Biffa Pension Scheme

DB section

Review

February 2024

Do you have a Retirement Account in the DC section?

If you do, please read our DC section newsletter.
This is also on the Scheme website.

From the Trustee Chairman

The Scheme remains in a strong financial position, with more than enough assets to cover the value of the benefits that members have built up.

This is the headline from our latest funding update at 31 March 2023, which found that the Scheme had an estimated surplus of £8.5 million - equivalent to a funding level of 102.2%.

This is slightly lower than the funding level at the 2022 update and the 2021 valuation. However, the overall picture is positive. The funding level has remained healthy and stable during a time of uncertainty on the financial markets. The Scheme also continues to benefit from the Company's generous support as we work together to maintain the long-term health of the DB section.

This is good news, and an indication of the teamwork and careful planning that goes into looking after your benefits.

You can read more about the Scheme's progress inside.

Keith Jones
Trustee Chairman

In our previous newsletter, we reported that Energy Capital Partners LLC (ECP) had acquired Biffa Plc. ECP share the same objectives for the long-term strategic direction of the Scheme and we will continue to build our relationship with them. We will keep you up to date with any future developments.

Funding your benefits

The background

We work with the Company to make sure the Scheme has sufficient funds to pay the benefits that members have built up in the DB section, whenever they need to be paid. This amount is the Scheme's 'funding target'.

To help us assess how the funding target is developing, the Scheme actuary carries out a health check called a valuation at least once every three years. We use the results of the valuation to identify and agree with the Company on the level of contributions the DB section needs to receive to support the benefits that will build up in the future.

A lot can happen in three years. So, to help us monitor developments in the years between valuations, the Scheme actuary provides us with yearly funding updates.

This section brings you up to date with the level of funding in the DB section.

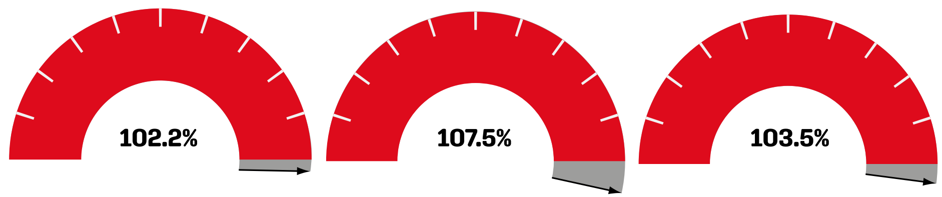
It contains the results of the latest update at 31 March 2023.

It also looks at how the funding position has changed since our previous Review, when we reported the results of the valuation at 31 March 2021 and the update at 31 March 2022.

The headlines

The latest funding update shows that at 31 March 2023, the Scheme had an estimated surplus of £8.5 million. This is equivalent to a funding level of 102.2%.

As the table below shows, this is slightly lower than the position at the 2022 update. Changes on the financial markets reduced the funding target and the value of the Scheme's assets, with the latter going down by a greater amount. (See our 'Investment update' on page 5.) The result was a slight fall in the funding level, though the Scheme remains in a strong financial position.



	Update 31 March 2023	**Update 31 March 2022**	**Valuation 31 March 2021**
The funding target	£383.2m	£551.7m	£553.8m
The value of the Scheme's assets	£391.7m	£593.0m	£573.1m
The overall position	**Surplus of £8.5m**	**Surplus of £41.3m**	**Surplus of £19.3m**

The figures above do not include the value of members' AVCs, which are invested separately.

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The Company's support

As the Scheme had more than enough assets to cover the value of the benefits that members had built up at the time of the 2021 valuation, there was no shortfall to make up.

However, we have a longer-term aim for the Scheme to be fully funded on a basis which would permit it to have low dependency on the employer covenant for ongoing financial support. In support of this aim, the Company agreed to pay additional contributions to help strengthen the funding level:

- £4.3m by 31 March each year in 2022, 2023 and 2024.
- £358,333 each month from 1 April 2024 until the date the 2024 valuation is completed or 30 June 2025, whichever is earlier. The valuation will determine the Company contributions going forward.

