



Pension News 2019

Welcome to your latest British Fermentation Products Limited Retirement Benefits Scheme newsletter, keeping you up to date with your pension benefits and wider pensions news.

Summer 2018

Inside, you can find summary figures from the audited accounts and the latest on how the investments have performed.

We also report on the Scheme's latest funding position following the outcome of the funding update at 31st December 2017. Our summary funding statement is on page 7.

Away from the Scheme, Brexit negotiations continue and it's unclear how the economic landscape will react once the talking stops and the UK leaving the EU becomes a reality in 2019. More reason than ever for us, as Trustee, to keep a close eye on the how the financial markets develop over the coming months. We will continue to review our plans and strategies to manage the Scheme through this period of uncertainty.

Until Brexit happens, EU laws will continue to apply (as and where applicable). An example of this is a new change in the data protection laws, which took effect from 25 May 2018, known as the General Data Protection Regulation ('GDPR'). This is an important change to note as it's vital we hold certain personal details about you to enable us to manage the Scheme and calculate your benefits. Under the GDPR, there are clear obligations on us, including ensuring all members are aware how we use and secure your personal details. You can read more inside including a summary privacy notice on page 5.

We also report on wider topical pension issues that may interest you including the pension tax allowances and a reminder on the threat of pension scams.

I hope this newsletter helps you with your retirement planning. Please get in touch if you have a query about the Scheme or your benefits. The contact details are on page 6.

Steve Carlisle

Chairman of the Trustees

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The membership

At 31 December 2017 there were 859 members in the Scheme compared with 880 members at the same date last year.

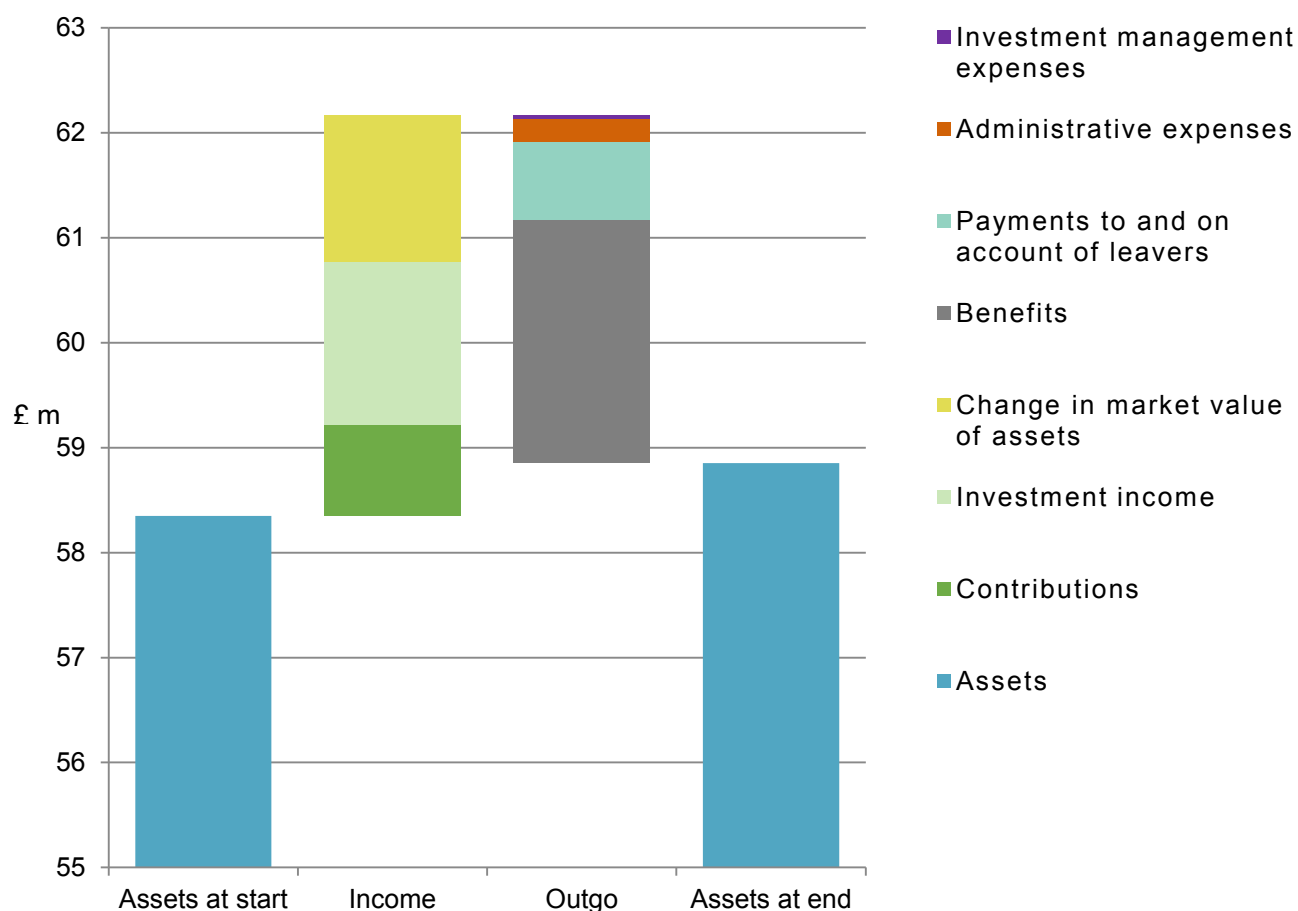
	At 31 December 2017	At 31 December 2016
Deferred members	464	485
Pensioner members	395	395

