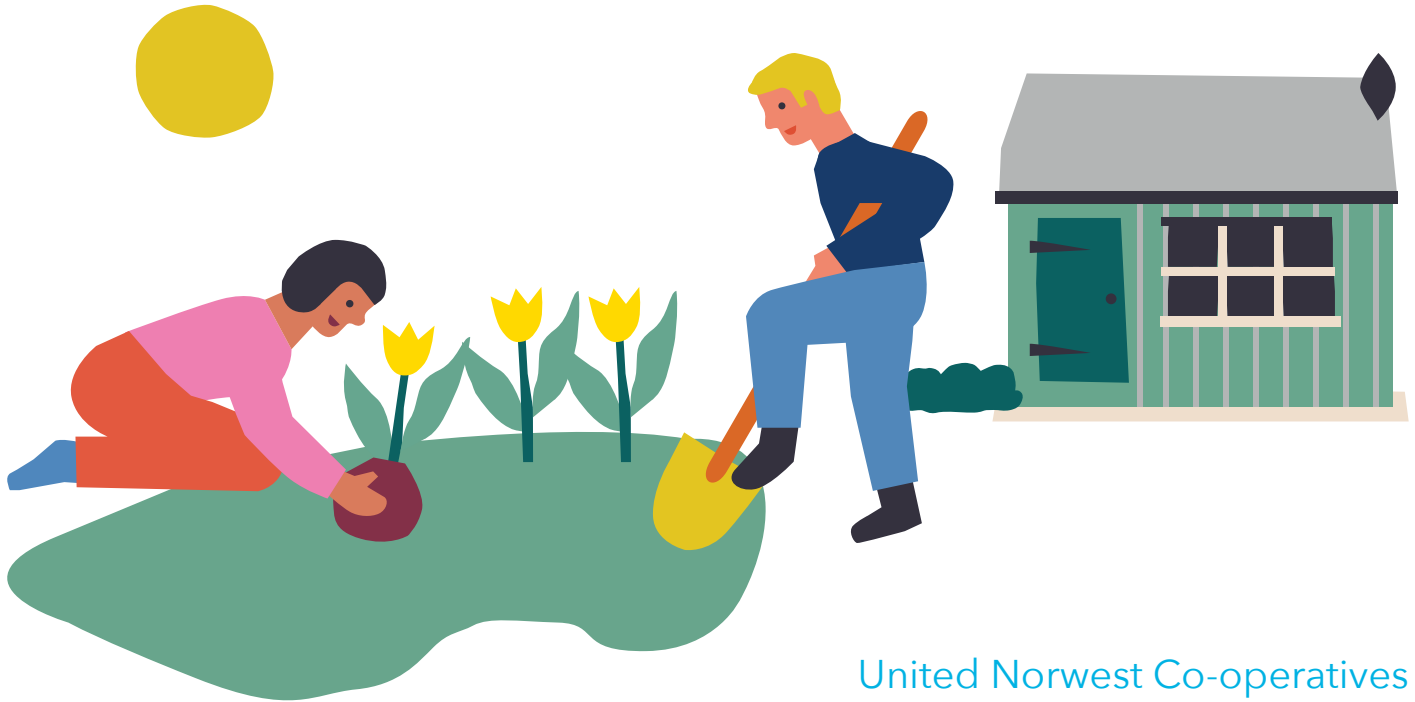


# pensionsfocus

Summer 2018



United Norwest Co-operatives  
Employees' Pension Fund

# Welcome

## Welcome to **pensionsfocus** - the members' report for the United Norwest Co-operatives Employees' Pension Fund ('Fund').

This report summarises the key information in the Trustee's Report & Accounts for the year to 31 January 2018. We didn't send out a **pensionsfocus** last year as we decided to wait until the results of the 2017 valuation were known, so that we could share them with you in this newsletter. The Report & Accounts for the year to 31 January 2018 will be available to read in the 'Other Schemes' section of the Co-op's pensions website: [coop.co.uk/pensions](http://coop.co.uk/pensions) from September 2018.

