



British Fermentation Products Limited Retirement Benefits Scheme

Pensions News 2024

Autumn 2024

Welcome to this latest issue of your Scheme newsletter

For many people, the increased cost of living remains an issue. While rates of inflation are falling, interest rates remain high, putting continued pressure on budgets. We are alert to the current fragility of the markets and of broader national and international matters that could affect the Scheme's financial position. We continue to monitor the economic landscape in case we need to take proactive action.

The Pension Regulator's new general code of practice came into effect at the end of March, increasing the focus on effective governance of pension schemes, and we are fully committed to complying with the new code.

Scheme Funding update

Inside, we report on the Scheme's latest financial position in our summary funding statement. This is based on the Scheme's position as at 31 December 2023. We are pleased to report that the Scheme remains in a strong financial position, especially after the purchase of the insurance policy below.

We have also included our annual summary of the year's accounts and membership figures.

Insurance policy

In July 2024, we purchased an insurance policy from Canada Life, a specialist UK life insurer. The addition of this new insurance policy means that all members of the Scheme – pensioners and deferred members – are now covered by an insurance policy. These insurance policies are designed to match the liabilities of the Scheme and so provide protection against changes to future investment returns, inflation and life expectancy.

Your benefit entitlement under the Scheme does not change because of our investment in insurance policies but it does increase the security of your benefits. This improved security was possible because of a significant, generous contribution from the sponsor.

Wider pensions news

You can find our usual round-up of news on pages 4 and 5. In this issue, we report on changes to the pension tax allowances and the updated Retirement Living Standards, designed to help you assess whether you're on track to achieve the lifestyle you would like in retirement. We've also included reminders on how to stay safe from pension scams along with an update on the Pensions Dashboards Programme.

If you have any questions about the Scheme or your benefits, or you have a topic you want to see covered in our next issue, please do get in contact. The relevant details are on page 6.

Kevin Wesbroom
Chair of Trustees.

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In numbers

The membership





At 31 December 2023 there were 764 members in the Scheme compared with 785 members at 31 December 2022

355	Deferred members No longer building up benefits but have benefits in the Scheme for when they retire.
409	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 2023	£44.7 M
	The increase in the value of the assets over the reporting year	£3.4 M
	The total value of Company contributions paid in to the Scheme during the year	£3.9 M
	The total value of benefits paid to members during the year	£2.7 M

Investment update

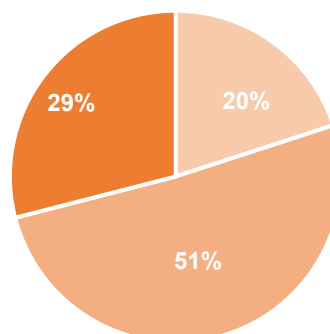
As Trustees, it is our responsibility to agree on the overall investment strategy, and to make changes as and when appropriate. We work closely with our investment advisers, and we keep a close eye on how the funds are performing.

Asset allocation

At 31 December 2023, the Scheme held assets of £44.7 million compared with £41.3 million at the same date last year (not including AVCs).

The chart adjacent shows how the Scheme's investments were allocated at 31 December 2023, across asset types

- Insurance Policies, 29%
- Schroder Matching fund, 51%
- Schroder Corporate Bond fund, 20%



Performance

Over the year to 31 December 2023, the Scheme fully disinvested from Diversified Growth Funds and moved all assets under management with Schroders to a mixture of Matching funds and Corporate Bond funds. The Schroder Matching and Corporate Bond funds are together designed to protect the Scheme from changes to the value of the underlying liabilities while still providing some capital growth. Over the year to 31 December 2023, the Schroder Corporate Bond fund returned 9.49%, gross of fees, compared to a target of 8.62%.

The Insurance Policies, which as at 31 December 2023 were held only with Legal & General, provide annuity income to the Scheme that matches the payments to the pensioners covered by these policies.

As noted on the opening page of this newsletter, in July 2024 we purchased a new Insurance Policy from Canada Life. The Scheme is now 100% invested in Insurance Policies, covering both pensioners and deferred members.

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.



In the news

Your pension tax allowances for 2024/25

The Government has made several changes to the tax allowances that apply to pension benefits, which are set out below. There are more details on pension tax in general on the Government's website at:

<https://www.gov.uk/tax-on-pension/tax-free>

If you are unsure of your tax position, please speak to an independent financial adviser (see page 6).

