

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

# pensions focus

Autumn 2020



It's what we do

# Welcome

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

The Fund year covered by this report runs from 1 April 2019 to 31 March 2020 – so the financial impact of the coronavirus pandemic in 2020 was only just starting to be felt as we closed our books.

2020 has been a difficult year for many people as they have struggled with loss of household income and possibly the illness or death of family members. However, while these are challenging times, please be assured that the Fund continues to be run in an orderly manner, with all pensions paid on time throughout this period. The Trustee's priority has been to ensure the normal running of the Fund and to focus on managing the Fund's investments through this crisis, with the help of its professional advisers.

The actuarial valuation as at 31 March 2019 was finalised and signed off on 26 June 2020. The results showed the funding level had improved from 59% to 70% on an ongoing basis (with a smaller shortfall of £52m).

The actuary also carries out less detailed annual check-ups on the funding position. The last one looked at the position at 31 March 2020. By the end of February, global stock markets had recorded their largest one-week declines since the 2008 financial crisis, as a result of the emerging Covid-19 crisis. However, as the Summary Funding Statement on page 9 shows, the Fund was protected from the worst of these falls and our funding level had actually improved by the end of March 2020. Remember that the valuation and annual check-ups only provide a snapshot in time. The Trustee will continue to assess the funding level with the Fund actuary and next year's members' report will provide an update.

There are some changes to the Trustee Board to tell you about. Chris Martin, who represented Independent Trustee Services Limited and acted as our Chair, was replaced by Mark Evans from the same company, as of June 2019. Vicki Mains resigned as a Trustee Director in June 2019 and we are very sad to announce that John England,

our pensioner Trustee, passed away on 9 January 2020. John was a long-serving, loyal Trustee whose contribution to the Fund will be missed. The Trustee Board is considering how best to meet our requirements for member-nominated Trustee Directors.

Remember, you can read the full Report & Accounts, on which this newsletter is based, on the Co-op's pensions website: [coop.pacepensions.co.uk/other-schemes](https://coop.pacepensions.co.uk/other-schemes). If you have any questions about your benefits, please get in touch using the contact details on the back page.

The Trustee Directors send our best wishes to you and your families and hope you stay safe and healthy in these unprecedented times.

**With best regards from the Trustee**

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# Our accounts

**Between 2019 and 2020, the Fund's assets grew in value by £9 million. As at 31 March 2020, the Fund's investments were worth £130 million.**

The Trustee's annual accounts are audited by Deloitte, an independent company, to ensure that the money paid into and out of the Fund is properly managed and accounted for. Deloitte has confirmed that the 2019/20 accounts are an accurate reflection of the Fund's finances for the financial year to 31 March 2020. You can download a full copy of the accounts at [coop.pacepensions.co.uk/other-schemes](http://coop.pacepensions.co.uk/other-schemes) under 'Plymouth'.

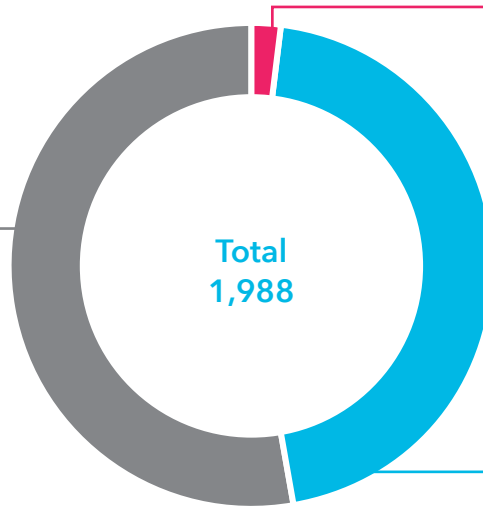
<b>Value of the Fund as at 1 April 2019</b>	<b>£121m</b>
<b>Plus income</b>	<b>£8m</b>
including contributions from the Co-op of £7.7m and investment income of £0.3m	
<b>Less expenditure</b>	<b>(£6m)</b>
including pensions, cash lump sums and transfers out of the Fund	
<b>Change in market value</b>	<b>£7m</b>
An increase in the value of the assets during the year (after fees)	
<b>Value of the Fund as at 31 March 2020</b>	<b>£130m</b>

# Who's in the Fund?

As at 31 March 2020, the Fund had 1,988 members. As a closed scheme, you can expect to see the membership numbers gradually reduce over the years as we have no new members joining.

## Pensioner members 1,045

These members are receiving a pension from the Fund.



## Closure members 39

These members were still working for the Co-op on 31 March 2020 but are no longer paying contributions into the Fund.

## Deferred members 904

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

# Our investments

The changes made to the Fund's investment strategy after the 2016 valuation have helped to protect the assets from the worst of the volatility that has been a feature of investment markets since the Covid-19 outbreak. The changes included investing in assets that grow in a similar way to the liabilities (also referred to as 'liability driven investment'). Now that the 2019 valuation has been completed, the Trustee and the Co-op will review the investment strategy and decide if any further changes are required.

We also take our role as a large investor seriously and aim to invest responsibly where we can. Since the last **pensionsfocus**, we've moved our investments in shares into funds which are 'tilted' to invest in more sustainable companies (for example, those with lower greenhouse gas emissions or more diverse workforces and boards, that have robust policies on bribery, discrimination and freedom of association, and companies with stronger corporate governance processes).

