

PENSION NEWS

WHAT'S INSIDE?

Facts & figures	4
Scheme noticeboard	6
Summary Funding Statement	10
Pensions news	14
Running the Scheme	15
Keeping in touch	16





WELCOME

Welcome to the latest issue of Pension News, the newsletter for members of the Defined Benefit (DB) Section of the NFU Mutual Retirement Benefit Scheme. It keeps you up to date with important news from the Scheme and provides information about pensions in general.

We are publishing this issue earlier in the year than usual because of the exceptional circumstances we all find ourselves in as a result of the COVID-19 pandemic. We would like to reassure and update you about the steps we have taken to manage your benefits and the Scheme at this unsettling time.

If you are a pensioner, please be assured that your pension will continue to be paid to you in the usual way. Our administrators, Mercer (formerly JLT) have business continuity measures in place to ensure that the Scheme can continue to run properly.

As you know, your benefits in the DB Section are not sensitive to movements in the financial markets but are defined by the Scheme's Trust Deed and Rules. The Scheme's funding level relies on a carefully managed and well-diversified asset portfolio, which allows for market volatility.

AT A GLANCE

£1,137.4 million

The value of the
DB Section

The Trustee receives regular updates from the Society and continues to keep a close eye on the Scheme's investments. We are pleased to note that the Society's covenant is in a strong position even in these uncertain times. The Fund managers are providing regular updates to the Trustee and although the Scheme's equity portfolio has fallen from the market highs of December 2019, we do not need to make any adjustments to the portfolio, as this is a long-term strategy to provide funding for all our current and future pensioners.

The Summary Funding Statement on page 10 provides an update of the Scheme's funding position as at 31 December 2019. Please note that this does not include any changes resulting from the current market volatility, while the next full actuarial valuation is due at the end of this year on 31 December 2020.

If you are a deferred member, we encourage you to think carefully before making any hasty decisions about your pension based on recent events. At this time, the danger from pension scammers is high, so if you are thinking about a transfer, please be cautious and seek financial advice. You can read more about avoiding pension scams on page 7.

Finally, my fellow Trustee Directors and I send you our best wishes and hope that you and your families stay safe and well.

Brian Duffin OBE FFA
Trustee Chair

3,030

The number of
members in the
DB Section



£28.5 million

The benefits paid
to members during
the year 2019



FACTS & FIGURES

The information on these pages is a summary taken from the Trustee's Report & Accounts for the year to 31 December 2019, which have been audited by PricewaterhouseCoopers LLP.



MEMBERSHIP

The chart below shows the membership profile of the DB Section as at 31 December 2019. There are no longer any active members in the DB Section since it closed to future accrual in 2016.

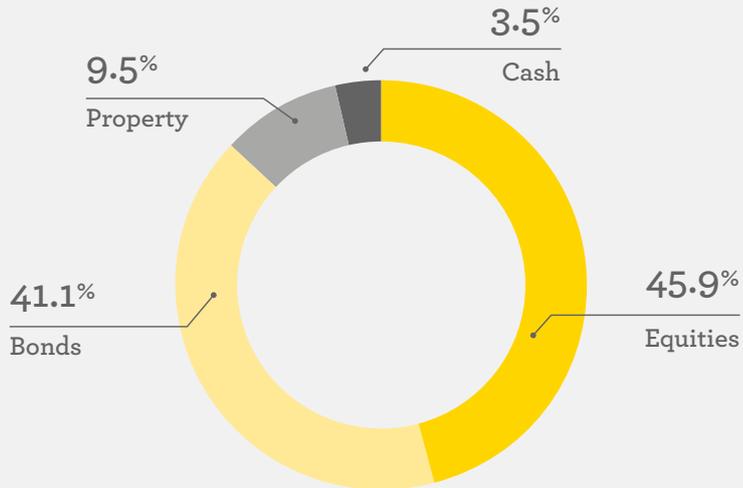


INVESTMENTS as at 31 December 2019

In the year to 31 December 2019, the DB Section's investments increased by 14%. This investment return for the Scheme is compared with a benchmark so that we can assess the investment manager's performance. For the same period, the benchmark increased by 14.5%.

Where are the assets invested?

As at 31 December 2019, the Scheme's assets were invested in:



The Trustee is keeping a close eye on the Scheme's investments, working with the Society and Fund managers to ensure that the assets are protected as much as possible at this unsettling time.

