



Pension News 2020

Welcome to your latest Scheme newsletter, keeping you up to date with your pension benefits and wider pensions news.

Autumn 2020

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I am Kevin Wesbroom of Capital Cranfield and new Chairman of the Trustees. My predecessor, Steve Carlisle, has retired and on behalf of the Trustees I would like to thank him for over 12 years of service to the Scheme.

We include the usual headline figures from the Scheme's Annual Report & Accounts, and an update on how the investments have performed.

We also report on the Schemes latest funding position following the outcome of the formal actuarial valuation as at 1 January 2019 and update as at 1 January 2020.

Away from the Scheme, we include a feature on the increasing threat of cybercrime and how you can help to protect yourself. We provide an update on the Brexit situation and we summarise the Pension Schemes Bill that was reintroduced to Parliament in January.

Meanwhile, the coronavirus pandemic continues to have a significant effect on the global economy. Please be assured that, as Trustees, we are monitoring the situation closely and taking all possible steps to mitigate any impact on the Scheme. We will keep you updated.

Please do get in contact if you have a query about the Scheme or your benefits. The contact details are on page 6.

Kevin Wesbroom

Chairman of the Trustees

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In numbers

The membership

At 31 December 2019 there were 826 members in the Scheme compared with 838 members at the same date the previous year.

425

Deferred members- no longer building up benefits but have benefits in the [Scheme/Plan] for when they retire

401

Pensioner members- receiving benefits from the Scheme (and including the dependants of members who have died)

The accounts

Here we show headline figures from the Scheme's Annual Report and Accounts. If you would like more detail, please request a copy of the full report using the contact details on page 6.

The value of the assets supporting the Scheme at 31 December 2019

£57.3M



The increase in the value of the assets over the reporting year

£2.3M



The total value of Company contributions paid in to the Scheme during the year

£0.8M



The total value of member contributions paid in to the Scheme during the year

£nil



The total value of benefits paid to members during the year

£2.6M



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.

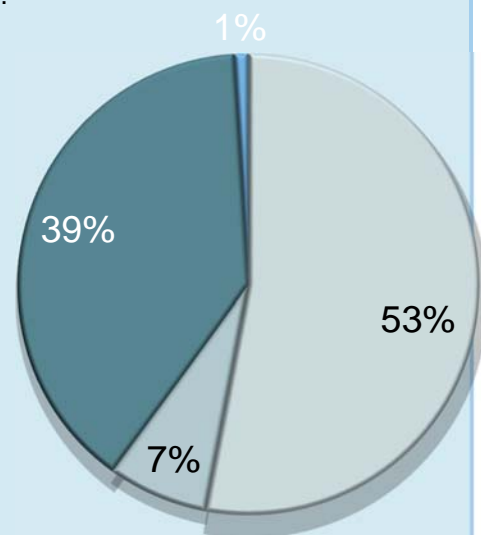
In 2018 we reviewed our investments and made the decision to move some of the Scheme's assets from the higher-risk equities to the lower-risk but more secure diversified growth and matching assets. We continue to de-risk the investment strategy. The ultimate aim is to secure the Scheme's funding position.

Asset allocation

At 31 December 2019, the Scheme held assets of £57.3M compared with £55.0M at the same date the previous year.

The chart shows how the Scheme's investments were allocated at 31 December 2019, across asset types.

- Schroder Diversified Growth [53%]
- Cash [1%]
- Schroder Matching [7%]
- Legal & General Annuity [39%]



Performance

Over the year the Schroder Diversified Growth fund returned 10% gross of fees relative to its target, inflation + 5%, of 6.5%. The Schroder Matching assets are designed to match the underlying liabilities and achieved positive returns in line with their benchmark. The Legal & General Annuity policy is designed to match the pensions for the population covered by that policy.

Protect yourself from cybercrime

Hackers want access to your finances – bank accounts, retirement accounts, loans, etc. Bank accounts are the top target, but retirement accounts are becoming increasingly attractive to fraudsters. This is probably because they are not checked as often as everyday financial accounts, and because they can hold a lifetime of savings.

Financial advisers recommend checking your retirement accounts regularly and to report any unfamiliar transactions.

Individually, we all have a responsibility to protect our own data to reduce the risk of cybercrime. Here are some top tips to help you keep your online data secure.

