

Pension News 2022

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

Spring 2022

Life is slowly returning to normal in the UK as society learns to live with the COVID-19 virus and the vaccination programme. Indeed, the UK economy was boosted as the retail and leisure sectors re-opened. However, recent events, including soaring gas prices, remind us that the economy remains fragile.

As ever, our role as trustees remains the same – to monitor the Scheme's development and to make any changes we feel are necessary to protect the Scheme and all members' best interests.

Inside, you can read how the Scheme's financial position is developing in our latest summary funding statement. We report on the Scheme's funding position as at 31 December 2020, the headline being that the current contributions under the recovery plan are on track to restore the funding position to 100% by 31 March 2025.

We also include a summary of the year's accounts and an update on the Scheme's investments.

Away from the Scheme, we look at the timetable for launching the industry's Pensions Dashboard, we include a warning of the threat of online fraud, and we report on the increasing importance of Environmental, Social and Governance (ESG) factors for investments.

As always, please do get in contact if you have a query about the Scheme or your benefits, or if there is a topic you would like us to feature in our next issue. The contact details are on page 6.

Kevin Wesbroom

Chair of the Trustees

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In numbers

The membership

At 31 December 2020 there were 813 members in the Scheme, compared with 826 members at the same date the previous year.

410

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

403

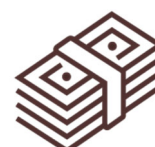
Pensioner members - receiving benefits from the Scheme (and including the dependants of members who have died).

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 2020

£61.7M



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

£4.7M



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

£1.6M



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

£2.5M



Investment update

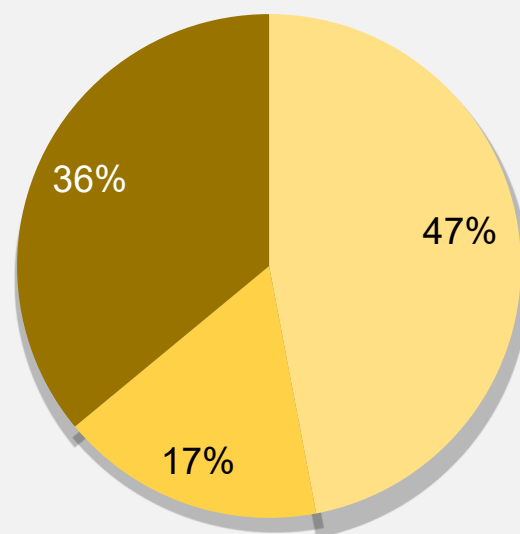
As trustees, it is our responsibility to decide on the overall investment strategy, and to make changes as and when appropriate. We work closely with our investment advisers and we keep a close eye on how the funds are performing.

Asset allocation

At 31 December 2020, the assets supporting the Scheme had a value of £61.7M, compared with £57.0M at the same date the previous year.

The chart to the right shows how the Scheme's investments were allocated at 31 December 2020.

- Schroder Diversified Growth 47%
- Schroder Matching 17%
- Insurance Policies 36%



Performance

Over the year to 31 December 2020, the Schroder Diversified Growth fund returned 8.4% gross of fees, compared to its target of 5.3%.

The Schroder Matching fund is designed to protect the Scheme from increases to the value of the underlying liabilities. The change in the Schroder Matching fund up to 31 December 2020 has closely matched the change in value of the covered liabilities.

The Insurance Policies, held with Legal & General and Aviva, provide annuity income to the Scheme that matches the payments to the pensioners covered by these policies.

Beware of cyber crime

Online fraud, or cyber crime, is an ongoing threat in today's device-led world. The Pension Regulator's new single code of practice aims to tackle this with more emphasis, making it more of a priority for the trustees of pension schemes.

As trustees, we are committed to maintaining the highest level of security of the Scheme's online systems and your personal data and will continue to work closely with our expert advisers to identify any areas for improvement.

