

# PENSION NEWS

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# Welcome

Welcome to the latest issue of Pension News. It includes a number of articles about the NFU Mutual Retirement Benefit Scheme and the wider world of pensions, which I hope you find useful.

## Changes to the Trustee Board

Since our last newsletter, there have been some changes to the Trustee Board. Brian Duffin, our former Chair, stood down from the Trustee Board on 31 July 2023. I have been appointed as Trustee Chair with effect from 1 July 2023 (after joining the Trustee Board in November 2022). I would also like to welcome Dan Bailey to the Trustee Board, who replaced Kenny Graves as a Company Appointed Trustee Director on 1 July 2023. You can read more about these changes on page 5. I would like to take this opportunity to thank Brian and Kenny for their hard work during their time on the Trustee Board.

## Keeping you up to date

Knowing that your pension savings are being looked after will be important to you. As a Trustee Board, we want to ensure that we provide you with all the information you need, when

you need it. One way is through this newsletter, but we have also set up a dedicated pensions website for the Scheme so that we can quickly update you on the latest developments. This can be accessed via: **[www.nfumstaffpensions.co.uk](http://www.nfumstaffpensions.co.uk)**

Our third-party administrator, Trafalgar House, provides you with access to their member self-service website, My Work Pension. It can be accessed via: **[www.myworkpension.co.uk](http://www.myworkpension.co.uk)**. If you haven't already registered for access to My Work Pension, then I would encourage you to do so.

I hope this newsletter helps you understand how the Scheme is managed on your behalf. If you have any questions or would like further information, please contact Trafalgar House (contact details can be found on the back page).

**John Deane FIA**

Chair

# Facts and figures

The information on these pages is a summary taken from the Trustee's Report and Accounts for the year to 31 December 2022, which have been audited by PricewaterhouseCoopers LLP.

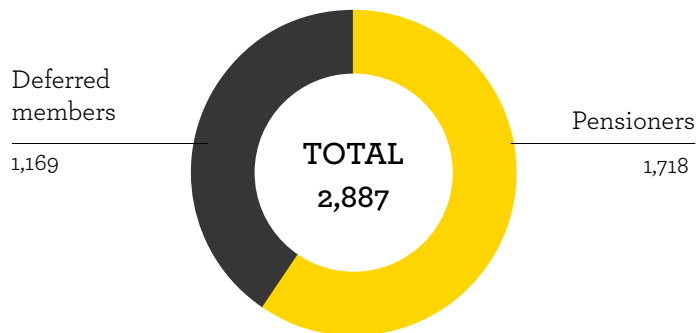
Total net assets* as at 31 December 2022	£960.1 million
Total net assets* as at 31 December 2021	£1,203.8 million

Although the fall in the value of the Scheme's assets may seem alarming, the Trustee does not consider this to be a cause for concern as a rise in interest rates led to a decrease in both asset values and Scheme liabilities, resulting in an improved overall funding position (see page 8).

\*Total net assets include the value of the assets in relation to additional voluntary contributions (AVCs) but exclude the value of the assets in relation to Defined Contribution members.

## Membership

The DB Section is made up of pensioners (including those receiving a dependant's pension based on a retired member's record) and deferred members, who are yet to draw a pension from the Scheme. There are no longer any members actively building up benefits in the Scheme, following the DB Section's closure to future accrual in 2016.



	2021
Pensioners	1,711
Deferred members	1,231
<b>Total</b>	<b>2,942</b>

# 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. Since our last newsletter there have been some changes to the Trustee Board. Details of your current Trustee Directors are below:

## Company Appointed

John Deane – Chair (appointed 1 November 2022)

Dan Bailey (appointed 1 July 2023)

Jonathan Priestley

## Member Nominated

Kevin Davies

Andrew Spriggs

For more information about the Scheme, please see our website at [www.nfumstaffpensions.co.uk](http://www.nfumstaffpensions.co.uk) where you can also find a copy of our Privacy Statement.