The Company may stop these contributions if the Scheme has been fully funded on the 'low dependency' basis for three consecutive quarters. (If the Scheme is less than fully funded on this basis for three consecutive quarters, the Company will restart these contributions.)

To help support the benefits that active members will build up in future, the Company agreed to increase its normal contributions to the Scheme from 1 January 2022.

The Company will also pay the following:

- the Pension Protection Fund levy (see right) and other levies collected by the Pensions Regulator;
- any material costs the Trustee incurs in connection with liability management exercises; and
- the cost of enhanced redundancy terms or any augmentations to benefits.

Finally, the Company agreed that if it makes an extraordinary distribution to shareholders while it is paying the additional contributions set out on the left, it will pay 20% of this amount to the Scheme.

The actuary will check progress at the next valuation, which is due to take place as at 31 March 2024.

What if the Scheme started to wind up?

As part of a valuation, the actuary is required to assess what the Scheme's funding level would have been if it had started to wind up - known as the 'full solvency' position. This is a legal requirement and does not mean that the Company has any intention of winding up the Scheme.

The full solvency funding level is almost always likely to be lower than the 'ongoing' funding level (which is what is shown on page 2). This is because the Company would have to provide all members' benefits at once and secure them with insurance policies. The cost of the insurance policies would include insurance providers' administration costs and a profit margin.

Insurance companies also tend to use low-risk investments, which would be likely to grow more slowly than the kind of investments the Trustee Directors would choose. So even if a scheme is 100% funded on the ongoing basis – as ours is – the full solvency funding level is likely to be less than 100%.

If the Scheme had started winding up at 31 March 2023, the actuary estimated that the full solvency level would have been 86.3%. (The full solvency level at the 2022 update was an estimated 89.1%. At the 2021 valuation it was 84.3%.)

The Pension Protection Fund ('PPF') may provide compensation to pension scheme members who face losing their benefits because their scheme is being wound up and their employers cannot cover the cost of providing their benefits.

www.ppf.co.uk

The Scheme has not made any payments to the Company since the January 2021 Review.

The Pensions Regulator has the power to change the running of UK pension schemes, change the way they are funded or impose a schedule of contributions. The Regulator has never had to use its powers in this way for the Scheme.

www.thepensionsregulator.gov.uk

Facts and figures

The information in this section is from the Scheme's latest audited Report and Financial Statements. It looks at the DB section's development over the year to 31 March 2023.

There were 3,219 members in the DB section on 31 March 2023.

- 29 active members paying contributions and building up benefits
- 1,548 deferred members, who no longer pay contributions, but have benefits left in the Scheme for when they retire
- 1,642 members receiving a DB section pension, including retired members and the dependants of members who have died

The DB section received income of £4.9 million during the year.

This includes more than £4.8 million from the Company.

The DB section paid out £18.0 million during the year.

This includes:

- £10.4 million in benefits
- £6.0 million to members who transferred benefits out of the DB section
- £1.6 million in administration and investment management expenses

At 31 March 2023, the value of the DB section's assets was £388.3 million.

This is £200.3 million lower than the position at 31 March 2023 – the result of difficult investment conditions during the year. See our 'Investment update' on page 5.

If you would like more details about the Scheme's development, the full report is on the Scheme website.

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Investment update

Our investment strategy is designed to support the long-term development of the DB section. The aim is to make sure the Scheme has sufficient assets to pay members' benefits, whenever they need to be paid.

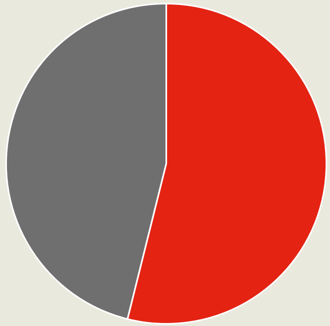
The chart on the right shows the different types of assets we held in our investment portfolio at 31 March 2023 and how they help the DB section. We monitor the investments closely and adjust the mix of assets from time to time if we identify that it is in the DB section's best interests to do so.

