

pensions  
focus

Autumn 2021



It's what we do

# Welcome

## We're delighted to provide you with another issue of **pensionsfocus**, from the Trustee of the Somerfield Pension Scheme.

The coronavirus pandemic has, of course, continued to dominate our thoughts and actions since the last update was sent out, and we hope you and your family are safe and well.

As far as your pension in the Scheme is concerned, it is not sensitive to movements in the financial markets but instead defined by the Scheme's Trust Deed and Rules. In the event of a shortfall in the funding, the Co-op will usually need to pay in more money to make up the difference.

Nevertheless, managing the Scheme's investments is a very important part of the Trustee's role. Earlier this year, the Trustee decided to move towards a lower-risk strategy, which you can read about on page 6.

As usual, this newsletter includes a summary of the 2021 Report & Accounts. If you would like to see the full Report & Accounts, they're available at [coop.co.uk/pensions](https://coop.co.uk/pensions) - follow the link to 'Other schemes'. You can also find other formal Trustee documents and copies of *Evergreen* (for retired members of the Scheme).

We also have some news stories from the world of pensions that might affect your retirement plans, so please take a look at pages 8 to 9.

Finally, we'd like to thank our members for their patience during what has been a difficult year for all of us. We're proud of the way the team continued to administer and run the Scheme, despite the challenges of working from home and conducting the Scheme's business remotely.

**With best regards from the Trustee.**



## Looking after your data

TCG Southern Trustees Limited has published its Privacy Policy on the Co-op's pensions website, at [coop.co.uk/pensions](https://coop.co.uk/pensions), under 'Other schemes'. The policy sets out how the Trustee uses your personal information and your rights under the General Data Protection Regulation (GDPR).

## Inside

Our accounts	4
Who's in the Scheme?	5
Our investments	6
Noticeboard	8
Beat the scammers	10
Summary Funding Statement	12
Get in touch	16

# Our accounts

Between 2020 and 2021, the value of the Scheme's assets suffered a small drop in value (in percentage terms), reducing by around £19m (or 1.7%) to £1,143m. This isn't bad news, as the Scheme's funding position has improved (see page 12 onwards). During the year we paid out more than £42m in benefits to Somerfield members.

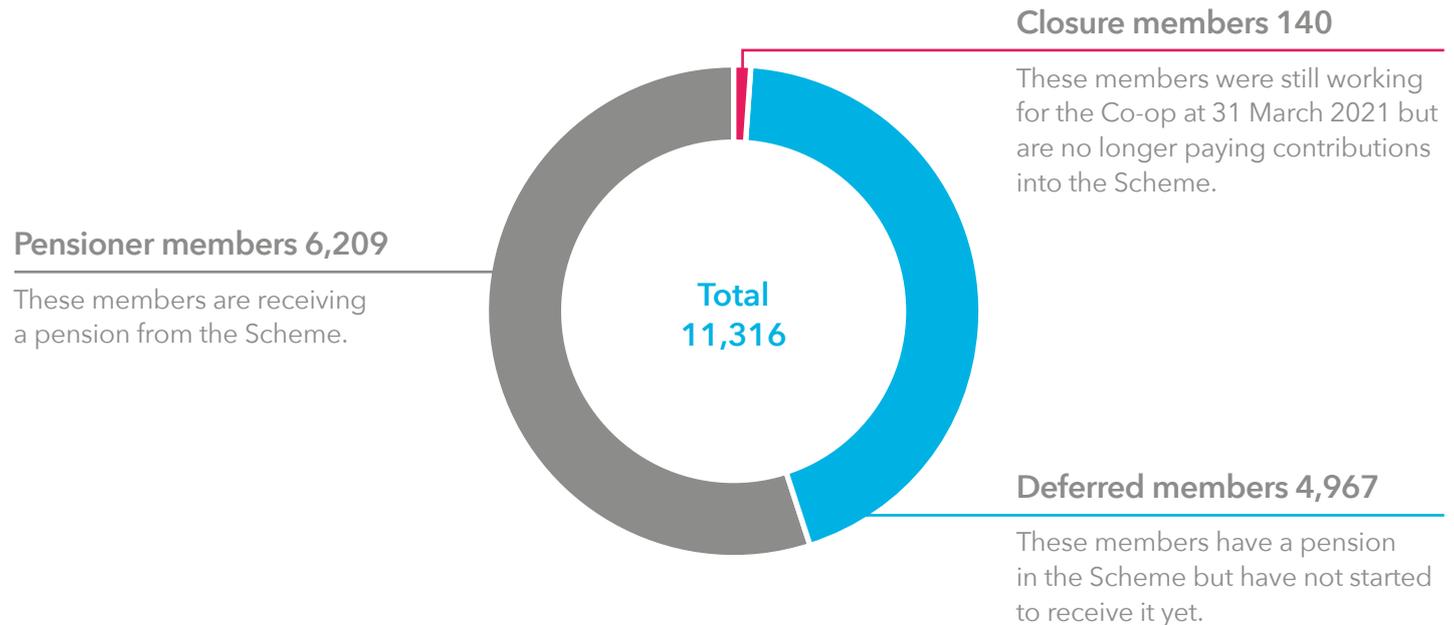
The information here is a summary taken from the Trustee's formal Report & Accounts for the year to 31 March 2021. These have been audited by Deloitte, who confirm that they give a true and fair view of the Scheme's financial transactions for the year.