## Advisers to the Trustee

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

### Actuary

Martin Faulkner FIA, Towers Watson Ltd

### Auditor

PricewaterhouseCoopers LLP

### Administrator

Trafalgar House Pensions Administration

### Investment consultant

Towers Watson Ltd

### Investment managers

NFU Mutual Investment Services Ltd

### Legal adviser

Gowling WLG LLP

### Bankers

Lloyds Bank plc



## **John Deane** **Chair – Company Appointed**

John joined the NFU Mutual Board in 2022. He is a Fellow of the Institute of Actuaries and brings a wealth of experience, having spent 40 years in the insurance industry where he held senior positions at Chesnara, Royal London Group, Old Mutual and Century Life. John joined the Trustee Board in November 2022 as a Company Appointed Director and replaced Brian Duffin as Trustee Chair with effect from 1 July 2023. Brian Duffin stepped down as Trustee Chair with effect from 30 June 2023 and from the Trustee Board on 31 July 2023 after almost 10 years of dedicated service. We would like to take this opportunity to thank Brian for all of his hard work and dedication during his time on the Trustee Board.

## **Dan Bailey** **Company Appointed**

Dan joined NFU Mutual in 2019 and has been Head of Reward since 2020. His role is to oversee the development and delivery of NFU Mutual's Reward and HR Data strategy, ensuring that remuneration and benefit offerings recognise the contribution that employees make to the success of the business and attract and retain great people. Before joining NFU Mutual, Dan had several roles within the UK motor industry within HR.

# Investments

**The war in Ukraine has unfortunately added to existing inflation pressures from the economic recovery following the lifting of COVID-19 restrictions. This has led to inflation levels that haven't been seen in 40 years.**

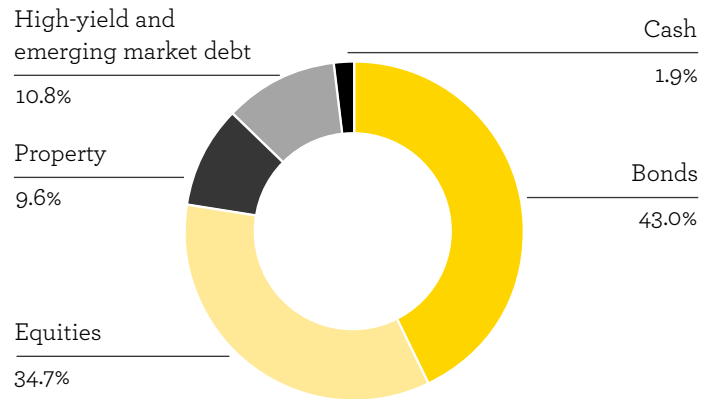
This had not been anticipated by markets and central banks; most countries significantly raised interest rates in a bid to tame inflation and economic growth began to weaken. Whilst the UK-specific market volatility that followed the ill-fated September 'mini budget' did initially impact the Scheme's assets, the new Chancellor's Autumn Statement helped restore market confidence and the impacts had largely reversed by year end.

## Where are the assets invested?

The Trustee has made some changes to the DB Section's investment strategy during 2022 and 2023. The main changes during 2022 saw 10% of the Scheme's investments moved out of equities into fixed-interest and index-linked gilts.

In the first quarter of 2023, the Trustee also agreed to the sale of the Scheme's property portfolio, which is expected to be gradually sold over the rest of the year. The proceeds from the sale are to be allocated to fixed-interest and index-linked gilts.

As at 31 December 2022, the Scheme's assets were invested as follows:



The Trustee must set out its investment strategy for the Scheme in a document called the Statement of Investment Principles. The latest SIP was updated in June 2023 and is available to view online at: [www.nfumstaffpensions.co.uk](http://www.nfumstaffpensions.co.uk)

## Climate change legislation

Climate change has been identified as a financial risk to the world's economy. The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) is driving change to make climate-change reporting compulsory. Therefore, in the next few years, all large pension schemes will be required to increase and improve their reporting of climate-related financial information. This includes the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies in our changing world.