Deferred members are no longer building up benefits, but they have benefits in the Scheme for when they retire.

- Pensioner members are receiving benefits from the Scheme.

The accounts

The table below shows the income and expenditure in the Scheme for the 12-month period ending 31st December 2017. Our appointed auditors have verified that the figures are accurate. Please get in touch if you would like more detail on the accounts.



Investment update

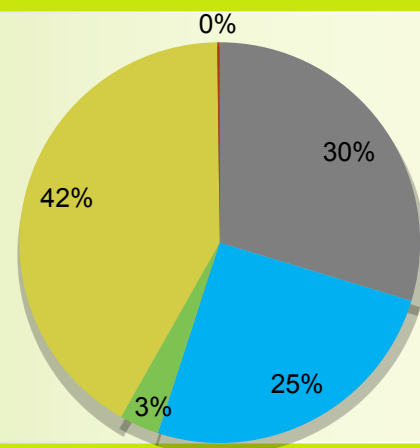
As Trustees, it is our responsibility to decide on the overall investment strategy and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

Asset allocation

At 31 December 2017, the Scheme held assets of £58.8 m compared with £58.3 m at the same date last year.

The chart adjacent shows how the Scheme's investments were allocated at 31 December 2017, across investment managers.

- Equities
- Property
- Cash
- Diversified Growth
- Annuity Policy



Performance

The table below shows how the Scheme's investments have performed compared with their agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform bearing in mind economic and market expectations.

Fund	Over the year to date		Over three years	
	Performance	Benchmark	Performance	Benchmark
BlackRock - Aquila Life UK Equity Index Fund	1.3%	1.3%	5.8%	5.9%
BlackRock – Aquila Life Overseas Equity Fund (Currency Hedged)	9.2%	9.5%	6.0%	6.2%
BlackRock – Emerging Markets Equity Index Fund	11.2%	11.4%	10.7%	10.9%
Newton – Absolute Return Fund	-2.1%	4.4%	0.4%	4.4%
Standard Life – Global Absolute Return Strategies Fund	1.0%	5.5%	-0.8%	5.6%
Schroders – UK Property Fund	10.9%	10.0%	9.5%	8.1%

You can see that performance was largely positive over the year and three years to date with most managers broadly in line with their target returns.

The Trustees are currently reviewing their investment strategy and will report back on this in next year's newsletter.

New data protection rules

In order to run the Scheme and pay benefits correctly, we need to hold personal details about all members.

As mentioned in our welcome message, from 25 May 2018 we need to comply with the General Data Protection Regulation ('GDPR'). This is a new EU rule on handling personal data. The aim of the regulation is to give people more say in how their personal information is used, and improve security by standardising the way organisations across the EU store and use personal information.

We have reviewed our data management processes to ensure the Scheme complies with the new rules. If we find we have to make any changes that would have a direct effect on you, we will let you know. In the meantime, please also read the privacy notice sent to you earlier, and the section on Data Privacy on page 5.

Pension scams: do you know the signs?

Pension scams remain a significant problem and the amount of money lost to fraudsters continues to climb. In an attempt to combat the issue, the Government has announced plans to ban cold-calling about pensions. This is one of the most common methods used by scammers to contact potential victims. The ban will also cover texts and emails.

In the meantime, please make sure you know the warning signs to stay one step ahead of the fraudsters. For up-to-date information, please go to the Pension Regulator's website.

www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams

If you think you've been scammed – act immediately

If you've already signed something you're now unsure about, contact your pension provider straight away.

Cold called about your pension? Hang up!

Unsolicited phone calls, texts or emails about your pension are nearly always scams

'Deals' to look out for

Beware of unregulated investments offering 'guaranteed returns'. Don't be rushed into making a decision.