The 2017 valuation, which has now been finalised, showed that the funding level as at 31 January 2017 was 71%, which is lower than the 79% recorded in 2014. The annual checkup as at 31 January 2018 showed that the funding level had improved from the 2017 valuation position to 76%. The summary funding statement on pages 8 to 11 gives more details and also explains how the Co-op is planning to reduce this funding shortfall.

In the last **pensionsfocus** we told you about changes to the structure of the Trustee. The Trustee company, TCG

Northern Trustees Limited, is responsible for the United Fund and also the Yorkshire Fund. During the year covered by this report, Matthew Speight, a Co-op nominated Trustee Director, resigned. This means that there is a vacancy on the Trustee Board.

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 'Other Schemes' section of the Co-op's 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 (for retired members of the Fund).

**With best regards  
from the Trustee.**



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## Looking after your data

In May 2018, the law on data protection changed, with the introduction of the General Data Protection Regulation (GDPR).

The General Data Protection Regulation (GDPR) will give people more control over how companies and organisations use their personal information. This means you have a right to know:

- what kind of information is being collected
- how it may be used
- when it may need to be shared.

Because of the change, the Trustee has updated its Data Privacy Notice to set out how we will handle your data in the future. We share personal information with third parties such as the Co-operative Group and, where applicable, Mercer (who provide administration services to us) and to other suppliers of services, but we take steps to protect your data when we do so. Our updated Privacy Notice is available to view under 'United' in the 'Other Schemes' section of the Co-op's pensions website, visit [coop.co.uk/pensions](http://coop.co.uk/pensions)

## Help for visually impaired members

A large print version of this report is available in the 'Other Schemes' section of the Co-op's pensions website: [coop.co.uk/pensions](http://coop.co.uk/pensions)

# Our accounts

**Between 2017 and 2018, the Fund increased in value by around £24.6 million. As at 31 January 2018, the Fund's investments were worth £614.2 million.**

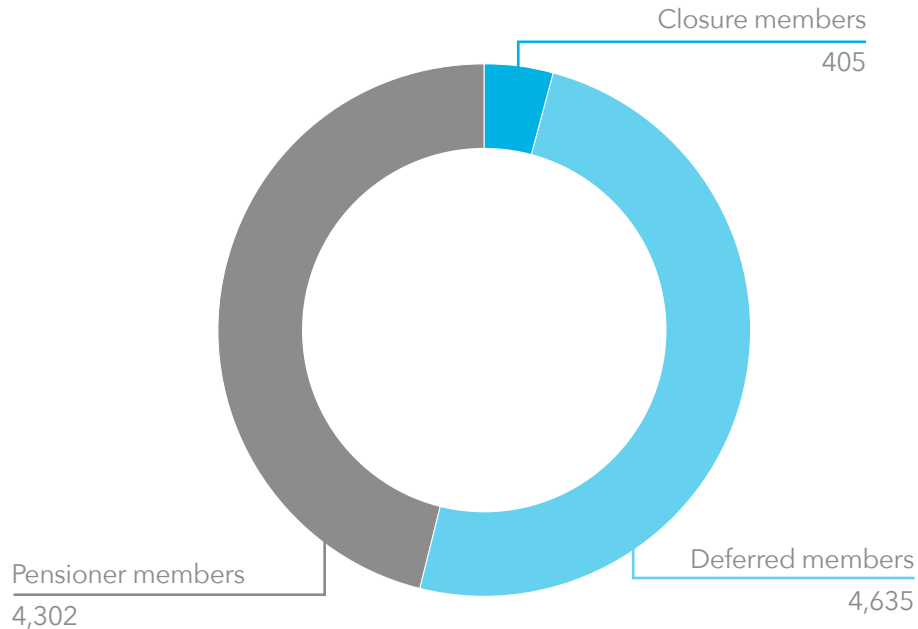
The Trustee produces formal accounts, which are audited by Deloitte, an independent company. Deloitte has confirmed that the 2017/18 accounts give an accurate picture of the money paid into and out of the Fund during the financial year to 31 January 2018. You will be able to see a full copy of the accounts in the 'Other Schemes' section of the Co-op's pensions website: [coop.co.uk/pensions](http://coop.co.uk/pensions) from September 2018.

