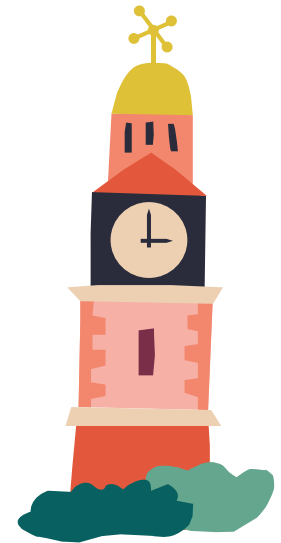


# pensionsfocus

Autumn 2017



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

# Welcome

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

This report summarises the key information in the Trustee's Report & Accounts for the year to 31 March 2017. We didn't send out a **pensionsfocus** last year as we were in the middle of carrying out the 2016 valuation, but you were able to download the 2016 Report & Accounts from the Co-op pensions website.

The 2016 valuation has now been finalised and we're delighted to share the results with you. The valuation looked at the Fund's financial position as at 31 March 2016. This showed that over the three years since the last valuation, the funding level has improved from 51% to 59%, so we're on track to remove the shortfall by 2024. You can get all the details on pages 8 to 11.

In the last **pensionsfocus** we told you about changes to the structure of the Trustee. In April 2015, its name changed to TCG Southern Trustees Limited, and it became the Trustee for the Somerfield Pension Scheme and the Plymouth Fund. During the year covered by this report, the Independent Trustee Director, Peter Stanyer, stepped down and Chris Martin of Independent Trustee Services

Limited was appointed as his replacement. Sadie Ashbee, a Co-op nominated Trustee Director, replaced Julian Sykes who resigned in February. John Riley, a member nominated Trustee Director, came to the end of his term of office in June 2017. James Carter was appointed on 1 July 2017 following a successful member nominated Trustee Director election.

We hope you find this update useful. If you'd like to read the full Report & Accounts on which this newsletter is based, you can download a copy from the Co-op's new-look pensions website: [coop.co.uk/pensions](http://coop.co.uk/pensions)

You'll be able to download Fund documents from the 'Other schemes' section of the website, just like you can now, and also find copies of *Evergreen* (if you're a retired member of the Fund).

**With best regards from  
the Trustee**



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## Looking after your data

In May next year, the law on data protection will be changing. Under the new law, much will remain the same, but we'll be taking extra steps to protect member data. We'll also help you to understand more about what we do with it and what your rights are when requesting it. We will write to you with more information about these changes and what they mean for you in due course.

## 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](https://coop.co.uk/pensions)



# Our accounts

Between 2016 and 2017, the Fund increased in value by around £17.4 million. As at 31 March 2017, the Fund's investments were worth over £100 million.

The Trustee produces formal accounts, which are audited by Deloitte, an independent company. Deloitte has confirmed that the 2016/17 accounts give an accurate picture of the money paid into and out of the Fund during the financial year to 31 March 2017. You can see a full copy of the accounts at [coop.co.uk/pensions](http://coop.co.uk/pensions)

## Controls

The Trustee looks 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.

<b>Value of the Fund as at 1 April 2016</b>	<b>£91.8m</b>
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<b>Plus income</b>	<b>£5.5m</b>
including contributions from the Co-op of £5m and investment income of £0.5m	

<b>Less expenditure</b>	<b>(£4.7m)</b>
including pensions, cash lump sums and transfers out of the Fund	

<b>Change in market value</b>	<b>£16.6m</b>
an increase in the value of the assets during the year (after fees)	

<b>Value of the Fund as at 31 March 2017</b>	<b>£109.2m</b>
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# Who's in the Fund?

As at 31 March 2017, the Fund had 2,116 members.



## Closure members

56

These members were still working for the Co-op at 31 March 2017 but are no longer paying contributions into the Fund.

## Deferred members

1,030

These members have a pension in the Fund but have not started to receive it yet.

## Pensioner members

1,030

These members are receiving a pension from the Fund.

## Total

2,116

# Our investments

The Trustee aims to invest the Fund's assets in the best interests of the members. Its investment consultant, Mercer, helps it draw up an investment strategy to meet its key objectives.

## Investment performance

Over the year to 31 March 2017, the value of the Fund's assets increased from £90.9m to £108m - a return of 18.8%. This was better than the benchmark set by the Trustee of 16.7%.

Over the three-year period to 31 March 2017, the Fund's investments grew by 11.5% a year - again outperforming the benchmark, which was 10.2%.

## Investment strategy

The Trustee's aim is for the Fund's investments to keep up with the changes in the value of the pensions it has to pay over the years ahead. The Trustee is in the process of updating the Fund's investment strategy, taking into account the results of the 2016 valuation. For example, since March the Fund has sold its property investments, and is in the process of reducing its diversified growth investments and increasing its investment in company shares and corporate bonds. These adjustments will be carried out during 2017 and 2018.

