your coop

Pensions Newsletter 2021

Welcome
to the 2021 Pensions Newsletter

Note from the Chair

Since we circulated the last Newsletter in 2019 a lot of water has flowed under the bridge. The Trustees like the rest of you have had to navigate through a strange and turbulent time. We leant to communicate differently learning the language of mute and unmute as we continued to carry out our stewardship of the Fund. But despite the challenges, I am pleased to report that the Fund has come through this period in stronger health with its governance in fine fettle.

You will see that I have replaced Judith Feeney as Chair of the Trustees and my thanks are due to all her work on behalf of the Fund. I am a longstanding member of the Board with an HR background and have recently stepped aside from a Local Government Pension Scheme Committee. You will also see that the Society has agreed to appoint an Independent Trustee, Alison Bostock, to further help strengthen its governance. There have also been changes to the Board Trustees with Clive Booker and Patrick Gray leaving and Vivian Woodell, Irene Kirkman and Fiona Ravenscroft joining.

The focus of the Trustees remains on ensuring the Fund moves forward in delivering its recovery plan and delivers year on year improvement in its funding position. This is significantly aided by the £7m a year the Society contributes to reducing the deficit.

Following the last Newsletter, the combination of the Society's decision to withdraw from its Energy business and the pandemic has necessitated robust discussions between the Board and Trustees to ensure that the interests of members were kept to the fore in moving forward. I am pleased that discussions have always been conducted in a professional and co-operative manner by all and that we are now working towards a mutual understanding on a long-term funding strategy. This will stretch beyond the usual triennial valuation and although it will be a Pension Regulator requirement in due course our discussions are in advance of the statutory timeframe.

As ever we value your comments on this Newsletter and anything you feel could improve its relevance to members.

The last Newsletter drew attention to the need to keep your pension safe and avoid scams. This is even more necessary now. Fraudulent activity is the number one crime in the UK, so please be vigilant.

You will find elsewhere in this newsletter the latest summary funding statement for your information. And finally, if I could give you a gentle nudge to review your Expression of Wish form in respect of your death benefits.

Stephen Allsopp
Chair of Trustees

Society update 2020/21

What we do

£16m sales from the Best of our Counties range

23 new Travel branches

Working with **75** community energy generators

2 million prescription items dispensed to patients

£1.2 million paid out in community and charity giving

7,000 funerals carried out

your coop

722,000 members

Nearly **7,900** colleagues

22 nurseries rated 'outstanding' by Ofsted

£827 million gross sales

57% uplift in Fairphone sales

520 trading sites

Philip Ponsonby

Group Chief Executive Officer

I am pleased to present my report to members for the 2020/21 year.

We began the year on a much firmer footing having delivered on our commitment to resolve the very serious situation relating to our Energy business in 2019. And, despite the uncertainty relating to Brexit, this greater stability had led to a more optimistic outlook for the year ahead, reflected in the financial targets set by the Board. However, those plans and that sense of optimism were significantly curtailed when, within less than two months from the start of our new financial year, the country entered a nationwide lockdown in response to the worldwide coronavirus pandemic.

Covid-19 has undoubtably had a profound effect on all our lives and caused significant disruption to businesses and the wider economy.

As a multi-faceted organisation we have experienced more than many others the very real differences in how businesses have been impacted throughout the pandemic. Whilst we have seen increased demand in Food and Healthcare, our Travel business was brought to an abrupt halt, two thirds of our Childcare nurseries were temporarily closed during the first lockdown, and although our Funeral business was busier than forecast, the services were heavily restricted leading to a reduction in some revenues.

The combined impact of the pandemic resulted in a total gross sales reduction of £406mto £828m and a reduction in operating profit before significant items of £4.8m to £12.7m for the financial year ended January 2021.

I believe one of our greatest strengths is that in addition to being careful with our members' money, we always endeavour to place as much emphasis on delivering non-financial activities across the Society. Co-operatives are uniquely placed to do this and last year, probably more than ever, put this principle to the test. I am extremely proud of the way in which everyone connected to the Society responded.