Climate change is one of the biggest challenges facing the people of the world and life in general. For many years, scientists have detected an increasing proportion of

greenhouse gases in our atmosphere and this process must slow down, reach stability and eventually decline if we are to avoid disastrous changes in our climate. This is a worldwide problem, and all countries must play a part in resolving it. The UK government has introduced regulations which apply to pension schemes, principally requiring reporting to our members on the steps we are taking and on our plans. These reports also follow the TCFD framework.

Accordingly, this 'TCFD report' sets out the processes being put in place by the Trustee, alongside our initial reports of progress for the period from 30 September 2022 to 31 December 2022. It is prepared in the form required by the Department for Work and Pensions.

The Scheme published its first TCFD report on 16 June 2023, a copy of which can be found here: <https://bit.ly/3SzWorY>

Hard copies may be provided by the Secretary to the Trustee on request (contact details can be found on the back page).

# 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.**

Every three years, the Trustee must carry out a full valuation (also known as an actuarial valuation) to assess the Scheme's funding in detail, with annual update reports being carried out in the years between full valuations.

## The latest position

The most recent actuarial valuation of the Scheme took place as at 31 December 2020. The table below gives the results of the 2020 valuation and the updated position as at 31 December 2021 and 2022, when the Actuary carried out his annual check-up.

	31 December 2022 (annual update)	31 December 2021 (annual update)	31 December 2020 (full valuation)
Assets**	£1,212.7m	£1,463.9m	£1,352.3m
Technical provisions	£991.5m	£1,413.1m	£1,419.4m
Surplus/(Shortfall)	£221.2m	£50.8m	(£67.1m)
Funding level	122%	104%	95%

\*\*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 surplus/(shortfall) position shown but will impact the overall funding level shown in percentage terms.



## Changes in funding position

The annual update as at 31 December 2022 showed that the Scheme had an estimated surplus of £221.2m and a funding level of 122%. The improvement since the 31 December 2021 position shown in last year's statement was primarily due to a significant increase in gilt yields, offset by investment returns being lower than assumed and, to a lesser extent, higher-than-expected inflation and benefit increase experience over the year.

The next full actuarial valuation will be undertaken as at 31 December 2023.

## Recovery plan

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.



## **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?**

We are required by law to provide you with information about what would happen if the Scheme did 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.

Insurance companies will have a different investment profile than the Scheme, 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 £159.1m. Given the improvements in the funding position noted on page 8, from a shortfall of £67.1m at 31 December 2020 to a surplus of £221.2m at 31 December 2022, it is likely that the solvency position will also have materially improved over that period. The solvency position will next be reassessed at 31 December 2023.

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](http://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 queries or would like any more information, please contact the Secretary to the Trustee (contact details can be found on the back page).



# Scheme noticeboard

## Are your expression of wish nominations up to date?

It is important to make sure that your expression of wish nominations remain 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, if there is a discretionary benefit payable from the Scheme, the Trustee Directors are responsible for deciding who should receive any payment that is due, but they will take your wishes into account.

An up-to-date expression of wish nomination allows us to quickly and easily identify anyone you have nominated to receive benefits. You can update your expression of wish nominations at any time by updating the details online on My Work Pension or by contacting Trafalgar House, using the details on the back page.

## New flexibilities

The Trustee and Society have agreed to introduce some changes to allow greater flexibility for members.

These changes mean that deferred members in the Defined Benefit Section will be able to apply for early or late retirement after they have left the Society (previously, deferred members could only access their pension at their Normal Retirement Date). Both early and late retirement pensions are subject to the consent of the Trustee and will be subject to actuarial reduction (for early retirement) or an actuarial uplift (for late retirement).