Staying: Annual Allowance

This applies to the pension benefits you can build up in a tax year before you incur a tax charge on those new savings.

Most people will have an Annual Allowance of £60,000. Higher earners will have a lower allowance. You may have a lower Money Purchase Annual Allowance if you have savings in a Defined Contribution pension scheme and have used these to provide certain benefits. Examples include taking some of your savings as cash or moving them into a drawdown arrangement and using them to provide you with an income. The Money Purchase Annual Allowance is £10,000.

Abolished: Lifetime Allowance and Lifetime Allowance charge

The Lifetime Allowance used to apply to the total pension benefits you could build up over your lifetime (excluding any State pension) before you had to pay a Lifetime Allowance tax charge.

The Lifetime Allowance was also used to limit certain lump sum benefits and its removal means that new allowances have been brought in to maintain those limits.

New: Lump Sum Allowance

This is the maximum amount of tax-free cash you can take when you retire. The standard allowance is £268,275. (This is 25% of the final standard Lifetime Allowance amount of £1,073,100.)

The Lump Sum Allowance is a cumulative limit, applying to the total tax-free lump sum you can take if you access your benefits on a series of separate occasions. Tax-free lump sums are also usually limited to 25% of the total value of benefits coming into payment.

New: Lump Sum and Death Benefit Allowance

This covers the maximum amount of tax-free cash you can receive when you retire and your beneficiaries can receive following your death. It also covers any serious ill-health lump sums paid. This allowance is £1,073,100 (the same as the final standard Lifetime Allowance amount).

The Government hasn't announced whether either of the above allowances may change over time, but if you had any Lifetime Allowance 'protection' in place, your new lump sum allowances will be higher.

New: excess lump sums

Also in effect from 6 April 2024 is the new Pension Commencement Excess Lump Sum (PCELS). This allows for payment of an additional lump sum at retirement in certain circumstances. Any such lump sum taken is subject to tax at the person's marginal rate. You can only take a PCELS once you have used up all your Lump Sum Allowance.

Newsbites

Minimum retirement age to increase

The youngest age most people can start to receive their pension benefits will go up in April 2028 – from age 55 to age 57. The aim of this change is to keep the minimum retirement age at around 10 years below the State Pension Age, which is due to rise gradually from 66 to 67 between 2026 and 2028.

Pensions Dashboards update

The Pensions Dashboards Programme (PDP) is developing an online portal that anyone will be able to use to keep track of all their pension savings. There is now a single 'backstop' deadline for all schemes to connect: 31 October 2026. Schemes will still be given recommended earlier connection dates starting from April 2025 for the biggest schemes, to aim to avoid a 'bottleneck'. The PDP is yet to announce the date at which the pensions dashboards will be available to the public to use. www.pensionsdashboardsprogramme.org.uk



In the news

Retirement Living Standards

Do you know roughly how much money you will have in retirement? Does it align with the standard of living you are expecting?

New research shows that if you want a moderate standard of living when you retire, you will need to be able to spend around £31,000 a year if you are single. If you have a partner, that spend rises to around £43,000 a year combined. If you live in London, those figures are higher.

These are some of the takeaways from the latest research by the Pensions and Lifetime Savings Association who created the Retirement Living Standards. These show the kind of lifestyle you could have in retirement and roughly how much money you might need to spend to support that lifestyle.

The standards reflect the current cost of living and an up-to-date mix of goods, services and other retirement expenses. The latest figures were published in January 2024.

Retirement Living Standard	How much you might need to spend	
	Single person	Couples
Minimum: covers all your needs, with some left over for fun.	£14,400	£22,400
Moderate: more financial security and flexibility.	£31,300	£43,100
Comfortable: more financial freedom and some luxuries.	£43,100	£59,000

The standards are based on independent research by Loughborough University and are reviewed and updated on a regular basis. A diverse cross-section of the public covering a broad range of income levels, backgrounds and circumstances help to inform the standards to ensure they are balanced.

Note: the figures show what you might need to **spend** in retirement rather than the income you might need. Your retirement income will be subject to tax as earned income, so it is important to factor this in when reviewing your own situation.

www.retirementlivingstandards.org.uk

Protect yourself from pension scams

Sadly, the current economic environment with pressure on budgets, provides a situation where scammers can thrive, whether trying to take advantage of the vulnerable, or attempting to get hold of savers' personal and financial information.