<b>Value of the Fund as at 1 February 2017</b>	<b>£589.6m</b>
<b>Plus income</b> including contributions from the Co-op of £16.6m and investment income of £5.8m	<b>£22.4m</b>
<b>Less expenditure</b> including pensions, cash lump sums and transfers out of the Fund	<b>£24.4m</b>
<b>Change in market value</b> an increase in the value of the assets during the year (after fees)	<b>£26.6m</b>
<b>Value of the Fund as at 31 January 2018</b>	<b>£614.2m</b>



# Who's in the Fund?

As at 31 January 2018, the Fund had 9,342 members.



<b>Closure members</b>	<b>405</b>
These members were still working for the Co-op at 31 January 2018 but are no longer paying contributions into the Fund.	
<b>Deferred members</b>	<b>4,635</b>
These members have a pension in the Fund but have not started to receive it yet.	
<b>Pensioner members</b>	<b>4,302</b>
These members are receiving a pension from the Fund.	
<b>Total</b>	<b>9,342</b>

# 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 January 2018, the value of the Fund's assets increased from £589.6m to £614.2m.

Investment performance is measured over the year to 31 December. During 2017 as a whole, the assets grew by 6.7%. This was better than the benchmark set by the Trustee of 4.4%.

Over the three-year period to 31 December 2017, the Fund's investments grew by 8.8% a year - again outperforming the benchmark, which was 7.5%.

## **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. In early 2018, having agreed a

new funding plan with the Co-op, the Trustee agreed to reduce the level of investment risk the Fund was taking, to try to limit the volatility of the funding level. It did this by selling its diversified growth investments and increasing its investment in company shares and corporate bonds, following the sale of the Fund's legacy European property investments in March 2017.

## **Current target investment split - May 2018**

### **Growth investments 14%**

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

### **Less liquid corporate bonds 10%**

Includes less actively traded bonds and debt, with higher expected returns.

### **Risk reducing investments 76%**

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 has announced plans to bring this increase forward to 2039).

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](https://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 0800 731 0175 or by visiting [www.gov.uk/check-state-pension](https://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 January. 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 2017 valuation and 2018 annual check-up show?

	2018 (check-up)	2017 (valuation)	2014 (valuation)
Assets (£m)	£612m	£587m	£454m
Liabilities (£m)	£806m	£823m	£574m
Shortfall (£m)	£194m	£236m	£120m
Funding level (%)	76%	71%	79%

### How has the funding level changed?

Between the 2014 and 2017 valuations, assets increased by £133m because of additional employer contributions and investment growth. However, liabilities increased by £249m, mainly as a result of falling long-term interest rates, which increased the value placed on the liabilities. This meant that there was a fall in the funding level, from 79% to 71%.

The actuary also carries out more regular checks on the funding position at least once a year. The annual update at 31 January 2018 showed that the funding level had improved to 76%. This was primarily due to investment returns being higher than expected, which increased the value of the Fund's assets, and actual inflation being lower than expected, which reduced the value of the Fund's liabilities.

# Summary Funding Statement:

## continued

### 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 2015 valuation was planned to remove the shortfall by 2026, through contributions of £16.64m a year until 30 April 2018 and then £15m a year thereafter. Following the 2017 valuation, the Trustee and the Co-op have agreed to remove the shortfall by 31 May 2028, through significantly increased contributions of £33.7m per year until the end of June 2020, followed by £15.9m per year from July 2020 to May 2028.

### 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 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 9) 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 January 2017, the actuary estimated that the Trustee would have had to pay an insurance company £1,118m to provide all the benefits in full. This would have left the Fund with a shortfall of around £531m, and a funding level of 53%.

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

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

**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.