We encourage you to be vigilant to help protect yourself from cyber crime. Things to look out for include:

Authority. Beware of emails claiming to be from someone official, such as your bank or doctor. Criminals often pretend to be someone in a position of trust to gain your confidence and then trick you into doing what they want.

Similarly, a common scam is for fraudsters to set up a website that pretends to be a legitimate business – for example a firm that is regulated by the Financial Conduct Authority (FCA).

Urgency. Beware of urgent time periods (such as 'within 24 hours' or 'immediately').

Emotion. Beware of messages that make you panic or fearful of missing out on something. False claims of support or enticing you into wanting to find out more are common methods.

Topical. Criminals often exploit current news to make their scam seem more relevant to you. Sadly, the COVID-19 pandemic gave criminals a new opportunity to tempt people into mistakes.

Remember!

If an email, website or social media post looks suspicious, stop what you're doing and give yourself time to check whether it is what it claims to be. If a financial adviser or firm is genuine, they will be authorised by the FCA and their details will be on the FCA's register. You can check the register online at <https://register.fca.org.uk>. Or you can ask the FCA to check for you by calling them on **0800 111 6768**.

Do

Read the National Cyber Security Centre guidance at www.ncsc.gov.uk/guidance/suspicious-email-actions for further information on how to stay safe.

Visit the FCA's Scam Smart website at www.fca.org.uk/scamsmart.

Don't

Click on links, or share your bank details or personal information, following unsolicited requests.

New single code of practice

During 2021, the Pensions Regulator undertook a public consultation about combining its existing (multiple) codes of practice into one single, shorter code. The Regulator received more than 10,000 individual answers during the consultation.

The new single code is expected to come into force during 2022, with an increased focus on governance and, in particular, risk assessment and cyber risk. This will mean greater overall protection for your benefits.

FCA and TPR guidance on advice and support

The Financial Conduct Authority (FCA) has published new guidance on what is expected from financial advisers delivering advice on transfers out of Defined Benefit schemes. The guidance focuses on the processes that should be put into place to ensure firms deliver suitable advice for members interested in transferring out.

The guidance also includes a new version of the joint FCA and Pensions Regulator (TPR) publication '*Guide for employers and trustees on providing support with financial matters without needing to be subject to FCA regulation*'.

The key points are:

Trustees/employers can continue to provide information to help members understand their options for accessing their retirement benefits.

- Trustees/employers can continue to appoint and provide access to a preferred, FCA-regulated IFA.
- Factual numerical information about what members can do with a Defined Benefit transfer value can be provided but illustrative figures, using assumptions about the future, should not be provided.

Pensions Dashboards

A few years ago, the Government called on the pension industry to develop and launch an online Pensions Dashboard. The aim is to enable everyone to have quick and easy access to information on all their pension savings in one place. To achieve this, the Money and Pensions Service established a Pensions Dashboards Programme (PDP) team. The timeline for developing Pensions Dashboards is as follows.

From 2021

'Develop and test' phase – building, integration and testing of the digital architecture.

From 2022

Voluntary onboarding – connection of volunteer pension schemes to the service, using real data.

From 2023

Staged onboarding – pension schemes will be required by law to connect to the service. The PDP recently called for input on how this should be implemented. They are recommending three waves:

Wave 1: largest schemes (1,000+ members). This would run for up to two years from April 2023, split into three cohorts:

- Master trusts and FCA-regulated providers of personal pensions,
- Defined contribution schemes used for Automatic Enrolment, and
- All remaining occupational schemes with 1,000+ members (in order of size) with the largest defined benefit schemes to onboard in 2023.

Wave 2: medium schemes (100 to 999 members). This wave would be staggered by size and could go beyond the two-year timeline proposed for Wave 1. It would be unlikely to start before 2024.

Wave 3: small and micro schemes (fewer than 100 members). Staging of these would be deferred until after waves 1 and 2, so possibly after 2025.

The Government has said that the Pensions Dashboard will also be made available to the public around 2023, by which point the PDP believes there will be sufficient findable pensions to make dashboards useful to consumers.