SCHEME NOTICEBOARD



THE SCHEME WEBSITE

We are currently working on updating the Scheme website (www.nfumstaffpensions.co.uk) to provide a better service for members. This is part of our move towards going paperless, so that you can find the latest information you need about the Scheme, whenever you need it.

We will be introducing specific areas for both the DB and Defined Contribution (DC) Sections, which will include guides to retirement, as well as pension saving and investing. If you are an active or pensioner member, you will also be able to use the website to log into Benpal, the member portal provided by Mercer, the Scheme administrator.

As well as this, we continue to update the website with pension news, documents and information about the Scheme. The new-look website will be launched later in the year and we will keep you updated with progress.

FOR OUR PENSIONERS

As a result of the current coronavirus pandemic, we have decided not to move to paperless payslips for the time being. We have taken your feedback on board, and if you do want to access your payslips online, you can currently do so via Benpal.

YOUR ONLINE BENEFIT STATEMENT

If you are an active member, don't forget that this year, benefit statements are going paperless and we will be issuing them to you online. You can see your benefit statement by logging into Benpal. If you have not already registered to use Benpal, we will be issuing new activation e-mails to you shortly which will allow you to register for access. In the meantime, you can request access by getting in touch with Mercer using the contact details on the back page.

SCAM ALERT

A major event like the coronavirus crisis can lead to new types of scams. You may have already seen reports of fraudulent activity around the sale of face masks and hand sanitiser.

When it comes to financial services, scams often appear after the initial shock of a major event. With this in mind, 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.

Scammers are sophisticated, opportunistic and will try to get personal details or money from victims in many ways. They tend to target people who are feeling vulnerable, particularly in the current climate with many people being at home.

Could you spot a pension scam?

Pension scams can be hard to spot but their effects are devastating, with many people losing their life savings. While promising high returns and low risk, in reality, pension scams can leave you with nothing. In addition, you could then face a high tax bill from HM Revenue and Customs if you withdraw your savings before age 55.

Scams often involve unusual, high-risk investments like overseas property, renewable energy bonds, forestry, parking or storage units. If it sounds too good to be true, it probably is. Anyone can be a victim of a pension scam, no matter how savvy you think you are.



Things to watch out for:

- **unexpected contact** – cold-calling about pensions is illegal, so just hang up. Similarly, ignore unexpected emails and text messages
- **time pressure** – time-limited offers such as bonuses or discounts
- **social proof** – fake reviews
- **unrealistic returns** – it sounds too good to be true
- **false authority** – claiming to be regulated
- **flattery** – being friendly with you to lull you into a false sense of security.

For more information about pension scams and how to avoid them, go to www.fca.org.uk/scamsmart



COVID-19 AND CONTACTING MERCER

We would like to reassure you that Mercer, the Scheme's administrator, has robust business continuity procedures in place, allowing the administration of the Scheme to carry on as usual during the COVID-19 crisis. Please note that core services such as pension payments, retirements and bereavements are being prioritised.

You can continue to contact Mercer using the normal contact details as shown on the back page. Due to the high volumes of calls at this time, you might find it easier to contact Mercer by logging into Benpal and sending a message, especially if your query is not urgent, rather than use the helpline.

IS YOUR EXPRESSION OF WISH UP TO DATE?

It is important to make sure that your expression of wish remains up to date, particularly if your circumstances change, such as if you get married or divorced, enter or leave a civil partnership or have a child.

In the event of your death, the Trustee is responsible for deciding who should receive any payment that is due, but it takes your wishes into account. An up-to-date expression of wish form allows us to quickly and easily identify anyone you have nominated to receive benefits.

You can update your expression of wish at any time by contacting Mercer, by using the details on the back page. Alternatively, if you have access to Benpal, you can also update your chosen beneficiaries' details online.

Please note that under the Scheme Rules, if you are a deferred member and you die before your pension comes into payment, your beneficiaries are entitled to a return of member contributions with interest.

PLEASE LET US KNOW

Please remember to let us know if your contact details change or you move home. Having up-to-date contact details means that we can send you the latest news about the Scheme and pay your benefits when they are due.



SUMMARY

FUNDING STATEMENT

This statement explains the funding that supports your benefits in the NFU Mutual Retirement Benefit Scheme. It tells you about the current funding position of the Scheme and the substantial financial support that the Society provides.

