

PENSION NEWS

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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, bringing you the latest news from the Scheme along with an update about pensions in general.

We have included a summary of the key financial information taken from the Trustee's Report and Accounts for the year to 31 December 2018. The facts & figures section on page 4 provides details of the money going into and out of the Scheme and our membership during the year.

The latest actuarial valuation of the Scheme looked at the position as at 31 December 2017. You can read the results of this in the Summary Funding Statement on page 9, along with an update of the latest position as at 31 December 2018.

There have been some changes to the Trustee Board. Christine Kennedy and Richard Morley both resigned as Trustee Directors and they have been replaced by Kenny Graves and Jonathan Priestley. We thank all our former Trustee Directors for their service to the Scheme and welcome Kenny and Jonathan.

Finally, I hope you enjoy this issue of Pension News. If you have any queries or would like to see a specific topic covered in a future issue, please get in touch using the contact details on the back page.

Brian Duffin
Trustee Chairman



AT A GLANCE



£1 billion

The value of the DB Section.



3,079

The number of members in the DB Section.



£25.8 million

Benefits paid to members during the year.

FACTS & FIGURES

The information on these pages has been taken from the Trustee's Report & Accounts for the year to 31 December 2018, which have been audited by PricewaterhouseCoopers LLP.

Total net assets



MEMBERSHIP

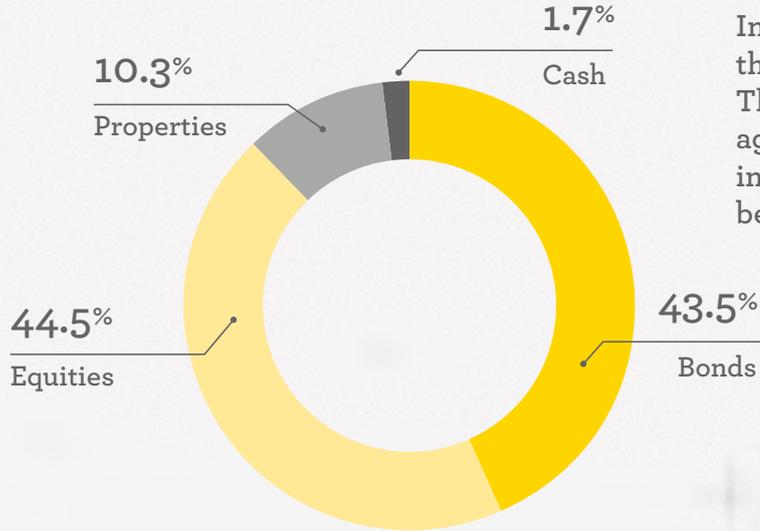
The chart shows the membership profile of the DB Section as at 31 December 2018.

There are no longer any active members in the DB Section since it closed to future accrual in December 2016.

