reviewed as part of the 2016 valuation.

The Trustee relies on the Co-op for extra support if the Fund needs additional contributions. The Trustee monitors the Co-op's finances regularly to make sure they understand what support it can provide to the Fund.

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 page 9) 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 required to give you this information.

If the Fund had wound up as at 31 March 2013, the actuary estimated that the Trustee would have had to pay an insurance company £180.9m to provide all the benefits in full. This would have left the Fund with a shortfall of around £104.0m, and a funding level of 43%. 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 relation to the Fund.

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-operative Group Limited
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:

0870 010 1461

By email:

Co-opGroupPensions@mercer.com

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-operative Group Limited
1 Angel Square
Manchester M60 0AG

By phone:

Pensioner members: **0843 751 1701**

All other members: **0843 751 1700**

By email:

utdpensions@co-operative.coop



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