

pensionsfocus

Autumn 2018



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 ('the Fund').

This report summarises the key information in the Trustee's Report & Accounts for the year to 31 March 2018.

The 2018 funding update showed that the funding level as at 31 March 2018 had improved slightly to 65%. The summary funding statement on pages 8 to 11 gives more details.

The Fund is looked after by TCG Southern Trustees Limited, which is also the Trustee for the Somerfield Scheme. Vicki Mains and Jack Marland, two Co-op appointed Trustee Directors, replaced Fabienne Lesbros and Peter Batt who left the Board earlier this year. John England was reappointed as the Board's pensioner nominated Trustee Director on 1 October 2018, following a successful 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 pensions website: coop.pacepensions.co.uk/other-schemes

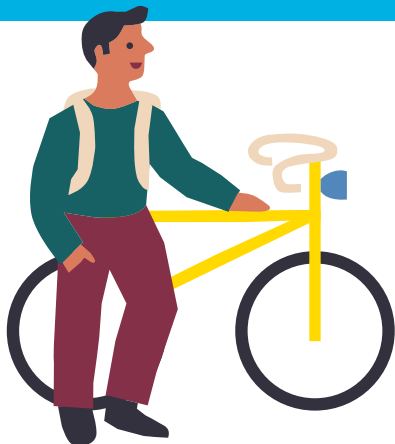
You'll be able to download the Fund's documents and also find copies of Evergreen (for retired members of the Fund).

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) gives 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 with 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 'Plymouth' at coop.pacepensions.co.uk/other-schemes

Help for visually impaired members

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

Our accounts

Between 2017 and 2018, the Fund's assets grew in value by £4.5 million. As at 31 March 2018, the Fund's investments were worth £113.7 million.

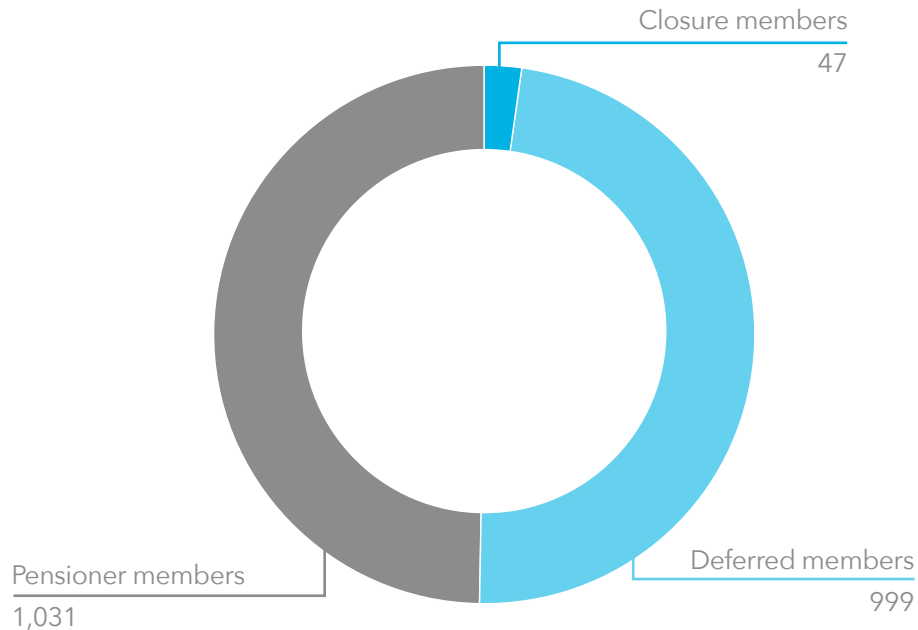
The Trustee produces formal accounts, which are audited by Deloitte, an independent company. Deloitte has confirmed that the 2017/18 accounts give an accurate picture of the money paid into and out of the Fund during the financial year to 31 March 2018. You can see a full copy of the accounts at coop.pacepensions.co.uk/other-schemes under 'Plymouth'.

Value of the Fund as at 1 April 2017	£109.2m
Plus income including contributions from the Co-op of £5.5m and investment income of £0.1m	£5.6m
Less expenditure including pensions, cash lump sums and transfers out of the Fund	£5.1m
Change in market value an increase in the value of the assets during the year (after fees)	£4.0m
Value of the Fund as at 31 March 2018	£113.7m



Who's in the Fund?

As at 31 March 2018, the Fund had 2,077 members.



Closure members	47
These members were still working for the Co-op at 31 March 2018 but are no longer paying contributions into the Fund.	
Deferred members	999
These members have a pension in the Fund but have not started to receive it yet.	
Pensioner members	1,031
These members are receiving a pension from the Fund.	
Total	2,077

Our investments

The Trustee aims to invest the Fund's assets in the best interests of the members. It takes advice from a specialist investment consultant, Mercer, to help it make decisions in what can be a very complex area.

Investment performance

Over the year to 31 March 2018, the value of the Fund's assets increased from £109.2m to £113.7m.

Investment performance is measured over the year to 31 March. During the year to 31 March 2018, the assets grew by 4%. This was better than the benchmark set by the Trustee of 3.4%.

Over the three-year period to 31 March 2018, the Fund's investments grew by 7.7% a year – again outperforming the benchmark, which was 7.4%.