We continued to recognise the importance of our local communities by introducing new local food suppliers, in particular reaching out to those most affected by a loss of business in the hospitality sector.

My final and personally most moving reflection on last year, is the way in which our 8,000 colleagues supported the Society in responding to the extremely difficult challenges we faced. I could not have asked for more or been prouder of how they stepped up to the challenge. When most of the country stayed at home, our colleagues across our Food, Funeral, Healthcare, and Childcare businesses turned up for work, day in day out, to support our members, customers, and communities.

The year ahead will continue to present challenges; but with the direction from our Board, leadership from my first class Executive team and the incredible dedication of our brilliant colleagues, we are well-placed to meet those challenges and further strengthen the Society in building and developing new assets and services for our members and the generations to come.

Meet the Trustees

There are eight Trustees, four appointed from the Society Board and four elected by members and pensioners of the pension scheme. All Trustees have exactly the same duties and responsibilities whether appointed or elected.

An independent Trustee was appointed by the Society on 1 November 2020 – Alison Bostock of PTL.

The Trustees are:

Appointed	Elected
Steve Allsopp (Chair)	Stephen Ridler
Fiona Ravenscroft	Dennis Young
Irene Kirkman	James English
Vivian Woodel	Vacant

The Trustees meet at least quarterly to review the investment performance of the fund, get a funding update, see if the administrator is meeting its service standards, and a number of other matters involved in managing the scheme.

The Trustees aren't experts in pensions or investment so they have appointed professional advisers who can help deal with numerous other matters and ensure that the scheme is properly managed.

The current advisers to the trustees are:

What they do	Who does it
Check on the financial health of the scheme	The scheme actuary – Mercer
Ensure that the Scheme's assets are properly invested and advise the trustees on investments	Investment consultants - Willis Towers Watson
Check that the year end accounts are correct	The auditors – RSM
Calculate benefits and maintain records	The administrators – Premier Pensions
Provide legal advice on pension issues	The legal advisers – Eversheds
Advising members on their options at retirement	Independent financial advisers – Workplace Solutions
Advise the Trustees on the strength of the Society Covenant	Employer Covenant Advisor – RSM

Although we have appointed various firms to do things on our behalf and give advice the Trustees retain overall responsibility for the pension scheme.

Facts & Figures

Every year the Trustees have to produce a set of audited accounts as at 31 December. Below are some of the key highlights from the lastest accounts.

How much money is in the pension scheme?

The value of the fund goes up and down depending on the return on investments but as at 31 December 2020 the fund was worth

£270m

How much does the scheme pay out in pensions and other expenses?

The scheme pays about

£7m each year in pensions

and another **£1m a year in other benefits and expenses**.

How many people are in the scheme?

The scheme closed in June 2014 so there are no longer any active members but there is a new category of employed deferred members, there are also pensioners who are receiving their benefits from the scheme and deferred members – former colleagues who left the Society but haven't started to receive their pension yet.

The Society pays £7m into the Scheme to ensure that the deficit is reduced and an additional £600k pa as a contribution towards Scheme running costs.

Category	Number
Deferred members	**2,300**
Pensioners	**1,142**
Total Members	**3,442**

Looking after our Investments

Ed Wilson | Senior Director, Willis Towers Watson

Ed is responsible for all the investment advice delivered to the Trustees. He also oversees the construction of the Scheme's investment portfolio, ensures that the asset allocations and exposures fall within our the remit set out in our agreement, and is accountable for its overall performance.

Ed has thirty years of experience in advising a wide range of pension schemes, institutional investors and central banks on their long-term investment strategies. He has an MA in mathematics from Oxford University and qualified as an Actuary in 1995.

Outside of work Ed keeps active participating in triathlons in summer and skiing in the winter (at least when the world returns to a more normal state).

Jonathan Stokes | Senior Associate, Willis Towers Watson

Jonathan supports Ed and is responsible for the day to day management and monitoring of the Scheme's investment portfolio.

Jonathan has been advising defined benefit pension scheme Trustees on investment matters for the last 7 years. He has an MEng in Civil Engineering from Imperial College London, is a CFA Charterholder and holds the Investment Management Certificate.