## Investment split - March 2017



- **Growth investments**

Growth investments consist of shares, diversified growth funds and property.

- **Risk reducing investments**

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

# Noticeboard

## Check your State Pension Age

You can claim your State Pension when you reach State Pension Age (SPA). Your SPA will depend on when you were born. It used to be 65 for men and 60 for women, but it's gradually been rising to age 65 for women between 2010 and 2018 and then it will increase for both men and women to:

- 66 (between 2018 and 2020)
- 67 (between 2026 and 2028)
- 68 (between 2044 and 2046 – although the Government said recently it wants to bring this increase forward to 2037).

There's a calculator on the gov.uk website that will tell you what your State Pension Age is likely to be:

[www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)

You can find out how much your State Pension might be worth by calling the Future Pension Centre on 0345 3000 168 or by visiting

[www.gov.uk/check-state-pension](http://www.gov.uk/check-state-pension)

## Changes to Money Purchase Annual Allowance

If you're planning to take your pension but you want to carry on working – and save into a pension – then please be aware that there may be limits on how much you can pay in without attracting a tax charge. For some people, their future tax-efficient pension contributions may be limited to £4,000 a year, so please do look into this before you take flexible retirement.



# Summary Funding Statement: valuation update

## What is a valuation?

Every three years the Fund's actuary, an adviser to the Trustee, carries out an in-depth look at the Fund's finances. This is called a valuation. The valuation calculations, and discussions with the Co-op on how to address the shortfall, are complex and take around 15 months to complete. The actuary also carries out less detailed but more regular 'annual check-ups' on the Fund's financial position.

## Funding level

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

## Assets

The money that has been 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 Fund's 'assets'.

## Liabilities

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

## Shortfall

To check the Fund's financial security, the actuary compares the value of its liabilities to its assets. If the Fund 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 over one day but over a very long period of time, so a shortfall doesn't mean that the Fund won't be able to pay members' benefits. However, 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 Fund's shortfall is less likely to change suddenly and unexpectedly.



## What did the 2016 valuation and 2017 annual check-up show?



# Summary Funding Statement continued

## How has the funding level changed?

Between the 2013 and 2016 valuations, liabilities increased by £5m, mainly as a result of falling long-term interest rates, which increased the value placed on the liabilities. However, assets increased by £15m because of additional employer contributions and investment growth. This meant that there was an improvement in the funding level, from 51% to 59%.

The actuary also carries out more regular checks on the funding position at least once a year. The annual update at 31 March 2017 showed that the funding level had improved to 62%. This was largely due to positive returns on the growth assets.

## 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 was planned to remove the shortfall by 31 October 2027, through contributions of £5m a year to the end of 2017 with £7m a year thereafter. Following the 2016 valuation, the Trustee and the Co-op have agreed to remove the

shortfall by 31 December 2024, through contributions of £5m per year until the end of 2017, £7m per year from 2018 to June 2019, followed by £8m per year from July 2019 to December 2024.

## What steps has the Trustee taken to manage the Fund's future funding level?

Over the year, the Trustee reviewed the Fund's investment strategy and has implemented changes 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 (also referred to as 'liability driven investment'), and reducing the Fund's investments in growth assets. This work is continuing, and the Trustee expects to reduce risk further through 2017 and 2018.

The Trustee monitors the funding level and investment strategy regularly to ensure risks are appropriately managed.

The Trustee relies on the Co-op for extra support if the Fund needs additional contributions. The Trustee, therefore, monitors the financial health of the Co-op regularly to make sure the Trustee understands what support could be provided if the Fund needed it.

## 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 Fund in the last 12 months. The Fund does not currently have a surplus (see page 10) and no surplus payments have been made in recent years.

## What would happen if the Fund was wound up?

As part of the valuation, the actuary must also look 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 by law to give you this information.

If the Fund had wound up as at 31 March 2016, the actuary estimated that the Trustee would have had to pay an insurance company £216m to provide all the benefits in full. This would have left the Fund with a shortfall of around £124m, 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 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 [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## The Pensions Regulator

The Pensions Regulator is responsible for regulating 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](http://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 employer contribution rate. The Regulator hasn't 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:** 0370 010 1461

**By email:** [Co-opGroupPensions@mercer.com](mailto: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, Department 10406,  
1 Angel Square, Manchester M60 0AG

**By phone:** Pensioner members: 0330 606 9449  
All other members: 0330 606 1000

**By email:** [utdpensions@coop.co.uk](mailto:utdpensions@coop.co.uk)

**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 the Pensions Department.