Using an adviser? Make sure they're registered with the FCA

Scammers sometimes pose as financial advisers. Check your adviser is registered on the FCA website at www.fca.org.uk/register, and that they're authorised to give advice on pensions.

Don't let a friend talk you into an investment – check everything yourself

People have fallen for scams because they'd been recommended by a friend. Do your own homework.

Reminder: the pension tax allowances

The Annual Allowance

This is the amount you can add to your pension benefits each year without incurring a tax charge. For the 2018/19 tax year, most people will have an Annual Allowance of £40,000.

If you are a high earner (e.g. if your income excluding pension costs is over around £110,000 per year), you may have a lower, tapered Annual Allowance. You can check if this applies to you at www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance.

Whatever your Annual Allowance, you can 'carry forward' any Annual Allowance you haven't used up in the previous three tax years.

You can check whether you have gone over the Annual Allowance, or whether you have any unused Annual Allowance you can carry over at www.tax.service.gov.uk/paac.

Money Purchase Annual Allowance

This applies to DC savings only, including DC AVCs. The government proposal to reduce this from £10,000 to £4,000 came into effect from 6 April 2017. It applies, to future DC savings, if you access existing DC savings in certain ways, such as through flexible drawdown or as an 'uncrystallised funds pension lump sum'.

The Lifetime Allowance

This is the total amount of retirement savings you can build up over your working life without incurring a lifetime allowance charge. It includes the value of the benefits you build up in all registered pension schemes. The State Pension does not count towards the Lifetime Allowance. In the 2018/19 tax year, the standard Lifetime Allowance is £1.03 million. You can read more about the Lifetime Allowance at www.gov.uk/tax-on-your-private-pension.

Remember: It is your responsibility to monitor your position against the pension tax allowances.

Transferring out

You may have an option to transfer the value of your benefits to another arrangement. If the value of your Scheme benefits is £30,000 or more, you may need to take independent financial advice before any such transfer out can go ahead. As Trustees, we would strongly recommend you take independent advice regardless of the value of your benefits if you are considering transferring out. (See 'Taking advice' on page 6.)

Privacy notice

The Trustees holds some personal information which we need in order to administer the Plan. Without your personal information, we cannot provide you and your dependants with the correct benefits at the right time.

This will include personal information about you, such as your name and contact details, information about your pension contributions, age of retirement, and in some limited circumstances information about your health (where this impacts your retirement age). The purposes for which your personal information will be used include management of the pension scheme and your membership within it, to calculate and pay benefits, funding the pension scheme (i.e. helping to ensure that the funds within the pension scheme are sufficient to cover the members who are party to it), liability management (that is to say providing advice on the different ways benefits could be determined, and drawn, from the pension scheme), scheme actuary duties (which include assessing individuals who are members of the pension scheme and assessing how the make-up of the membership may affect the amounts payable and when they become payable so as to manage the pension scheme appropriately), regulatory compliance, process and service improvement and benchmarking.

We may pass your personal information to third parties such as advisors and benefits providers, insurers and to certain regulatory bodies where legally required to do so. Depending on the circumstances, this may involve a transfer of data outside the UK and the European Economic Area to countries that have less robust data protection laws. Any such transfer will be made with appropriate safeguards in place.

More detail about our use of your personal information is set out in our full Privacy Notice which has previously been sent to you. If you need a further copy, please contact us using the contact details on page 6.



More information

To find out more about the Scheme please use the contact details below.

For more general information on pensions and saving for retirement, the following websites are useful resources.

www.moneyadviceservice.org.uk

The Money Advice Service provides general advice on all money matters including pensions and finding an independent financial adviser.

www.gov.uk

The Government's website features a section 'Working, jobs and pensions', which includes a State Pension Age calculator.

www.pensionwise.gov.uk

The Government's guidance website explains the flexible DC retirement options.

If you have a concern about your benefits, contact the Early Resolution Team:

Go to www.pensions-ombudsman.org.uk/our-service/make-a-complaint

Phone: **0800 917 4487** and select the option to discuss a potential complaint

Email: helpline@pensions-ombudsman.org.uk

Reminder to keep us up to date

Please let us know if you change your name or address so we can continue to contact you about the Scheme and your benefits.

Please also update your Expression of Wishes form if you need to. This tells us who you would like to receive any benefits that become payable in the event of your death. As the Trustees, we have the final say over who receives the benefits. We will consider your Expression of Wishes form, so if you have never filled one in, or you have not done so recently, particularly if your circumstances have changed, please complete a form and send it to us.

Please use the contact details adjacent to request a blank form.

Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser (IFA). You can find an adviser in your area by searching the Money Advice Service directory at

<https://directory.moneyadviceservice.org.uk/en>.