You can see a full copy of the Accounts at [coop.co.uk/pensions](https://www.coop.co.uk/pensions) in the 'Other Schemes' section.

<b>Value of the Scheme as at 1 April 2020</b>	<b>£1,162.4m</b>
<b>Plus income</b> including contributions from the Co-op of £0.6m.	<b>£0.6m</b>
<b>Less expenditure</b> including pensions, cash lump sums and transfers out of the Scheme	<b>£43.2m</b>
<b>Change in market value</b> an increase in the value of the assets during the year (after fees)	<b>£23.2m</b>
<b>Value of the Scheme as at 1 April 2021</b>	<b>£1,143m</b>

# Who's in the Scheme?

At 31 March 2021, the Scheme had 11,316 members. The number of members reduced by 732 over the year.



# Our investments

The Scheme has a buy-in policy with Pension Insurance Corporation (PIC). As at 5 April 2021, this policy was valued at approximately £408m by the actuary. The annuity policy is considered to be an asset of the Scheme but it's not included in the performance figures below.

## Investment strategy

At the beginning of 2021, the Trustee reviewed the Scheme's investment strategy and agreed to move to a lower-risk approach. The new investment strategy halves the Scheme's allocation to shares and increases the allocation to risk-reducing investments. The Statement of Investment Principles (SIP) was updated at the end of March 2021 to reflect the Trustee's new approach. You can read the Scheme's SIP online at [coop.co.uk/pensions](https://coop.co.uk/pensions), under 'Other schemes'

## Investment performance

Over the year to 31 March 2021, the value of the Scheme's net assets decreased from £1,162m to £1,143m.

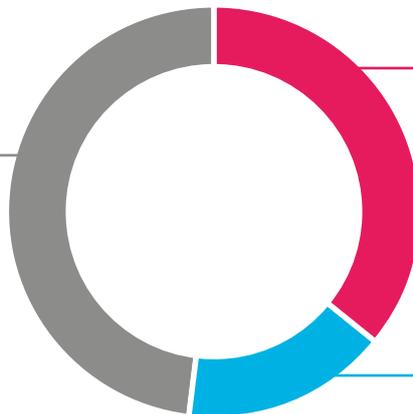
During the last nine months of 2020, investment markets mainly recovered from the turmoil caused by COVID-19 in March/April 2020; over the year to 31 March 2021 the Scheme achieved a return of 3.7%, while the benchmark set by the Trustee was 2.6%.