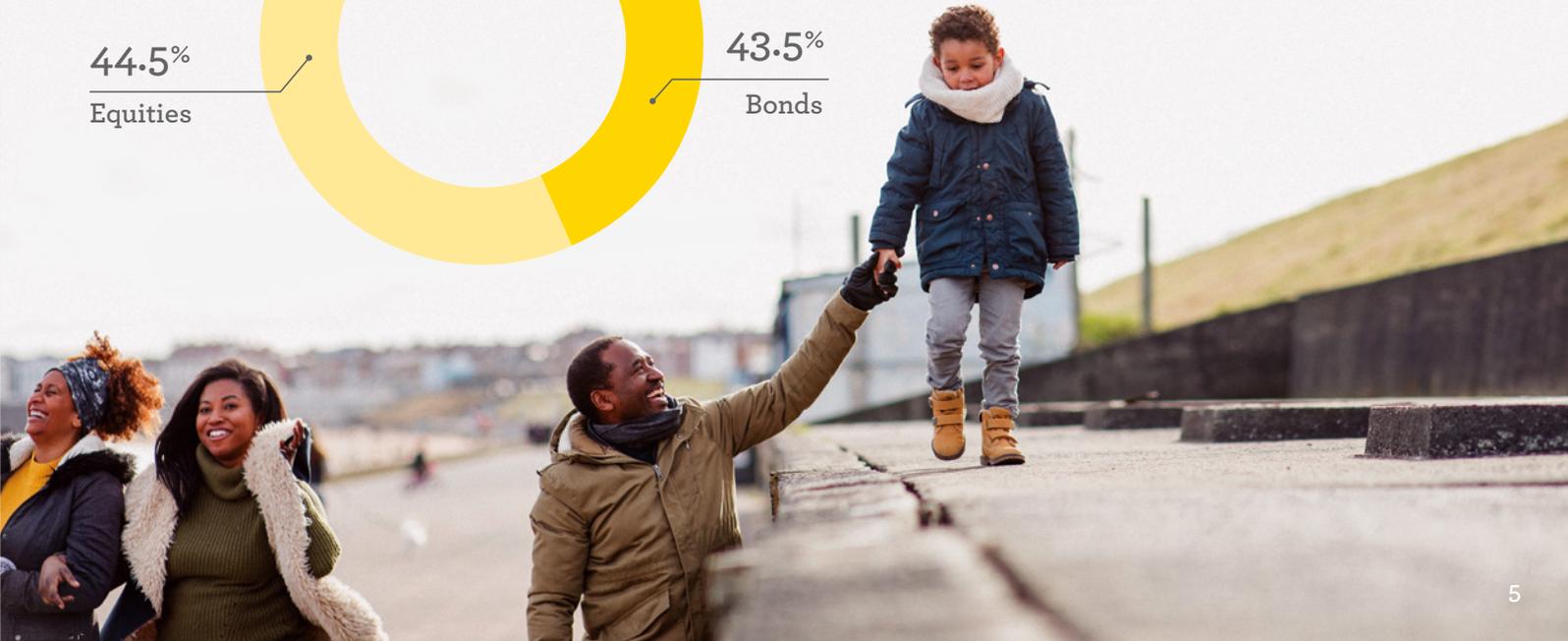


- Deferred pensioners
- Pensioners

INVESTMENTS as at 31 December 2018



In the 12 months to 31 December 2018, the DB Section's investments fell by 4.4%. The Scheme's investment return is compared against a benchmark so that we can assess the investment manager's performance. The Scheme's benchmark also fell over the period by 3.5%.



SCHEME NOTICEBOARD

NEWS

YOUR BENEFITS AT RETIREMENT – TAKING A LUMP SUM

When you retire, you may choose to swap part of your pension for a pension commencement lump sum (sometimes referred to as a tax-free cash sum).

The amount of cash you can take is subject to HMRC limits at the time you retire, and the rate of exchange (known as ‘commutation factors’) is set by the Trustee following advice from the Scheme actuary.

The Trustee regularly reviews the commutation factors and the last review took place on 21 November 2018, when it agreed to improve the rates for the benefit of members. The commutation factors shown in the table on the opposite page took effect for all retirements on or after 1 December 2018.



Member's age at retirement	Normal retirement £	Early retirement on the grounds of ill health £
55	21.25	20.00
56	21.00	20.00
57	20.75	20.00
58	20.50	20.00
59	20.25	20.00
60	20.00	20.00
61	19.75	-
62	19.50	-
63	19.25	-
64	19.00	-
65	18.75	-
66	18.50	-
67	18.25	-
68	18.00	-
69	17.75	-
70	17.50	-
71	17.25	-
72	17.00	-
73	16.75	-
74	16.50	-
75	16.25	-

Example:

ALAN is aged 60 and is due to retire. His pension at his retirement date is **£6,500** a year. He decides to give up part of his pension to take a tax-free lump sum at retirement of **£10,000**.

The amount of pension he will need to give up will be $\text{£10,000} / 20.00 = \text{£500}$, so his pension will be **£6,000** a year.



ALAN
Age: 60

PETER decides to take early retirement at age 55. He also has a pension of **£6,500** a year and decides to take a tax-free lump sum at retirement of **£10,000**.

The amount of pension he will need to give up will be $\text{£10,000} / 21.25 = \text{£471}$, so his pension will be **£6,029** a year.



PETER
Age: 55

Please note the maximum amount of cash you can take under current HMRC limits is 25% of the capital value of the pension, although some members may be entitled to a higher amount under previous HMRC limits. We will confirm your maximum cash entitlement at the time of your retirement.

These factors are regularly reviewed by the Trustee and may be changed at any time.

SCHEME NOTICEBOARD continued

We're going paperless!

Like many organisations, we're conscious of the impact that our actions have on the environment and the legacy that we're creating for future generations. Energy consumption, toner and waste paper are not a positive use of the planet's resources.

To become more sustainable and be responsible for our children and grandchildren's heritage, we've decided to go paperless.

This means that if you're a Closure Member, your annual benefit statements will be published online with effect from 2020. These documents will be automatically loaded onto Benpal, which is the secure website provided by JLT, the Scheme's administrator.

Rest assured that your information will still be available should you need to check your benefit statements or provide copies to third parties such as HMRC. It will also be more secure, in that your personal information will no longer be sent via post.

Thank you to all retired members of staff who have provided feedback about switching to online payslips. We are reviewing your feedback and will write to you in early 2020 about going paperless from April 2020.

