# NFU STAFF PENSION SCHEME

## 2021 SUMMARY FUNDING STATEMENT

This Statement is being issued on behalf of the Trustee of the NFU Staff Pension Scheme (the Scheme). You may remember receiving a similar statement last year. The Trustee is pleased to issue the 2021 Summary Funding Statement setting out the latest information that the Trustee has available on the funding position of the Scheme.

### What was the financial position of the Scheme at 30 June 2020?

The results of the latest valuation are set out in the Scheme Actuary's report dated 5 May 2021. On an "ongoing" basis, using the assumptions described in the Scheme Actuary's report, the financial position of the Scheme was as follows:

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|---|---|
| Market value of the Scheme's assets at 30 June 2020: | £111.3 million |
| Estimated value of the Scheme's accrued liabilities: | £124.4 million |
| Estimated deficit at 30 June 2020 | £13.1 million |

On a "winding up" basis the estimated deficit at 30 June 2020 was £31.7 million. This is a theoretical calculation which must be carried out as part of the actuarial valuation process; it does not mean that the Employer is thinking of winding up the Scheme.

### How has the financial position of the Scheme changed since the 2020 report?

**The financial position of the Scheme has improved since the 30 June 2020 actuarial valuation, with the deficit as at 30 June 2021 estimated to have reduced to £1.1m**. The improvement in position was mainly due to changes in market conditions and significant contributions paid by the Employer ahead of schedule.

The funding position of the Scheme can be volatile over time and the Trustee works closely with the Scheme Actuary to monitor the position.

### How is the Scheme funded?

From 1 July 2008, active members have no longer been able to accrue Pensionable Service in the Scheme and their benefits are based on Pensionable Service up to 30 June 2008. As a result, from 1 July 2008, active members have no longer been required to pay contributions to the Scheme. However, for active members who remain in employment, benefits continue to be based on Final Pensionable Salary at retirement or the date of leaving, if earlier. Such members are now referred to as "employed deferred members".

From 1 July 2008, any contributions required by the Scheme have and will be paid by the Employer. The Employer's contribution is determined by an "actuarial valuation" every three years. The actuarial valuation is carried out by the "Scheme Actuary" who is an independent professionally qualified actuary appointed by the Trustee and required by legislation.

### Update on NFU

The Trustee relies on the Employer to make good any deficit in the Scheme and so regularly assess the strength of the Employer and its ability to support the Scheme over the long term.

There has recently been speculation in the farming press about the state of the NFU's finances and having discussed the position with the NFU these figures were taken out of context and are not an accurate reflection of the NFU's position. The trustees review the strength of the NFU employer covenant on a regular basis and have no concerns. The last audited accounts as at 31 October 2021 showed the NFU with reserves of £140 million. While the current year is not yet complete and is still unaudited, income has remained steady for 2022 and costs are under control giving the NFU an operating position well ahead of budget.

As you will see from the updated funding position above the Scheme is well funded and in part this is due to the significant early payment of contributions from the NFU.

## Change in Scheme Actuary

Ruth Thomas of Barnett Waddingham was previously the Scheme Actuary but has stepped down as of 16 September 2022. Her colleague Rebekah Boddy has now been appointed as Scheme Actuary with effect from 30 September 2022.

You will have received a Privacy Notice that set out the data controllers of the Scheme and how we deal with your personal data. Alongside the Trustee of the Scheme, Ruth as Scheme Actuary was also a data controller and has now been replaced as a data controller by Rebekah.

A copy of the Privacy Notice is available on the NFU's website (and can also be requested from Barnett Waddingham):

www.nfuonline.com/media/xukp4pfr/nfu_staff_pension_scheme_privacy_policy.pdf

## Role of the Trustee

The Scheme is set up under trust and looked after by NFU Staff Pension Trust Company Limited (the Trustee). The Trustee is responsible for paying the benefits provided by the Scheme, investing the Scheme's assets and ensuring that the Scheme is properly funded.

The benefits provided by the Scheme are described in the Scheme's Trust Deed & Rules and the Scheme Booklet.

The Scheme's assets are looked after by the Trustee, on behalf of the members, and are kept separate from the NFU (the Employer). The main assets of the Scheme are invested collectively; they are not invested in individual funds for each member. The only exception is funds held in respect of Additional Voluntary Contributions (AVCs) which are held in separate individual accounts.