The Trustee is required to obtain a formal actuarial valuation of the Scheme at least once every three years from the Scheme's Actuary. The Actuary has to make assumptions about the future, such as how long members will live and how much the Scheme's investments will grow each year in order to calculate the amount

of money that is needed to pay for members' pensions now and in the future (this is known as the technical provisions). In years when a formal actuarial valuation is not required, the Actuary provides the Trustee with an approximate update of the latest formal valuation in an annual Actuarial Report.

The latest position

	31 December 2019 (annual update)	31 December 2018 (annual update)	31 December 2017 (full valuation)
Assets*	£1,319.4m	£1,167.2m	£1,238.7m
Technical Provisions	£1,310.4m	£1,204.5m	£1,210.4m
Surplus/(Shortfall)	£9.0m	(£37.3m)	£28.3m
Funding level	101%	97%	102%

*Please note that the figures shown include the value of the assets in relation to defined contribution members and additional voluntary contributions (AVCs). Amounts in relation to these funds are classed as both assets and liabilities of the Scheme and so have no impact on the net overall position shown.

Changes in funding position

The actuarial valuation at 31 December 2017 showed that the DB Section had a surplus of £28.3 million and a funding level of 102%. As the assets were worth more than the technical provisions at the valuation date, no shortfall reduction contributions were required from the Society as part of the valuation. This is subject to review at future valuations.

Last year, we sent you a statement with information about the funding level of the Scheme as at 31 December 2018. This showed that the DB Section had a shortfall of £37.3 million and a funding level of 97%. The main reason for the decrease in the funding level was lower-than-expected investment returns over the period.

The funding level is estimated to have increased to 101% at 31 December 2019. The main reason for this was higher-than-expected investment returns over the period, partially offset by a change in market conditions increasing the technical provisions.

Since 31 December 2019, there has been significant volatility and a general decline in global financial markets due to the COVID-19 pandemic. The Scheme's investments will not have been immune to these falls in investment markets, and it is likely the funding level is currently below 100%, although the precise position will fluctuate on a daily basis. We would like to assure members that a shortfall in the ongoing funding level would not mean that the Scheme is unable to pay pensions in full to members.

Many UK pension schemes have a shortfall, and the funding level can change on a daily basis depending on what happens in investment markets. If the next full valuation, which is due as at 31 December 2020, shows that there is a shortfall, the Trustee and the Society will need to agree a Recovery Plan that sets out how the shortfall will be removed by an agreed date.

How is my pension paid for?

The money to pay for members' pensions is held in a common fund. It is not held in separate accounts for each individual. The Scheme closed to future pensionable service at the end of 2016 and active members were transferred into the DC Section for the additional accrual of benefits beyond that date. Therefore, regular contributions are now paid into the DC Section.

The importance of the Society's support

The Trustee's objective is to have enough money in the Scheme to pay pensions now and in the future. However, the success of the Scheme relies on the Society continuing to support the Scheme because the funding level can fluctuate and when there is a funding shortfall, the Society may need to put in more money.

The Trustee is satisfied that the Society remains very strong and is committed to ensuring the Scheme has sufficient money to pay all benefits that have been earned in the Scheme as and when they fall due.

What if the Scheme started to wind up?

Winding up the Scheme means securing all members' accrued benefits with an insurance company who will then take over responsibility for paying your pension. The Trustee would like to assure members that there is no intention to wind up the Scheme and the Society is committed to maintaining the Scheme; however, we are required by law to provide you with information about what would happen if the Scheme did wind up.

Insurance companies have to invest in 'low-risk' assets which are likely to give low returns, and their policy prices will include administration charges and a profit margin. This means that if a pension scheme is fully funded on the ongoing basis, the solvency figure is likely to be lower than 100%.

As at 31 December 2017, the Scheme actuary calculated that the Scheme's assets were less than the estimated amount needed to secure all members' accrued benefits in full with an insurance company - there was a shortfall of £191 million at the valuation date on this basis.

If the Scheme winds up (i.e. is discontinued and the benefits are secured by purchasing insurance policies), you might not get the full amount of pension you have built up, even if the Scheme is fully funded. However, while the Scheme remains ongoing, even though funding may be temporarily below target, benefits will continue to be paid in full.