1. **Use strong passwords.** Make them complex, change them regularly and don't use the same one on multiple sites. In 2019, the UK's National Cyber Security Centre found that '123456' was the most widely used password on breached accounts, followed by '123456789', 'qwerty', 'password', and '1111111'.
2. **Install security software.** There are lots of options when it comes to protecting your devices and software from viruses and other malware. This kind of software is often available at no cost.
3. **Keep your devices and software up to date.** Regular updates can be frustrating, but they are vital to patch any potential flaws cybercriminals look for.
4. **Back up your most important data.** Save your most important online data to an external hard drive or cloud-based storage system.
5. **Lock your devices.** Use the screen lock function on your smartphone and tablets.
6. **Manage your social media settings.** The more you share online the greater the risk, so keep your personal and private information secure on social media.
7. **Strengthen your security on Wi-Fi.** Use a strong password when using public Wi-Fi. It's also a good idea to use a virtual private network (VPN), which will encrypt everything that leaves your device until it gets to its destination.

To find out more about the threat of cybercrime and how you can stay safe, go to: www.getsafeonline.org and www.ncsc.gov.uk.

If you are a victim of cybercrime, report it to Action Fraud, the UK's fraud and cybercrime reporting centre: www.actionfraud.police.uk.

Pension Schemes Bill reintroduced

In January, the Government reintroduced the Pension Schemes Bill to Parliament. (It had been held up due to December's General Election.)

The Bill includes:

- New powers and sanctions to enable the Pensions Regulator to take stronger action where pension schemes are not being run properly.
- Provisions to support online pension dashboards, so that individuals can access details of all their pension arrangements in one place.
- A requirement for trustees of DB plans to produce a statement on their long-term funding and investment strategy.
- Provisions allowing for restrictions on transfer payments, to help prevent pension scams.

The timescale for these measures to come into force has not yet been confirmed – we will keep you updated.



Coronavirus and Brexit update

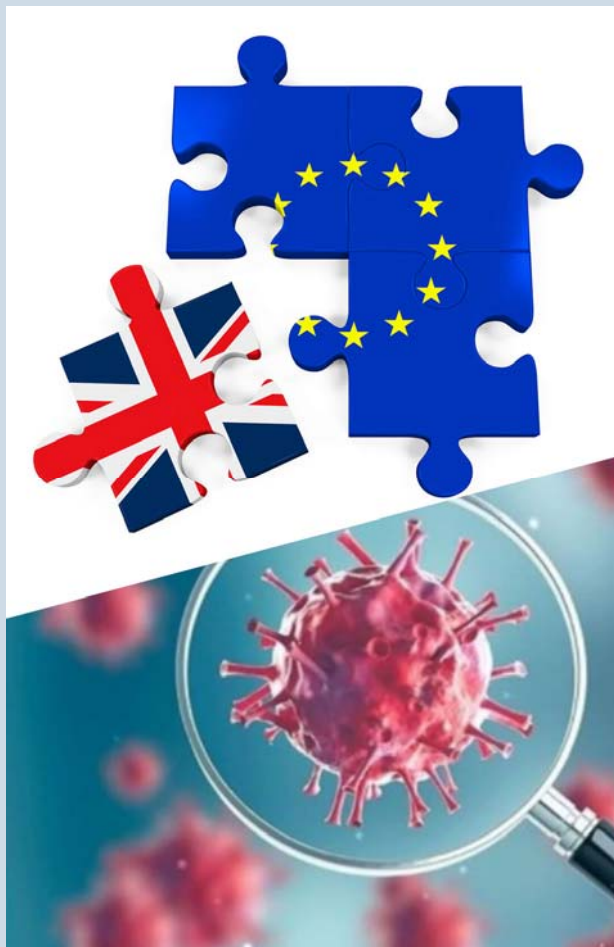
Brexit uncertainty dominated the financial landscape following the outcome of the EU referendum in 2016 – until the coronavirus pandemic.

Following the General Election in December 2019, the European Union (Withdrawal Agreement) Act received Royal Assent on 23 January 2020.

The UK left the EU on 31 January 2020, with transitional arrangements in place until 31 December 2020. This means that the immediate impact of Brexit is currently limited.