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised.

You can do this online at <https://register.fca.org.uk> or by phoning the Financial Conduct Authority helpline, **0800 111 6768**.

Contact point

Please use any of the methods below to get in touch with the Administration team.

Email: bfp.pensions@aon.co.uk

Phone: 0330 123 4936
(lines are open Monday to Friday, 9am to 5pm)

Write to: British Fermentation Products Limited Retirement Benefits Scheme, Aon Hewitt Scanning Division, PO Box 096, Huddersfield, HD8 1EG

Behind the scenes

As Trustees, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Scheme is progressing.

There have been some changes to the Trustee Board during the year and the current Trustees on the Board are listed below. The Board is made up of Company-appointed Trustees and member-nominated Trustees.

Company-appointed	Member-nominated
Capital Cranfield Pension Trustees Limited, Chairman, represented by SD Carlisle	D Spruce
C Wisniewski	

We also appoint professionals to support us on areas of particular expertise.

Administrator	Aon Limited
Actuary	Simon Corbett, Aon Limited
Auditor	Crowe U.K. LLP
Investment Adviser	Aon Limited
Legal Adviser	Osborne Clarke

Summary Funding Statement

This section summarises the results of the funding update at 1 January 2018. It also looks at the most recent previous results. These financial health checks are vital for monitoring the Scheme's progress. We hope the information helps you to understand how the Scheme is developing.

The latest position

The table below shows how the funding position has changed since the valuation at 1 January 2016 and the last funding update at 1 January 2018.

	Update	Update	Valuation
Date	At 1 Jan 2018	At 1 Jan 2017	At 1 Jan 2016
The funding level	68.1%	66.5%	77.3%
The funding target	£50.0 million	£48.1 million	£39.2 million
The value of the Scheme's assets	£34.1 million	£32.0 million	£30.3 million
The overall position	Shortfall of £15.9 million	Shortfall of £16.1 million	Shortfall of £8.9 million

The latest update shows that the funding level has improved slightly since the update at 1 January 2017, but it is still a deterioration since the previous valuation.

Since the date of the previous actuarial report a fall in gilt yields has contributed to an increase in the liabilities.

However, the contributions paid into the Scheme and the investment return achieved on the Scheme's assets have resulted in the assets increasing by slightly more than the liabilities.

The next financial check will be based on the Scheme's position at 1 January 2019. We will report on the results once they are complete.

It is important to remember that it is normal for pension scheme funding levels to fluctuate over time. Even when funding is temporarily below target, the Scheme will continue to pay benefits in full as long as it continues.

Reasons for the change

Since the date of the valuation the deficit has increased significantly. This deterioration was reported in last year's annual actuarial report and has been predominantly driven by falls in gilt yields, which increases the liabilities. Although the return on the Scheme's invested assets since the valuation date has been greater than assumed in the technical provisions basis, these gains have been insufficient to offset the negative impact of lower than expected gilt yields.

Summary Funding Statement

Removing the shortfall

As part of the valuation at 1 January 2016 we agreed with 'The Scheme' to bring the Scheme to a fully funded position. This is known as a 'recovery plan'. 'The Scheme' agreed to pay:

- £700,000 by 31 March each year from and including 31 March 2017 to 31 March 2024; plus
- The amount of the PPF levies up to a maximum of £150,000 each year.
- The other expenses of running the Scheme up to a maximum of £150,000 each year.

These contributions and anticipated investment growth are expected to remove the shortfall by 30 November 2024.

In addition, 'The Scheme' continues to pay:

- All administration costs, running expenses and other charges, for example the annual levy to the Pension Protection Fund (www.pensionprotectionfund.org.uk).

The next formal valuation will look at the Scheme's position at 1 January 2019. This will include working out if the recovery plan is on track or if changes need to be agreed.

If the Scheme came to an end

The Scheme's funding level is worked out in two ways.

- The 'ongoing' basis, which assumes that the Scheme will continue into the future.
- The 'full solvency' basis, which shows the funding position if the Scheme started to 'wind up' at the date of the valuation. If this happened, all members' benefits would have to be secured without delay by buying insurance policies. This would be more expensive than paying benefits gradually over time so the full solvency position is generally lower than the ongoing position, even for fully funded pension schemes.

At 1 January 2016 the Scheme's full solvency funding level was 50% with a shortfall of 54.6 million.

Please note that we are legally required to report the full solvency position as part of this funding statement. The Company has no current plans to end the Scheme.

We must also tell you if there have been any payments to The Company out of Scheme funds in the last 12 months. There have not been.

The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run though it has not needed to use its powers in this way for our Scheme. You can find out more about the Regulator online at www.thepensionsregulator.gov.uk.