Performance

The financial markets were volatile over the year to 31 March 2023, with rising inflation and interest rates causing particular challenges. Like many similar pension arrangements, this had a significant impact on the DB section's investment performance, which ended the year with a total investment return of -32.6%. Although this is a negative figure, it is better than the benchmark return that we use to assess the DB section's investment performance.

Return-seeking assets: 54%
These are designed to generate the returns that will help the DB section to continue growing. They include equities and property.

Matching assets: 46%
These protect the DB section against unfavourable changes to interest rates and inflation – both of which can increase the Scheme's funding target. They include bonds and gilts (which are managed under an approach called 'Liability Driven Investment') and cash.



Important

The same pressures that reduced the value of the DB section's assets also reduced the funding target – the expected cost of providing the benefits that members have built up. Overall, the DB section remains in a strong financial position. See 'Funding your benefits' on page 2.

If you want to know more about our investment strategy, take a look at these documents on the Scheme website.

- Our Statement of Investment Principles sets out our investment objective and strategy, how we manage the various risks the Scheme faces, and how we work with the advisers and managers we appoint to help deliver our strategy.
- Our Implementation Statement explains how we have made our investment approach work. It includes examples that show how the investment managers have engaged with companies they invest in on environmental, social and governance issues, and the results of this engagement.

News update

Guaranteed Minimum Pensions: An update

We have completed the work required to address an inequality relating to some historical Guaranteed Minimum Pension (GMP) benefits in the Scheme. This follows the outcome of a High Court legal case which affects members of pension arrangements across the UK, including the Scheme.

Since our previous Review, we have consulted all members about our proposed approach to comply with the law - called 'GMP conversion'. This approach allows us to address the inequality and, in doing so, simplify the administration of Scheme benefits.

We have also written to you to confirm that, having carefully considered the feedback we received, we would be going ahead with our GMP conversion proposal.

- If you are a deferred member, the required calculations will take place when you retire. We will confirm how your pension is affected at that time.
- If you are receiving a Scheme pension, any changes we needed to make to address the inequality took place in December 2023.

If you have any questions about your benefits, please contact the Scheme administrators (see page 10).

Have a Money Midlife MOT

If you are between the ages of 45 and 65, MoneyHelper has a new online tool that aims to help you stay in control of your finances – today and as you plan for the future.

The Money Midlife MOT asks you a series of questions about your finances. (You do not need to give any personal details when you answer.) You then get a report that sets out areas where you might be able to make improvements – for example looking after everyday money matters or saving for retirement. Your report also includes links to guidance on how to stay in control of your financial wellbeing.

Take five minutes out of your day to have a Money Midlife MOT.

www.moneyhelper.org.uk/en/everyday-money/midlife-mot

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Do you need to up your State Pension?

Your State Pension will be an important part of your income when you retire, but the amount you receive depends on the National Insurance (NI) contributions you pay. This means that if you have gaps in your NI record – for example if your earnings have been below a certain level in the past or you have been unemployed – you might not receive the full amount of State Pension.

Importantly, if you do have gaps in your NI record, you might be able to pay voluntary NI contributions to make up the shortfall. This could increase the State Pension you receive.

Use the calculator on the Government website to check how much your State Pension might be and if you have scope to increase the amount you receive.

www.gov.uk/check-state-pension

Check your NI record and learn more about paying voluntary NI contributions.

www.gov.uk/voluntary-national-insurance-contributions

If you need help with this, consider speaking to an independent financial adviser (see page 10).

Are you a man born after 5 April 1951 or a woman born after 5 April 1953?

If you have any gaps in your NI record between April 2006 and April 2017, you now have more time to fill them up.

The original deadline to make up any gaps between April 2006 and April 2016 was 31 July 2023. The Government has now set a new deadline of 5 April 2025.

The same new deadline applies if you want to make up any gaps for the 2016/17 and the 2017/18 tax years.

This gives you longer to check your NI record and, if there are gaps, work out if you would benefit from filling them in.

From 5 April 2025, you will only be able to pay voluntary NI contributions to cover gaps in the past six tax years.