Details on the Fund's investment strategy are set out in a document called the Statement of Investment Principles or 'SIP'. You can read the latest SIP online at **[coop.pacepensions.co.uk/other-schemes](https://coop.pacepensions.co.uk/other-schemes)** under 'Plymouth', where you can also find our responsible investment policy and further details about the change in approach for our shares investment.

## Investment performance

Over the year to 31 March 2020, the value of the Fund's assets increased from £121m to £130m. Investment performance is measured over the year to 31 March. During the year to 31 March 2020, before allowing for payments out, the assets grew by 6.0%. This was slightly lower than the benchmark set by the Trustee of 6.1%.

Over the three-year period to 31 March 2020, the Fund's investments grew by 5.2% a year, compared with the benchmark of 5.1%.

## Investments and Covid-19

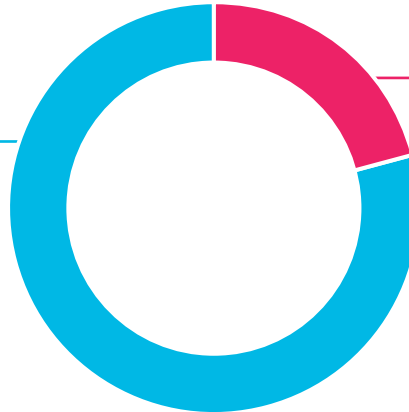
Investment markets fell sharply in March 2020 in response to the coronavirus pandemic and the prospect of a severe global economic shock. However, share prices and corporate bond values around the world staged a remarkable recovery between April and July, supported by government intervention.

There are signs that major economies are starting to recover from the partial economic shutdown that took place in March and April, but the Trustee will continue to review the situation with the help of their specialist investment advisers.

## Investment split - 31 March 2020

### Risk-reducing investments 79%

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



### Growth investments 21%

Growth investments consist of shares and higher-risk bond investments.

# Noticeboard

## Lifetime Allowance changes

The Lifetime Allowance (LTA) is the maximum amount of pension savings you can have at retirement from all UK-registered pension schemes without incurring an additional tax charge. It currently increases annually in line with inflation as measured by the Consumer Prices Index. The LTA is set at £1,073,100 for the 2020/21 tax year.

## Tell us your wishes

We would like to remind you that the Fund provides pension and lump sum benefits payable to your loved ones in the event of your death. The Trustee decides who will receive these death benefits, but they will take into account your wishes. To help the Trustee pay these benefits to the right people, please make sure your expression of wish form is up to date. If you need a form, get in touch using the contact details on the back page.

## Beware of pension scams

A major event like the Covid-19 crisis can lead to new types of scams. We urge you to be vigilant for scams of all kinds that could appear over the coming months.

These could be about insurance policies, pension transfers or high-return investment opportunities, including investments in crypto-assets. For more information about pension scams and how to avoid them, go to [fca.org.uk/scamsmart](https://fca.org.uk/scamsmart) or [thepensionsregulator.gov.uk/en/pension-scams](https://thepensionsregulator.gov.uk/en/pension-scams)

## The UK transition out of the EU

On 23 June 2016, the UK voted to leave the European Union (EU), with the exact process of leaving being unclear at the time of writing. Whilst the country officially left the EU on 31 January 2020, there is a transition period which comes to an end on 31 December 2020. Much about what happens after this is, at the time of writing this report, still unknown, but it is likely that there will be some impact on pension schemes in the short, medium and long term. The Trustee is liaising with its advisers to understand what the potential impact will be for the Fund as events unfold. This, however, does not affect the amount that members or beneficiaries are entitled to receive from the Fund.



# 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.

## 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.

# Summary Funding Statement continued

## How has the funding position changed?

	2016 valuation	2019 valuation	2020 check-up
Assets £m	92	121	130
Liabilities £m	155	173	180
Shortfall £m	63	52	50
Funding level	59%	70%	72%

The key reasons for the improved funding level have been better-than-expected investment returns, contributions paid by the Co-op and changes to life expectancy. While the liabilities have also grown, the assets grew by more, which is why the shortfall has reduced from £52m to £50m in 2020.

## 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. They agreed that, in addition to continuing to pay the Fund's running costs, the Co-op will pay:

- £7m per annum payable monthly from 1 April 2019 until 30 June 2019; and
- £8m per annum payable monthly from 1 July 2019 until 31 July 2025.

The next valuation will look at the position as at 31 March 2022. If that shows the shortfall has increased, the Trustee and the Co-op will agree a new Recovery Plan at the time.

## 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 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 2019, the actuary estimated that the Trustee would have had to pay an insurance company £212m (2016: £216m) to provide all the benefits in full. This would have left the Fund with a shortfall of around £91m (2016: £124m), and a funding level of 57% (2016: 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 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 [ppf.co.uk](http://ppf.co.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](http://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 on MyHR.

## Pensioner members

For questions about the payment of your pension:

**In writing:** Co-operative Group Limited, Pensions Payroll Team, HR People Services, 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, 4th Floor, 4 St Paul's Square, Old Hall Street, Liverpool L3 9SJ

**By phone:** 0370 010 1461

**By email:** Co-opGroupPensions@mercer.com

**Email should only be used for general enquiries and not for submitting personal information.**

**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:** Co-operative Group Limited, 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.