To provide some longer-term context for the whole period, over the three-year period to 31 March 2021 the Scheme's investments grew by 7.4% a year (against a benchmark of 7.3%).

## Investment split - 31 March 2021

### Risk-reducing investments 48%

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



### Annuity policy 36%

An insurance policy that covers a proportion of the Scheme's liabilities, and pays the Scheme an income equal to the benefits of the members covered.

### Growth investments 16%

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

## Responsible investment

Last year we told you that we'd tilted our investments in shares to focus more on companies that take 'environmental, social and governance' factors into account. The Trustee believes that the way a company manages its environmental and social risks, such as its approach to climate change or how it treats its workers, can affect the long-term financial returns that it will make for its investors.

In early 2021 the Co-op pledged its support to the Make My Money Matter campaign to 'Green Your Pension' ([makemymoneymatter.co.uk/green-your-pension](https://makemymoneymatter.co.uk/green-your-pension)), and will be engaging with colleagues to help the Co-op and the Trustee understand what their priorities are on sustainability. We are also looking to improve visibility on where the Scheme's assets are invested.

# Noticeboard

## Pension increases

Last year, we asked for your feedback on a Trustee proposal to change the reference period on which the RPI-linked pension increases are calculated. This was because delays by the Office of National Statistics (ONS) in publishing these figures potentially affected our ability to pay the increases that are due on most Scheme pensions in February each year. Having considered the feedback received, the change has been implemented – so from now, Scheme pension increases will be based on the Retail Prices Index (RPI) measured over the year to the preceding 30 November, rather than to the previous 31 December.

## Minimum pension age to increase

The Government has confirmed that the minimum pension age (the earliest age at which you can draw your pension unless you are in ill health) is set to increase from age 55 to age 57 in 2028, but there are some exceptions. The Trustee will review the Government's proposals once the details are released in full.

## GMP equalisation

Around three years ago there was a High Court ruling on Guaranteed Minimum Pensions (GMPs). GMPs built up at different rates for men and women, which the High Court has ruled was illegal, so pension schemes like ours now need to 'equalise' pensions and adjust some members' payments. It may affect you if you were an active member of the Scheme between 17 May 1990 and 5 April 1997.

Government guidelines that we have been waiting for on how GMPs should be equalised have now been released, and the Trustee is working with its administrators and advisers on this complex issue. This is likely to take some time to complete. You do not need to take any action as we will contact you if this affects you. Any amounts payable are likely to be modest.



### Measuring inflation in future

The Government wants to change the way inflation is calculated, by replacing the Retail Prices Index (RPI) with the Consumer Prices Index that includes owner-occupiers' housing costs, known as CPIH. The way the two indices are calculated has meant RPI is usually slightly higher than CPIH, on average. The Trustee and its advisers will assess the impact of the proposed change on Scheme members and update you in a future issue of **pensionsfocus**. The changes are currently expected to happen in 2030.

### Did you pay the small stamp?

A computer error at the Department for Work & Pensions (DWP) means that married women who paid a lower rate of National Insurance contributions before 1977 (known as the 'small stamp') may be due a top-up to their State Pension. The DWP says it first became aware of the issue last year. Where underpayments are identified, the DWP will contact the person to inform them of the changes to their State Pension amount and of any arrears payment they will receive but you may still want to check with them if you think you're affected.

LCP, the company that first brought this issue to the DWP's attention, has created a free online calculator that you can use to see if this might apply to you. You can find it here: [pensionunderpaid.lcp.uk.com](https://pensionunderpaid.lcp.uk.com)

# Beat the scammers

In these challenging times, we'd like to remind members to stay alert to the danger of scams of all types. Action Fraud estimates that £2m was lost to pension scammers in the first three months of 2021.