## My Work Pension awaits

One of the reasons the Trustee appointed Trafalgar House as the new Scheme administrator is because it offers a secure member website, My Work Pension, where you can access important information about your pension and update personal details so that we can always keep in touch.

All you need to register for My Work Pension is your membership reference number – this can be found on any personal information you’ve received from Trafalgar House (e.g. your welcome letter, a retirement quotation or a pension increase statement). You will then need to enter some personal information as a security check. If this matches our records, your account will be activated.

If you have problems registering, then please contact us using the contact details on the back page or you can log this using the ‘contact us’ option at: **[www.myworkpension.co.uk/contactus](http://www.myworkpension.co.uk/contactus)**. There is more support available online at: **[www.myworkpension.co.uk/FAQs](http://www.myworkpension.co.uk/FAQs)**

## The Trustee prepares for the General Code of Practice

Current trustee boards run their final salary pension schemes in line with a set of 15 ‘codes of practice’ produced by the Pensions Regulator, covering everything from administration to communications. After a consultation, 10 of these codes have been consolidated into one ‘super code’ (called the General Code), which includes some additional requirements for trustees, as well as new sections on cyber security, stewardship and climate change. The General Code hasn’t yet come into force, but the Trustee has been working with its advisers to ensure the Scheme will meet the requirements when the time comes.

# Pension news

## Spring Budget 2023

On 15 March 2023, the Chancellor announced some changes to the pensions taxation framework.

In summary, the proposed changes were:

- From 6 April 2023, the Lifetime Allowance (LTA) tax charge was removed. From 6 April 2024, the intention is for the LTA to be abolished
- The maximum tax-free cash will be retained at £268,275 (25% of the previous Lifetime Allowance of £1,073,100)
- The Annual Allowance was increased from £40,000 to £60,000 from 6 April 2023
- The Money Purchase Annual Allowance was increased from £4,000 to £10,000 from 6 April 2023
- The Tapered Annual Allowance was increased from £4,000 to £10,000 from 6 April 2023.

If you think that you might be impacted by any of these changes, you may wish to speak to a financial adviser, either one of NFU Mutual's own staff financial advisers or an independent financial adviser.



## Pensions dashboard faces delays

Despite hopes that the pensions dashboard would be launched this year, the government has confirmed that the timetable has been pushed back. This is to give the industry more time to resolve issues and develop more guidance for pension providers.

The dashboard aims to provide a single point of reference for members to view information about their pension savings, as well as potentially offer a means of reuniting people with their lost pension pots.

If you think you may have lost a pension pot, the Pension Tracing Service is a free government service on hand to help. You can phone the service directly on 0800 731 0193, or search pension tracing on the **GOV.uk** website.

## Beware of pension scams

These days, many people may be tempted to access their retirement savings to help pay the bills – making them an ideal target for pension scammers. If you are considering transferring your Scheme benefits to an alternative pension arrangement, the Trustee strongly recommends that you seek independent financial advice and exercise extreme caution.

Before you make any decisions about your pension or authorise anyone to deal with your financial affairs, check to see if the firm is on the Financial Services Register at: <https://register.fca.org.uk/s/>

You can find out how to spot a pension or investment scam at: [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)

# Keeping in touch

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



**Call us:**

0203 386 5703

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**Email us:**

[nfumutual@thpa.co.uk](mailto:nfumutual@thpa.co.uk)

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**Write to us:**

NFU Mutual Retirement Benefit Scheme  
Trafalgar House  
PO Box 119  
Blyth  
NE24 9EN

## Scheme Secretary

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

**Email:** [RBS@nfumutual.co.uk](mailto:RBS@nfumutual.co.uk)

Secretary to the Trustee  
NFU Mutual Retirement Benefit Scheme  
Tiddington Road  
Stratford-upon-Avon  
CV37 7BJ

## Accessibility

If you would like to receive this and future newsletters in large-print format, audio or braille, please contact the Scheme Secretary.