In his spare time, Jonathan enjoys walks and playing tennis.

Commentary from WTW
– investment managers

From an investment perspective the Scheme experienced positive performance and funding level gain over the year to 31 March 2021. The performance of the assets of the Scheme (net of fees) is shown below, along with a comparison against the Benchmark. The Scheme is benchmarked against the, liability proxy, - an approximation for the return on the Scheme's liabilities. The target is for the Scheme to outperform this benchmark by 2% per annum in order to meet the Trustee's plan for the funding of the Scheme.

	Period to 31 March 2021		
	Scheme	Benchmark	*Outperformance*
1 year - Return	3.2%	-3.1%	*6.3%*
3 years - Return	5.9%	3.9%	*2.0%*

Over the year, the Scheme has outperformed the Benchmark by 6.3%. The outperformance was due to positive asset market returns following market falls resulting from the initial emergence of COVID-19 in the first quarter of 2020, resulting in positive performance for the return-seeking section of the portfolio. Government bond yields rose over the year, causing the value of the liabilities to decrease (represented by the benchmark). The Scheme holds a material amount of assets that behave in a similar way to the liabilities. While this had a negative impact on performance, it was more than outweighed by the positive returns seen from the return-seeking portfolio. Over the 3 year period, the return of the portfolio relative to the liability proxy has been 2% per annum, in line with the target.

The Scheme is invested in a wide range of asset classes including equities, credit, property, infrastructure, diversifying strategies (assets expected to behave differently to mainstream markets) and downside risk hedges (assets intended to protect against market shocks). The Scheme's well diversified investment policy has resulted in investment performance that has ensured consistent funding level improvements and done so with lower volatility than that experienced by many other pension schemes. The funding level improved during the year and the Scheme remains on track to achieve a fully funded position over the next 8 years.

Damian McClure and Sarah Modino

– Scheme Actuaries at Mercer

Damian is a qualified actuary who advises a range of pension schemes (like the Midcounties Scheme) and companies. Damian has significant experience advising on a wide variety of pension issues including scheme funding, corporate transactions, risk management exercises and interactions with the Pensions Regulator. Damian currently advises on schemes ranging in asset size from £40 million to £10 billion and is appointed as Scheme Actuary to the Midcounties Scheme.

Damian has worked at Mercer for 16 years. He has helped the Trustees of the Midcounties Scheme throughout that time and has been advising on pensions for over 20 years.

Outside of work, Damian enjoys watching sports, travelling (although he has learnt to truly appreciate the beautiful UK countryside this last 12 months) and great food and wine.

Sarah is a qualified actuary with over 15 years of experience, having joined Mercer as a maths graduate in 2006. She provides actuarial support across a number of trustee and corporate clients, including the Midcounties Scheme, working closely with Scheme Actuaries, like Damian, to complete all of the day-to-day actuarial tasks and advice required in the running of a pension scheme.

Outside of work, Sarah is a busy mum of three who loves to run and write.

Commentary by Damian McClure and Sarah Modino

– Scheme Actuaries at Mercer

As Scheme Actuary of the Scheme (appointed by the Trustees), one of my key duties is to advise the Trustees of the funding position of the Scheme. In particular, I am required to carry out regular valuations and I will be working with the Trustees and the Society this year to prepare for the Scheme's 2021 Triennial Valuation. This is a very important exercise as it checks on the health of the Scheme and the ability to continue to provide members with expected retirement benefits. I work closely with the Trustees' other advisors in carrying out this valuation, including their covenant advisor who helps the Trustees understand the strength of support the Society continues to provide to the Scheme, and the investment advisors who help the Trustees set a sensible investment strategy.

The past 12-18 months have certainly been challenging times for us all, including pension schemes. Concerns about the potential health and economic impacts from coronavirus have resulted in significant volatility in investment markets that has impacted the values placed on both the assets and liabilities of schemes such as yours. However, in spite of this volatility, the shortfall in the Scheme, has reduced since the last triennial valuation in 2018. This is mainly due to the contributions paid into the Scheme by the Society and the return on the Scheme's assets being in line with those expected. This means we remain on track on the recovery plan that we agreed with the Society at the 2018 valuation and is positive news for you, as a member of the Scheme. We will of course revisit this plan as part of the 2021 valuation to ensure that it still remains appropriate and realistic.