If you're facing financial difficulties because of the pandemic, you may be tempted by offers to transfer your pension into 'guaranteed' or 'high-return' investment opportunities. In many cases, the money will be stolen outright. And, if you try to access your pension before age 55 (unless you have a long-term health condition and can't work or have a protected pension age), you will face a huge tax bill on top of that!



### Scam tactics include:

- contact out of the blue
- promises of high/ guaranteed returns
- free pension reviews
- access to your pension before age 55
- pressure to act quickly.

Follow these four simple steps to protect yourself from pension scams:

#### 1. Check who you're dealing with

Go to [register.fca.org.uk](https://register.fca.org.uk) to make sure that anyone offering you advice or other financial services is authorised by the Financial Conduct Authority (FCA).

#### 2. Reject unexpected offers

If someone you don't know contacts you to talk about your pension, chances are it's a scam.

#### 3. Don't be rushed or pressured

Take your time to make all the checks you need – even if this means turning down an 'amazing deal'.

#### 4. Get impartial information and advice

You can use the new Government-backed website, [moneyhelper.org.uk](https://moneyhelper.org.uk) to get help and advice with your pension. If you prefer to use an independent financial adviser, be sure to use one that is regulated by the FCA.

Visit [pension-scams.com](https://pension-scams.com) or [fca.org.uk/scamsmart](https://fca.org.uk/scamsmart) to find out how to protect yourself.

# Summary Funding Statement

## What is a valuation?

Every three years the Scheme's actuary, an adviser to the Trustee, carries out an in-depth look at the Scheme's finances. This is called a valuation. The actuary also carries out less detailed but more regular 'annual check-ups' on the Scheme's financial position.

## Funding level

Both the valuation and the annual check-ups look at the position of the Scheme 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 Scheme 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 Scheme's 'assets'.

## Liabilities

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

## Shortfall

To check the Scheme's financial security, the actuary compares the value of its liabilities to its assets. If the Scheme 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 Scheme won't be able to pay members' benefits. If a shortfall exists, the Trustee and the Co-op work together to remove it or to reduce the risk of it increasing significantly, for example by changing the investment strategy so that the Scheme's shortfall is less likely to change suddenly and unexpectedly.

## How has the funding position changed?

### 31 March 2019 Valuation



### 31 March 2020 Check-up



### 31 March 2021 Check-up



Over the year to 31 March 2021, the Scheme's funding level has improved to 104% and the small shortfall has been turned into a surplus. Even though the value of the assets was lower than a year ago, the liabilities reduced by more, mainly because of higher gilt yields.



# Summary Funding Statement continued

## What has been done about the shortfall identified in the 2019 valuation?

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 the Co-op would continue to pay contributions of £2.6m per year up to June 2020 to remove the shortfall identified as at 31 March 2019. These payments have been made. The next valuation will look at the position as at 31 March 2022. If that shows that there is a shortfall, 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 Scheme in the last 12 months. The Scheme has not made any surplus payments in recent years.



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

As part of the valuation, the actuary must also look at the funding level if the Scheme was wound up. Including this information does not mean that the Co-op or the Trustee are planning to wind up the Scheme. The Trustee is required by law to give you this information.

If the Scheme had wound up as at 31 March 2019, the actuary estimated that the Trustee would have had to pay an insurance company £1,305m to provide all the benefits in full. This would have left the Scheme with a shortfall of around £181m, and a funding level of 86%.

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 [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 Scheme 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 Scheme.

# 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.

**Email:** [somerfieldpensions@coop.co.uk](mailto:somerfieldpensions@coop.co.uk)

**Phone:** 0330 606 1000

**Pension payroll phone:** 0330 606 9449

**Find us online:** [coop.pacepensions.co.uk/other-schemes](https://coop.pacepensions.co.uk/other-schemes)

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

## **Write to us:**

Co-operative Group Limited  
Pensions Department  
Department 10406  
1 Angel Square  
Manchester  
M60 0AG

**Please note:** your benefits are determined by and subject to the Scheme 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.