However, the coronavirus pandemic is having a significant impact on markets and the wider economy.

As Trustees of the Scheme, we continue to monitor both issues as they develop. We also have robust strategies in place to ensure the efficient day-to-day running of the Scheme and ensure that members are able to access the services they need.



GMP equalisation

The Trustees are working with their advisors to understand how this ruling affects the Scheme. This judgment is complex, and deals with almost thirty years' worth of uncertainty and we want to get this right. There is also the possibility of an appeal, and the Government has said it intends to publish further guidance. Taken together the whole process will take time.

Once we know more, we will contact all affected members with details, however we are conscious that there has been lots of coverage in the national press, not all of it accurate. Therefore we've answered some frequently asked questions below:

Does this ruling affect me?

The judgment only applies to benefits built up between 17 May 1990 and 6 April 1997. Only members or their dependents with pensions built up over this period will be affected.

The ruling affects men and women and it affects both pensioners and members who have yet to draw their pension.

How much money am I going to get?

Contrary to much of the press coverage, we expect many individuals to see little or no increase in the value of benefits, and there are a few reasons for this:

- GMP often only makes up a small part of an individual's pension and so the amounts involved in addressing any inequality are likely to be small.
- Many members will receive no increase as they have not been disadvantaged by the way their benefits have been treated
- Many members won't have benefits built up within the scheme between 17 May 1990 and 6 April 1997.

Why hasn't this already been dealt with?

The way that GMP works is set out in legislation and is very complicated. Over a number of years the Government has made suggestions as to how the differences between males and females could be addressed, but it wasn't clear whether any action was required or whether the possible solutions would work from either a practical or legal perspective. This court case confirms action is required and gives clarity on what schemes can do to put things right going forwards.

Do I need to do anything to claim my benefits?

Not at the moment.

We are working with our advisors to work out if and how you are affected and once we know more we will get back to you and the other members of the scheme with more information. It is the Trustees job to make sure you get the benefits you are entitled to and we are working to make sure that this happens.

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.

Early Resolution Service

If you have a concern about your benefits, contact the Pensions Ombudsman's 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

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 Limited Scanning Division, PO Box 196, Huddersfield, HD8 1EG

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 on the left 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**.

Remember: if you would like more information about the Scheme, you can request a copy of the Trustees' Annual Report & Accounts. Contact the Administration team.

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.

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 K Wesbroom	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 UK LLP
Covenant Advice	PwC
Investment Adviser	Schroder
Legal Adviser	Osborne Clarke

Summary Funding Statement

This section summarises the results of the formal actuarial valuation at 1 January 2019 and funding update at 1 January 2020. 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 2020.

	Update	Valuation	Valuation
Date	1 January 2020	1 January 2019	1 January 2016
The funding level	74%	74%	86%
The funding target	£76.8 million	£73.7 million	£63.5 million
The value of the Scheme's assets	£56.8 million	£54.5 million	£54.6 million
The overall position	Shortfall of £20.0 million	Shortfall of £19.2 million	Shortfall of £8.9 million

The latest valuation shows that the funding level has deteriorated since the valuation at 1 January 2016.

Whilst asset performance has been in line with expected, there has been a large increase in the funding target due to falls in gilt yields that drive this valuation. The fall increases the amount of money that needs to be set aside now to pay benefits at a later date.

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.

Removing the shortfall

As part of the valuation at 1 January 2019, we agreed with the Company to bring the Scheme to a fully funded position. This is known as a 'recovery plan'.

The Company agreed to pay the following amounts to recover the deficit:

- £1.5M by 31 March 2020;
- £3.3M by 31 March 2021;
- £3.7M by 31 March 2022;
- £3.8M by 31 March 2023;
- £3.8M by 31 March 2024; and
- £3.9M by 31 March 2025.

These contributions and anticipated investment growth are expected to remove the shortfall by 31 March 2025.

In addition, the Company continues to pay:

- The amount of the PPF levies up to £150,000 per year; and
- The other expenses of running the Scheme up to a maximum of £150,000 each year.

The next formal valuation will look at the Scheme's position at 1 January 2022. 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 (shown above), 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 2019, the Scheme's full solvency funding level was 49% with a shortfall of £56.4 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.