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. At the start of the year covered by this report, the Trustee began implementing the investment strategy, agreed in 2016, moving to a lower-risk strategy. This meant reorganising some of the Fund's investments across different managers and introducing some new investments. The Trustee also made changes to the bonds the Fund holds in March 2018 to further reduce volatility.

Investment split - 31 March 2018

Growth investments 13%

Growth investments consist of shares.

Risk-reducing investments 87%

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

Lifetime Allowance increases

The Lifetime Allowance (LTA) is the maximum amount of pension savings that you can have at retirement from all pension schemes without incurring an additional tax charge.

In April 2016, it was fixed at £1m, increased by inflation. It is now £1.03m and will be increased by £24,800 in April 2019.

Get to know your pension - new website

A new government campaign called 'Get to know your pension' aims to encourage people to find out how much State pension they could get and when. There is a website that gives easy access to online forecasts and calculators, offering tailored information for people at different stages in life. You can use it to:

- check if there could be gaps in your National Insurance record
- trace a lost pension
- learn about the benefits of a workplace pension.

Visit yourpension.gov.uk

A word of warning - have you been cold called?

Scammers are after your pension pot. Since the introduction of pension freedoms in 2015, the number of people being targeted by scammers has increased dramatically. Official figures reveal that fraudsters have successfully conned people out of £43 million in the past three years, with victims losing an average of £15,000.

This autumn, the government is expected to introduce a ban on pensions cold calling, which covers unsolicited calls, emails and text messages about pensions. It will be enforced by the Information Commissioner's Office (ICO).

If someone contacts you unexpectedly, claiming to be able to help you access your pension before the age of 55, it's probably a scam and you should simply hang up.

You can find out more about pension scams, including what to do if you think you are being targeted, at pension-scams.co.uk

Summary Funding Statement

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 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 accounts 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.

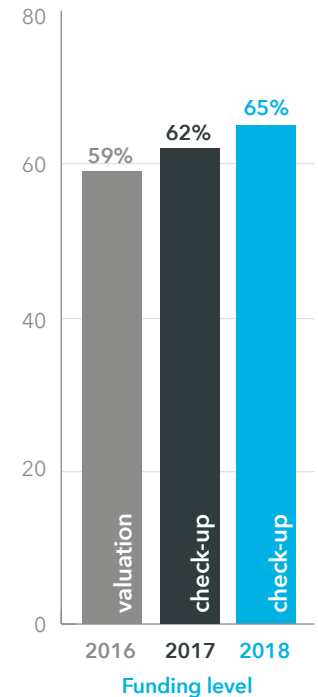
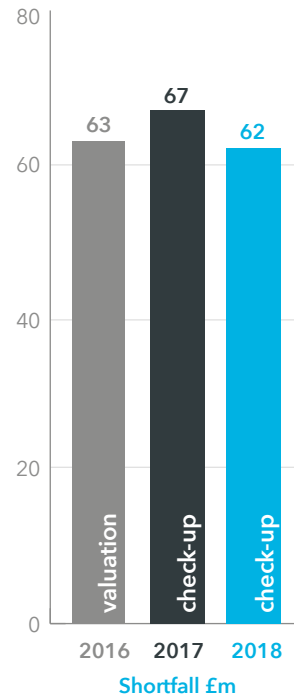
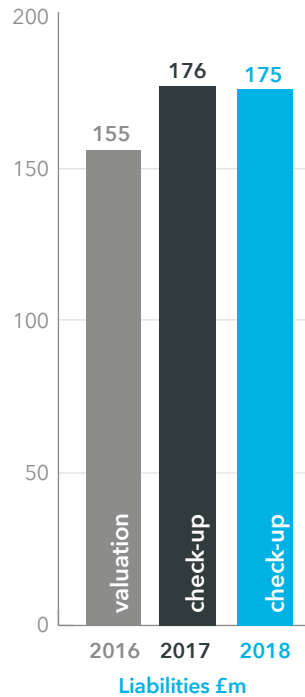
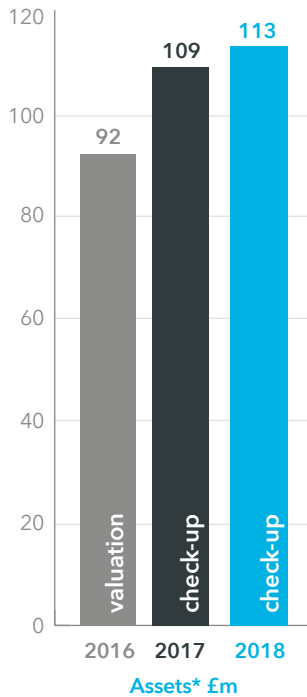
Shortfall

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 on 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 it 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 latest annual check-up show?

* this figure does not include members' AVCs



Summary Funding Statement continued

How has the funding level changed since the last update?

The assets of the Fund increased over the year to 31 March 2018, while the liabilities fell slightly. This meant that there was an improvement in the funding level from 62% to 65%.

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 2016 valuation aims to remove the shortfall by 31 December 2024, through contributions of £5m a year until the end of 2017, £7m a year from 2018 to June 2019, followed by £8m a year from July 2019 to December 2024.

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

After the 2016 valuation, the Trustee revised the Fund's investment strategy 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. At the start of the year under review, the Trustee began implementing the strategy and expects to continue with this until the end of 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 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 pensionprotectionfund.org.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 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.