There are common signs to look out for to protect yourself. These include unsolicited contact about your pension, undue pressure to commit to an offer, promises of guaranteed investment returns, and offering early access to your pension savings.

To learn more, visit MoneyHelper. Go to www.moneyhelper.org.uk and choose Money troubles > Scams > How to spot a pension scam.

The Financial Conduct Authority (FCA) also provides guidance on how to spot potential scams. Visit the ScamSmart area of their website: www.fca.org.uk/scamsmart.

The National Cyber Security Centre has a Cyber Aware website that contains up-to-date advice on how to stay secure online. For more information, including a free personalised action plan to improve your cyber security, visit their website at www.ncsc.gov.uk/cyberaware.

More information

Useful websites

The following websites provide information and support that you may find useful.

Retirement planning

Follow some simple steps to plan for retirement. You can generate a retirement checklist, link to a pension calculator, a State Pension calculator and more.

www.yourpension.gov.uk

MoneyHelper

MoneyHelper is the free, impartial guidance service backed by the Government. It provides information and support on all money matters.

www.moneyhelper.org.uk

Gov.uk

The Government's website provides information about the State Pension including tools to check your entitlement. It also has information about workplace pensions and the pension tax allowances.

www.gov.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

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 member-nominated Trustees.

Company-appointed

Capital Cranfield Pension
Trustees Limited, Chairman,
represented by K Wesbroom
Jerome Ronze

Member-nominated

D Spruce

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. You can find an adviser in your area by searching MoneyHelper's online directory.

Go to www.moneyhelper.org.uk and choose *Pensions and retirement > Taking your pension > Find a retirement adviser*.

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 (details on the left).

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

Administrator	Aon Solutions (UK) Limited
Actuary	Roxanne Thompson, FIA Aon Solutions (UK) Limited
Auditor	Crowe U.K. LLP
Investment Adviser	Schroder Investment Management Limited
Legal Adviser	Osborne Clarke LLP

Summary funding

This section summarises the results of the funding update at 31 December 2023. 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 31 December 2021 and the last funding updates at 31 December 2022 and 31 December 2023.

	Update	Update	Valuation
Date	31 December 2023	31 December 2022	31 December 2021
The funding level	82%	75%	76%
The funding target	£54.2 million	£54.9 million	£82.0 million
The value of the Scheme's assets	£44.7 million	£41.3 million	£62.3 million
The overall position	Shortfall of £9.5 million	Shortfall of £13.6 million	Shortfall of £19.7 million

The latest update shows that the funding shortfall has reduced significantly since the valuation at 31 December 2021 and the previous update at 31 December 2022. The funding level has also improved since the previous update at 31 December 2022.

The improvement in the funding position has been primarily driven by the payment of deficit repair contributions and the increase in yields available on Government bonds. This decreases the amount of money that needs to be put aside now to pay benefits at a later date.

The funding shortfall has reduced further since the most recent update at 31 December 2023 due the sponsor paying a significant additional contribution to the Scheme in July 2024 to cover the purchase of an insurance policy.

The next financial check will be based on the Scheme's position at 31 December 2024. 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.



Summary funding

Removing the shortfall

As part of the valuation at 31 December 2021, 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:

- £3,700,000 by 31 March 2022
- £3,800,000 by 31 March 2023
- £3,800,000 by 31 March 2024
- £3,900,000 by 31 March 2025
- £1,500,000 by 31 March 2026
- £1,000,000 by 31 March 2027
- £1,500,000 by 31 March 2028

These contributions and anticipated investment growth are expected to remove the shortfall by 31 March 2028.

In addition, the Company continues to pay:

- The amount of the PPF levies up to a maximum of £150,000 per year;
- The expenses involved with the GMP equalisation project up to £100,000 in total; and
- The other expenses of running the Scheme up to a maximum of £200,000 each year.

The next formal valuation will look at the Scheme's position at 31 December 2024. This will include working out if the recovery plan is on track or if changes need to be agreed.

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.

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 2021, the Scheme full solvency funding level was 56.8% with a shortfall of £47.4 million.

The solvency shortfall has been almost fully eliminated following the generous additional contribution payment from the sponsor in July 2024.

Please note that we are legally required to report the full solvency position as part of this funding statement.

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