It is not unusual for pension schemes to have a shortfall at present. The level of the shortfall will change over time, affected by the Scheme's financial experience and the level of contributions paid by the Society.

Get in touch

Scheme Administration

If you would like further information about the Scheme or have a query about your benefits, please contact the Scheme Administrators Premier Pensions, who administer the scheme including notifying them of any change of address. There is a dedicated Help Line for Midcounties Members on 0800 122 3200 and a dedicated email address at midcounties.coop@premiercompanies.co.uk

Tax Queries

If you have any questions about your tax code for your pension you should contact the tax office.

PAYE, HMRC BX9 1AS. Telephone number 0300 200 3300.
Tax reference 475/ZB18672

Scheme Secretary

If you have any comments for the Trustees, please contact Helen Flint-Hill Secretary to the Trustees who is based at the Society's Head Office in Warwick. Helen can be contacted on 01926 516009 or email Helen.Flint-Hill@midcounties.coop

Looking after your loved ones

Please help the Trustees by ensuring that you have an up to date Expression of Wish held on your pension file. The Trustees will decide how to award any benefits on the event of your death, but will be guided by your Expression of Wish Form.

There are many life style events that may prompt you to review your current nomination including:

- A marriage or civil partnership
- Separation, dissolution or a divorce
- The birth or adoption of a child
- The death of a nominee

Please complete the attached form included within the envelope and return separately to:

Premier PO Box 108 Blyth NE24 9DY
Please remember to put a stamp on your envelope.

Summary Funding Statement 2021

Midcounties Co-operative Pension Scheme

This is an important document and it lets you know how the Scheme is doing financially.
We strongly recommend that you read this statement carefully

Why is it important?

The Scheme's financial health could affect the benefits you receive.

As Trustees of the Midcounties Co-operative Pension Scheme ("the Scheme") we must send you a statement following completion of each formal valuation of the Scheme, which takes place every three years, and after each actuarial report in the years in between.

If you have any concerns, please read this statement for more information or contact the Trustees using the contact details provided. The Trustees cannot provide you with financial advice so we suggest you speak to an independent financial advisor if you need advice regarding your pension benefits.

Has the COVID-19 pandemic affected my benefits in the Scheme?

The COVID-19 pandemic has had an impact on the Scheme's finances. Investment markets are volatile and this is impacting on businesses around the world, including the Society. **As a member of a defined benefit scheme, your pension is not directly affected by changes in the value of the Scheme's investments.**

Your benefits are based on your salary/revalued earnings on leaving the Scheme and the length of time you were an active member of the Scheme. As investments rise and fall, your benefits are unaffected.

How is the Scheme doing?

Assets	Liabilities	Surplus/(shortfall)	Funding level
The money the Scheme has now.	The estimated cost of providing benefits – now and in the future.	The assets minus the liabilities.	The assets as a percentage of the liabilities.

The estimated liability figures below assume that the Scheme will continue until all future benefits due are paid. These estimates depend on assumptions about what will happen in the future, such as the investment return that will be earned on the Scheme's assets and how long members will live for.

Assets	Liabilities	Surplus/(shortfall)	Funding level
31 December 2018 valuation			
£214.2m	£302.8m	(£88.6m)	71%
31 December 2019 update			
£240.6m	£323.4m	(£82.8m)	74%
31 December 2020 update			
£269.9m	£355.8m	(£85.9m)	76%

Between 31 December 2019 and 31 December 2020, the shortfall in the Scheme has increased. The increase in the shortfall is mainly due to the effect of falling government bond yields (which places a higher value on the liabilities), offset to some extent by the contributions paid by the Society to remove the deficit.

It is not unusual for pension schemes to have a shortfall at present. The level of the shortfall will change over time, affected by the Scheme's financial experience and the level of contributions paid by the Society.