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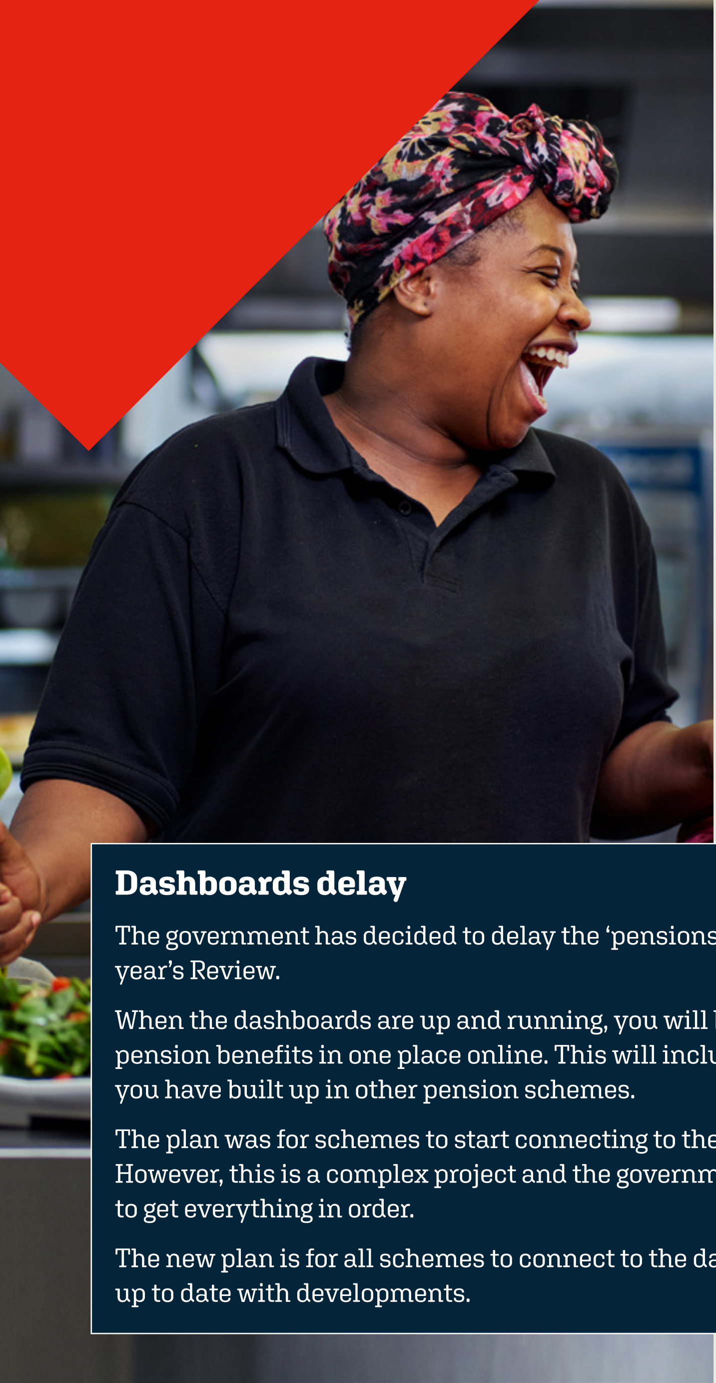


Stay in control

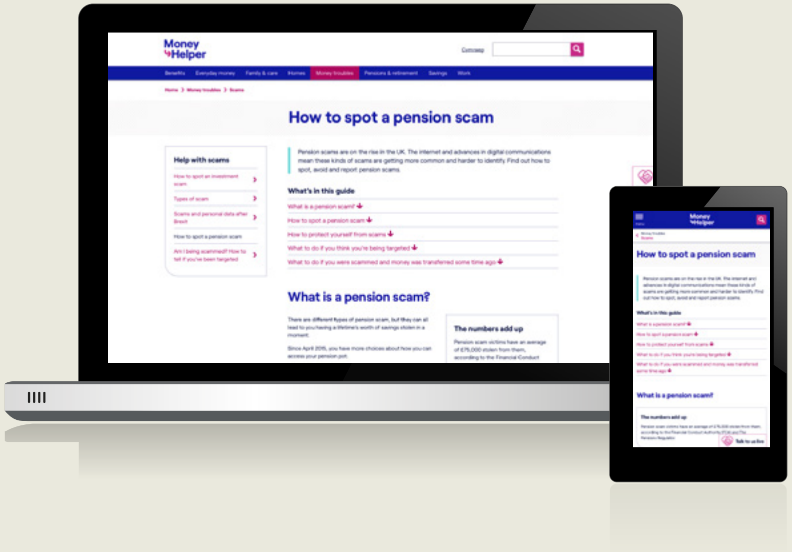
Your Scheme benefits are valuable and – as pension scams remain a big problem – it is important that you know how to keep them safe.