In the event that the Scheme does start to wind up, the Society is required to pay enough into it to enable members' benefits to be completely secured by paying an insurance company to provide the pensions. In the unlikely event that the Society became insolvent and was not able to pay the full amount, the Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members. Further information and guidance are available at www.ppf.co.uk

Payments to the Society

We can confirm that there have been no payments to the Society out of Scheme funds since the last Summary Funding Statement was provided.

The Pensions Regulator

The Pensions Regulator has the power to change the Scheme, give directions about working out its liabilities or impose a schedule of contributions. We are pleased to say that it has not needed to use its powers in this way for the Scheme.



Where can I get more information?

If you have any questions or would like any more information, please contact the Secretary to the Trustee. You can ask for a copy of any of the following documents.

- Statement of Investment Principles
- Schedule of Contributions
- 2019 Annual Report and Accounts
- Actuarial Valuation Report as at 31 December 2017
- Actuarial Reports as at 31 December 2018 and 31 December 2019
- Statement of Funding Principles
- Defined Benefit Member Guide

PENSIONS NEWS



LIFETIME ALLOWANCE

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

TAPERED ANNUAL ALLOWANCE

In April this year, a change was introduced to the limit on the amount of tax-free pension contributions you can make in one year if you are a high earner. Known as the Annual Allowance (AA), the standard amount is set at £40,000. However, for anyone with a high income (over £200,000), the AA will be reduced by a tapered amount and could be as low as £4,000.

STATE PENSION INCREASES

In April 2020, State pensions were increased by 3.9%, after the Office for National Statistics revealed that inflation remained at 1.7% in September 2019. The State pension is currently protected by the 'triple lock' guarantee which means that it increases each April by the greater of September's price inflation, earnings growth or 2.5%. This year, the highest measure was average earnings at 3.9%.

GETTING HELP AND GUIDANCE

The Pensions Advisory Service, part of the government's Money and Pensions Service, is currently unable to deal with enquiries by post, due to the coronavirus restrictions. However, if you are looking for help and information about pensions matters, their pension helplines are open from 9am to 5pm, Monday to Friday on **0800 011 3797**.

Alternatively, you can use the webchat service between 8.45am and 6.20pm on a Monday, Wednesday and Friday, between 9am and 6.20pm on a Tuesday and Thursday, or between 9am and 1pm on Saturdays. Go to www.pensionsadvisoryservice.org.uk

If you need information and guidance about pensions, money and finances generally, the Money and Pensions Service is free and can be accessed at www.maps.org.uk



**Money &
Pensions
Service**

RUNNING THE SCHEME

The Scheme is run by a corporate Trustee called NFUM Pension Trustee Company Limited. It has five Trustee Directors: three appointed by the Company and two nominated by the members of the Scheme.

COMPANY APPOINTED

Brian Duffin (Chair)
Kenny Graves
Jonathan Priestley

MEMBER NOMINATED

Kevin Davies
Andrew Spriggs

ADVISERS TO THE TRUSTEE

The Trustee has appointed the following specialist advisers to help run the Scheme's DB Section.

Actuary

Stephen Ellis FIA, Towers Watson (to January 2020)
Martin Faulkner FIA, Towers Watson (from January 2020)

Auditor

PricewaterhouseCoopers LLP

Administrator

Mercer Limited

Investment consultant

Willis Towers Watson Ltd

Investment managers

NFU Mutual Investment Services Ltd
The National Farmers Union Mutual Insurance Society Ltd

Legal adviser

Gowling WLG LLP

Bankers

Barclays Bank plc
Royal Bank of Scotland plc

For more information about the Scheme, please see our website at www.nfumstaffpensions.co.uk where you can also find a copy of our Privacy Statement.

KEEPING IN TOUCH

If you have any questions about your pension in the Scheme, please contact the Scheme administrator, Mercer.



Call us:

0345 450 6954



Email us:

nfumpensions@mercer.com



Write to us:

NFU Mutual Retirement Benefit Scheme
Mercer
Post Handling Centre
St James's Tower
7 Charlotte Street
Manchester M1 4DZ

If you have any concerns that cannot be dealt with by Mercer, or if you would like to give us your comments or suggestions on this newsletter, please contact the Scheme Secretary:

Jackie Baker and Marie Callaghan, Pensions Manager and Secretary to the Trustee.

Email: RBS@nfumutual.co.uk

Call: 01789 404389

LARGE PRINT FORMAT

If you would like to receive this and future newsletters in large print format, please contact Jackie Baker or Marie Callaghan.

