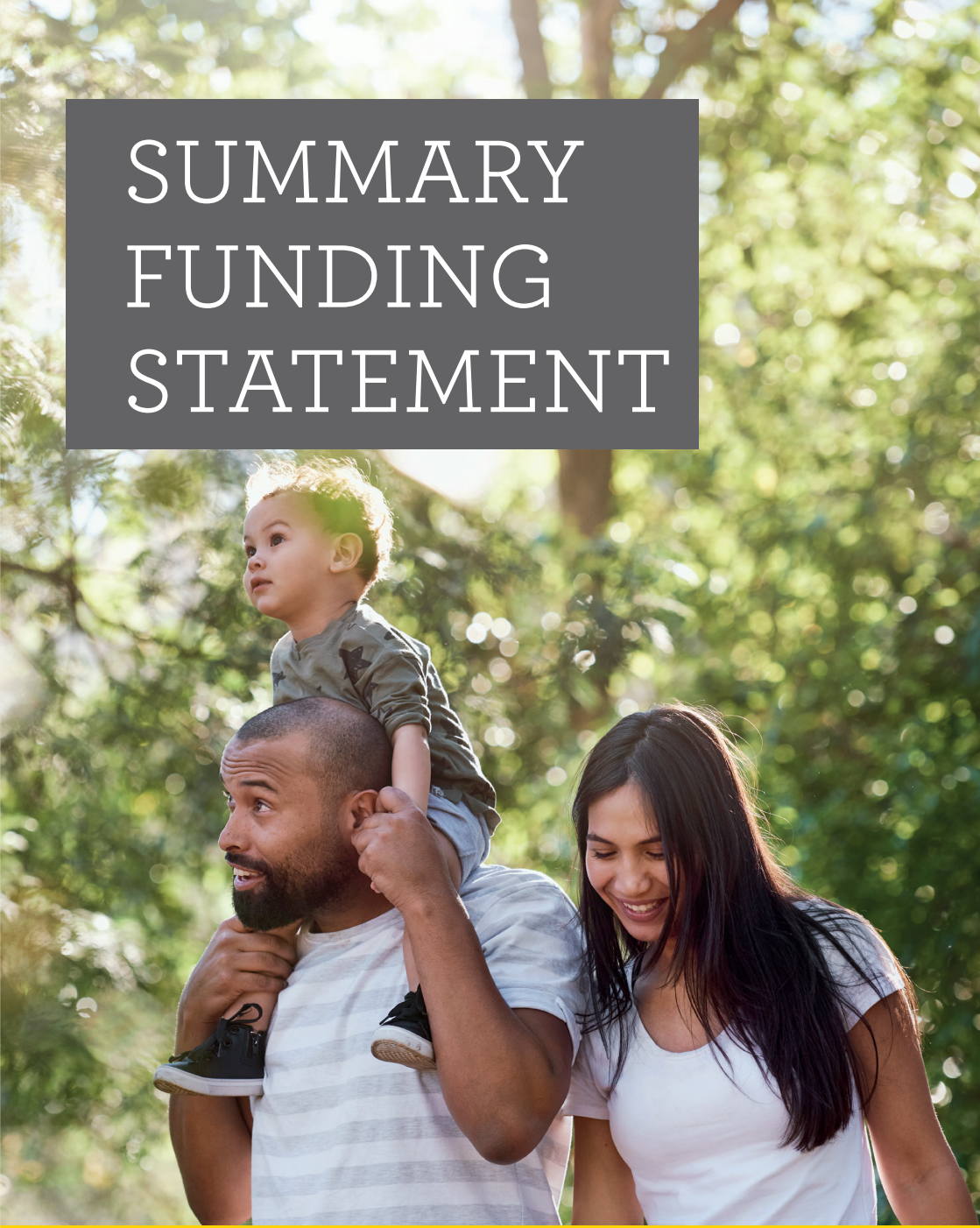
SUMMARY FUNDING STATEMENT



NFU Mutual
RETIREMENT BENEFIT SCHEME

This statement explains the funding that supports your benefits in the NFU Mutual Retirement Benefit Scheme (the Scheme). It tells you about the current funding position of the Scheme and the 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 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 order to do this, 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 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 2021 (annual update)	31 December 2020 (full valuation)	31 December 2019 (annual update)
Assets *	£1,463.9m	£1,352.3m	£1,319.4m
Technical provisions	£1,413.1m	£1,419.4m	£1,310.4m
Surplus/(Shortfall)	£50.8m	(£67.1m)	£9.0m
Funding level	104%	95%	101%

*Please note that the figures shown above 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 technical provisions of the Scheme and so have no impact on the overall position shown.

Changes in the funding position

In 2020 we sent you a statement with information about the funding level of the Scheme as at 31 December 2019. This showed that the Defined Benefit (DB) Section had an estimated surplus of £9.0m and a funding level of 101%.

A formal valuation of the Scheme was carried out as at 31 December 2020. This valuation disclosed a shortfall of £67.1m and a funding level of 95%. Since the previous formal valuation was carried out in 2017, market conditions have resulted in an increase in the value of assets. However, the same market conditions have led to a bigger increase in the technical provisions and hence in the shortfall. Over the three-year period since the previous formal valuation, inflation was lower than we assumed, which improved the position and offset some of this increase in the shortfall. The Trustee also agreed to make changes to a number of other assumptions, including how long members are expected to live, which increased the technical provisions slightly.

A 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 the investment markets. Where a full valuation shows a shortfall, the Trustee and the Society must agree a recovery plan that sets out how the shortfall will be removed and over what timeframe this is expected to happen.

As a shortfall was disclosed for the actuarial valuation as at 31 December 2020, the Trustee and the Society agreed a recovery plan sufficient to remove this shortfall by 31 May 2030. When agreeing the recovery plan with the Society, the Trustee noted the unusual market conditions prevailing at the valuation date in light of the impact of the COVID-19 pandemic. Under the recovery plan, the expected investment returns (over and above the prudent level set in calculating the technical provisions) are sufficient to remove the shortfall over a 10-year period from the valuation date. The recovery plan is subject to review at each actuarial valuation.

A further annual funding update has been carried out as at 31 December 2021. This update shows that the funding level is estimated to have increased to 104% as at 31 December 2021. The main reason for this was higher-than-expected returns on the Scheme's assets over the year, together with changes in market conditions.

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 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 (above what it pays into the DC Section).

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 reassure 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 'technical provisions' basis, it is likely to have a shortfall when compared against the so-called 'solvency' basis (the amount needed to secure all members' accrued benefits in full with an insurance company).

As at 31 December 2020, the Scheme Actuary calculated that the Scheme's assets on the solvency basis had a shortfall of £159.1 million.

If the Scheme winds up, 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 technical provisions 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
- Recovery Plan
- Annual Report and Accounts as at 31 December 2019, 2020 and 2021
- Actuarial Valuation Report as at 31 December 2020
- Actuarial Report as at 31 December 2019 and 31 December 2021
- Statement of Funding Principles
- Defined Benefit Section Member Guide