There is lots of useful, up-to-date information on the MoneyHelper website. This includes an overview of the different types of scams you need to be aware of, and tips on how to spot protect yourself from them.

Take a few minutes to read the information on the MoneyHelper website – it will be time well spent.

www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam

If you are thinking about making a change to your pension arrangements – for example, transferring benefits out of the Scheme – make sure you receive advice from a suitably qualified financial adviser (see page 10).



Dashboards delay

The government has decided to delay the 'pensions dashboards' project we told you about in last year's Review.

When the dashboards are up and running, you will be able to see information about all your pension benefits in one place online. This will include your DB section benefits and any benefits you have built up in other pension schemes.

The plan was for schemes to start connecting to the dashboards in stages, starting this year. However, this is a complex project and the government wants to give all parties involved more time to get everything in order.

The new plan is for all schemes to connect to the dashboards by 31 October 2026. We will keep you up to date with developments.

Running the Scheme

The Trustee

The Scheme is run separately from the Company by a body called Biffa Pension Scheme Trustees Limited.

There are currently six Trustee Directors. Three have been appointed by the Company and three have been nominated by members.

Together, we are responsible for running the Scheme in line with all members' best interests and pensions law.

Company Trustee Directors:

- Keith Jones (Chairman)
- Bhavdeep Grewal
- Richard Plaice

Member-nominated Trustee Directors:

- Simon Bott
- Tim Lowth
- Emily Munnoch

The Trustee Directors are also responsible for appointing a team of advisers to assist us in areas where particular expertise is required. These advisers include the Scheme actuary, administrators, investment consultant and managers, auditor and legal adviser. There is a list of our current advisers in our latest Report and Financial Statements.

Finding out more

The Scheme website

The website contains general information about the Scheme and your benefits.

https://pensioninformation.aon.com/biffa

When you retire, you will have a number of options about the way you take your benefits. When we send you your retirement pack, we will give you access to an online modeller you can use to explore your options and see the potential income each could provide. There will be full details in your retirement pack.

The Scheme administrators

If you cannot find the information you need on the Scheme website, or if you need to speak to someone about your benefits, please contact the Scheme administrators:

- Phone: **0370 850 2883**
- Email: **biffa.pension.scheme@aon.com**
- Write to: **Biffa Pension Scheme, Aon, PO Box 196, Huddersfield, HD8 1EG**

If you phone the Scheme administrators, make sure you have your DB section reference number to hand. (If you are also a member of the DC section and have a question about your DC account, you will need your DC section reference number.)

If you write in or send an email, please include your full name, date of birth and reference number(s).

MoneyHelper

MoneyHelper is a free, impartial guidance service that provides support on a wide range of topics including pensions.

www.moneyhelper.org.uk

If you are struggling with the rising cost of living, there is a special section on the MoneyHelper website that aims to help you get back on top of things.
www.moneyhelper.org.uk/en/money-troubles/way-forward

Getting financial advice

We are unable to give you financial advice about your benefits, tax position or retirement. If you would like personalised financial advice, we strongly suggest speaking to an independent financial adviser ('IFA').

If you don't already have an IFA, there is information on how to find one on the MoneyHelper website. There is also a directory of IFAs who are regulated by the Financial Conduct Authority.

www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser

Remember that you will have to pay for any advice you receive.

If you would like to receive a printed copy of Review in future, please tell the Scheme administrators. You will need to give them your Member Number. This will be on any letters they have sent you.

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