To find out more about the PDP go to www.pensionsdashboardsprogramme.org.uk.

Responsible investing

You may have heard about responsible investing in the news recently as it's getting more attention across the pension industry. Responsible investing aims to incorporate environmental, social and governance (ESG) factors into investment decisions, which can help to create long-term sustainable returns.

- **Environmental:** the impact companies and their assets have on the environment.
- **Social:** how companies treat their employees, customers and the community.
- **Governance:** how companies and their assets are governed.

As Trustees of the Scheme, we assess ESG factors when agreeing how to invest the Scheme's assets. Our appointed investment manager also incorporates ESG factors into their day-to-day processes.

Minimum retirement age set to increase

The Government has confirmed that the minimum retirement age will rise from 55 to 57 in April 2028, to broadly coincide with the rise in the State Pension Age to 67.

Pension savers considering taking early retirement in 2028 or later may need to take this into account – in particular, those that will turn 55 just after the change takes effect and those who reach age 55 shortly before then but have not accessed all their benefits.

More information

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

There are lots of useful websites that can help you understand your options and support you with your retirement planning.

Get to know your pension at www.yourpension.gov.uk.

The site has a tool that can quickly generate you a retirement checklist to help you assess where you are with your planning. It also has useful links to a pension calculator, a State Pension calculator and more.

Picture your future at

<http://www.retirementlivingstandards.org.uk> The retirement living standards show you what life in retirement looks like at three different levels, and what a range of common goods and services would cost for each level.

www.maps.org.uk

The Money & Pensions Service brings together three main guidance bodies, the Money Advice Service, the Pensions Advisory Service and Pension Wise.

The combined service has now relaunched as MoneyHelper. To find out more, go to

www.maps.org.uk/moneyhelper/

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

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 Board is made up of Company-appointed trustees and a member-nominated trustee.

Company-appointed	Member-nominated
Capital Cranfield Pension Trustees Limited, Chair, represented by K Wesbroom	D Spruce
C Wisniewski	

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.

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

Administrator	Aon Solutions UK Limited
Actuary	Simon Corbett, resigned 30 November 2021 Susannah Calder, appointed 7 December 2021
Auditor	Crowe UK LLP
Covenant Advice	PwC
Investment Adviser	Schroder
Legal Adviser	Osborne Clarke

Summary Funding Statement

This section summarises the results of the funding update at 31 December 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 shows how the funding position has changed since the valuation at 31 December 2018 and the latest funding updates at 31 December 2019 and 31 December 2020.

	Update	Update	Valuation
Date	31 December 2020	31 December 2019	31 December 2018
The funding level	76%	74%	74%
The funding target	£81.6 million	£76.8 million	£73.7 million
The value of the Scheme's assets	£61.7 million	£57.0 million	£54.5 million
The overall position	Shortfall of £19.9 million	Shortfall of £19.8 million	Shortfall of £19.2 million

The latest update shows that the funding level has improved since the valuation at 31 December 2018.

There is also an improvement in the funding level compared to the previous year's update.

The improvement is mainly attributable to the contributions received from the Company.

For further details on our investment approach, read our Statement of Investment Principles (SIP) at <https://pensioninformation.aon.com/bfp>.

You can also read our engagement policy Implementation Statement showing how our policy on engagement activities and voting has been followed during the year.

The next financial check will be based on the formal actuarial valuation of Scheme's position at 31 December 2021. We will report on the results once the valuation is completed.

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.

Summary Funding Statement

Removing the shortfall

As part of the valuation at 31 December 2018, we agreed with the Company to remove the Scheme's funding shortfall by 31 March 2025. This is known as a 'recovery plan'. Under the recovery plan the Company has agreed to pay the following contributions to the Scheme:

- £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.

In addition, the Company continues to pay:

- The amount of the PPF levies up to a maximum of £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 31 December 2021. This will include working out if the recovery plan is still 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 31 December 2018, 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