Since we last sent you a summary funding statement, no payments have been made to the employer, and the Scheme is not subject to any directions from the Pensions Regulator.

How will the shortfall be addressed?

As part of the last formal valuation, as at 31 December 2018, the Trustees worked with the Society to agree the funding position, strategy and contributions for the future. To correct the shortfall, the Society agreed to pay additional contributions of £7 million p.a. until 31 January 2031. The Society also agreed to continue to meet the Scheme's expenses and to pay further contributions of £7 million p.a. for the period 1 February 2031 to 30 June 2033 to further improve the security of your benefits.

If the assumptions do not turn out to be right, it may be necessary for further contributions to be paid for the shortfall to be eliminated by 2031. Although there is a shortfall in the Scheme as at 31 December 2020, all members who have retired are still receiving their full pension amounts.

Is there enough money in the Scheme to provide my full benefits if the Scheme is wound-up?

If the Scheme were to be wound-up, we would have to buy benefits in the insurance market, which would be much more expensive than providing members' benefits from the Scheme as shown below.

Assets	Liabilities	Surplus/(shortfall)	Funding level
31 December 2018 wind-up position			
£214.2m	**£373.0m**	**(£158.8m)**	**57%**

The fact that we show this position does not mean that the Society is planning to wind up the Scheme. It is just another piece of information, which we hope will help you understand the financial security of your benefits.

So how secure is my pension?

We aim to have enough money to pay pensions now and in the future, but this is dependent on contributions continuing to be paid and the investment returns on the Scheme's assets. In the event the Scheme was wound-up without enough money to buy all the benefits with an insurer, then it is unlikely you would receive the full pension benefits you were expecting. To help members in this situation, the Government set up the **Pension Protection Fund (PPF)** in 2005.

The benefits you would receive from the PPF depend on your age and your period of Scheme service. Further information and guidance is available at **www.ppf.co.uk** or by post:

Pension Protection Fund, Renaissance, 12 Dingwall Road, Croydon, CR0 2NA

Can I leave the Scheme before I am due to retire?

You can, if you wish, transfer your deferred benefits in the Scheme to another pension arrangement before you retire. If you are thinking of transferring out of the Scheme for any reason, you must consult an independent financial advisor before taking any action. **Legally, we cannot provide you with financial advice.**

Where can I ask questions, or get more information?

Please use the contact details below if you have questions about the content of this statement or need information.

Helen Flint-Hill, Head of Pensions:
helen.flint-hill@midcounties.coop

If you have any queries about your individual benefits, need to change your address or provide details of a spouse or dependant for your pension, please contact the Plan's administrator, Premier, using the contact details below.

Premier, the Plan's administrator:
Midcounties.co-operativepensionscheme@premiercompanies.co.uk

Additional documents available on request

The Statement of Funding Principles

This explains how we (the Trustees) plan to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.

The Statement of Investment Principles

This explains how we (the Trustees) invest the money paid into the Scheme.

The Schedule of Contributions

This shows how much money is being paid into the Scheme by the Society and includes a certificate from the actuary showing that it is sufficient.

The Annual Report and Accounts of the Midcounties Co-operative Pension Scheme

The Scheme's income and expenditure. The latest report is for the year to 31 December 2019.

The Formal Actuarial Valuation Report as at 31 December 2018

The details of the actuary's check of the Scheme's financial situation as at 31 December 2018.

The Actuarial Report as at 31 December 2020

The details of the actuary's checks of the Scheme's financial situation in non-valuation years, the most recent being at 31 December 2020.

From the Trustees of the Midcounties Co-operative Pension Scheme

Pension Scams Don’t get stung

DON’T LET A SCAMMER ENJOY YOUR RETIREMENT

Pension scammers will do whatever it takes to get their hands on your savings and enjoy your retirement.

If you are contacted out of the blue by someone claiming to be able to help you access your pension before the age of 55, it will be scam so hang up immediately. Such scams are becoming increasingly more sophisticated, so it is essential that you check before succumbing to any sales pitch, as you risk losing a life time of pension savings.

Please check on the following website www.pension-scams.com or phone 0800 138 7777

The Midcounties Co-operative