Benpal

If you're not already using Benpal, you'll need to register for access and request an activation code. You can do this by calling the dedicated helpline on 0345 450 6954 or by emailing the team at nfumpensions@jltgroup.com

If you wish to opt out of online communications and continue to receive paper communications by post, please confirm this in writing to JLT by 31 December 2019.



JLT begins to trade as Mercer

You may have seen in the media that, from April 2019, JLT Employee Benefits, the Scheme's administration provider, became part of Mercer. We would like to advise you that, as part of the integration of the JLT business into Mercer, JLT is now in the process of re-branding all communications with pension scheme members so that all the information that you are used to receiving branded as JLT is going to change to the new blue and white branding of Mercer. It will take some weeks to complete the re-branding exercise and JLT do not expect to use it until early 2020. In the meantime, if you have any concerns, please contact the usual helpline number.

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 2018 (annual update)	31 December 2017 (full valuation)	31 December 2016 (annual update)
Assets*	£1,167.2m	£1,238.7m	£1,137.5m
Technical Provisions	£1,204.5m	£1,210.4m	£1,198.8m
Surplus/(Shortfall)	(£37.3m)	£28.3m	(£61.3m)
Funding level	97%	102%	95%

*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.

SUMMARY FUNDING STATEMENT continued

Changes in funding position

In 2017, we sent you a statement with information about the funding level of the Scheme as at 31 December 2016. This showed that the DB Section had a deficit of £61.3m and a funding level of 95%.

The funding level was estimated to have increased to 102% for the valuation at 31 December 2017. The main factors contributing to this change were:

- better-than-expected investment returns
- favourable demographic and economic experience
- a reduction in the expected future rate of improvements in life expectancy
- lower future investment return expectations and higher future inflation expectations.

As the assets of the Scheme were worth more than the technical provisions at the valuation date, no shortfall reduction contributions were required from the Society as part of the 2017 valuation. This is subject to review at future valuations.

The funding level is estimated to have subsequently decreased to 97% at 31 December 2018. The main reason for this was lower-than-expected investment returns over the period.

The shortfall in the ongoing funding level does 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 valuation, which is due as at 31 December 2020, shows that there is still 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 funds for each individual. The Scheme closed to future pensionable service at the end of 2016 and active members were transferred into the defined contribution (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 even 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

SUMMARY FUNDING STATEMENT continued

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

PENSIONS NEWS



Money and Pensions Service

The Money and Pensions Service is the new name for the government's three financial guidance providers, the Money Advice Service, the Pensions Advisory Service and Pension Wise, which have been merged into a single organisation. It brings together the core services of pensions guidance, money guidance and debt advice.

It aims to help people manage their personal finances by providing free access to the information and impartial guidance needed to make effective financial decisions.

Go to www.moneyandpensionsservice.org.uk for more information and to access the various services.



Don't let a scammer enjoy your retirement

We would like to remind members to continue to be vigilant about the danger of pension scams. Scammers can be articulate and financially knowledgeable with credible-looking websites, testimonials and materials that are hard to distinguish from the real thing. It has been reported that as much as £197 million was lost in 2018 to pension scammers.

In January 2019, the Government introduced a ban on cold calling about pensions. If someone contacts you out of the blue about your pension, it is best simply to hang up. The Pensions Regulator's advice to members is:

- reject unexpected offers
- check who you are dealing with
- don't be rushed or pressured into taking action
- get impartial advice and information

You can find out more about guarding against pension scams at www.fca.org.uk/scamsmart

PENSIONS NEWS continued

Equality in pensions

You may have heard in the news recently about an important High Court ruling that all Guaranteed Minimum Pensions (GMPs) must be equalised for men and women. While the judgement relates specifically to the Lloyds Banking Group pension scheme, it is likely to create a precedent for other UK defined benefit schemes with GMPs. However, the NFU Mutual Retirement Benefit Scheme is not affected by this so there will be no impact for our DB members.

Lifetime Allowance rises

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. The standard LTA limit was increased from 6 April 2019 and is currently £1,055,000. Any future increases are set to occur annually at each 6 April and will rise in line with inflation, as measured by the Consumer Prices Index (CPI).



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 (Chairman)
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, Willis Towers Watson Ltd

Auditor

PricewaterhouseCoopers LLP

Administrator

JLT Benefit Solutions Ltd

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

KEEPING IN TOUCH

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

Call us:
0345 450 6954

Email us:
nfumpensions@jltgroup.com

Write to us:
NFU Mutual Retirement Benefit Scheme
JLT Benefit Solutions Ltd
Post Handling Centre
St James's Tower
7 Charlotte Street
Manchester M1 4DZ

If you have any concerns that cannot be dealt with by JLT, 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.