The Trustee relies on the financial support of the Employer to ensure that the Scheme has enough money to provide the promised level of benefits. Unfortunately the cost of providing final salary pension benefits cannot be predicted with any certainty. It depends on what happens in the future such as future salary increases and how long people live. Therefore, the amount of money required from the Employer will vary depending on how things turn out in practice. This is explained in more detail below.

## What contributions are being paid to the Scheme at the moment?

From 1 July 2008, active members no longer earn any new Pensionable Service in the Scheme and as a result, no contributions are required to cover the cost of future benefit accrual.

However, as the actuarial valuation as at 30 June 2020 showed a deficit in the Scheme, the Employer has agreed to make annual payments to the Scheme in order to eliminate the deficit.

In light of the results of this valuation, the Trustee agreed with the Employer that additional contributions of £1,040,000 will be paid by the Employer each year until 31 November 2031 with the first payment due by 30 November 2022. The Employer has already paid a number of these contributions to the Scheme early.

## When will the Employer's contributions be reviewed?

The next actuarial valuation is due with an effective date of 30 June 2023 and the contributions required from the Employer will be reviewed again as part of this exercise.

## How are the Scheme's assets currently invested?

The Trustee's investment strategy is set out in their "Statement of Investment Principles" dated 10 September 2020. Day to day investment of the Scheme's assets has been delegated to Russell Investments. Russell Investments have implemented modern Liability Driven Investment and fiduciary management techniques to assist with the Trustee's aims of becoming self-sufficient in the future.

## Has the ongoing Russia-Ukraine conflict or recent market volatility had any impact on my benefits or the Scheme?

There have been significant impacts to the global economy over the year following Russia's invasion of Ukraine, most notably on energy prices. In response to the invasion, the UK government – along with governments from several other countries –imposed sanctions on Russia and Belarus. As a result, the Russian government imposed sanctions of its own, which directly affects UK pension schemes.

However, most UK pension schemes (including the Scheme), have limited direct exposure to either Russian assets facing sanctions or the Russian economy. Therefore, the main impact to date on UK pension schemes has been seen in wider markets, specifically increased market volatility and higher inflation.

In recent weeks, you may have also seen press coverage on the impact of market volatility following the government's "mini-budget" and possible implications for occupational pension schemes.

The Trustee continues to monitor the situation closely, particularly with regards to high inflation and government bond yields. The Trustee also takes a number of steps, with input from their professional advisers, to minimise volatility in the Scheme's funding position.

If you have any questions regarding your benefits please contact Barnett Waddingham.

## What is an actuarial valuation?

The actuarial valuation is a detailed assessment of the financial position of the Scheme on an "ongoing" basis and a "winding up" basis.

The "ongoing" basis assumes that the Scheme continues in the future and involves making assumptions about what will happen in the future such as future salary increases, future life expectancy and future investment returns. The "ongoing" basis also assumes that the Scheme has the continued financial support of the Employer.

Whilst the Employer remains committed to supporting the Scheme, the Trustee has agreed a contribution plan with the Employer to significantly strengthen the financial position of the Scheme so that ultimately no further contributions will be expected to be required from the Employer. In other words, the Trustee and Employer are working together with the aim of the Scheme becoming "self-sufficient" in the future.

The "winding up" basis assumes that the Scheme is immediately wound up and members' benefits are secured by purchasing individual annuity policies from an insurance company. Therefore, the winding up position depends on the cost of buying these annuities.

The cost of buying annuities is usually higher than the value placed on the benefits for "ongoing" purposes. This is because insurance companies invest very cautiously and make allowance for their expenses and projected profit. By contrast, the Trustee invests some of the Scheme's assets in investments that are assumed to provide higher returns than more cautious investments such as government bonds and the Trustee does not aim to make a profit.

## When was the last actuarial valuation of the NFU Staff Pension Scheme?

The last actuarial valuation of the NFU Staff Pension Scheme was carried out with an effective date of 30 June 2020. The next actuarial valuation is due to be undertaken as at 30 June 2023.

## What happens were the Scheme to wind up?

If the Scheme winds up the Employer has a statutory obligation to ensure that the Scheme has enough money to buy individual annuity policies from an insurance company for all members of the Scheme. If the Employer is not able to do this because it is insolvent, the Scheme should be protected by the Pension Protection Fund. The Pension Protection Fund is a compensation scheme set up by Government to protect pension schemes in the event of employer insolvency.

The Pension Protection Fund should protect a significant proportion of your benefits but it may not pay your pension in full. Further information on the benefits it will provide and other useful information is available on the Pension Protection Fund website at www.pensionprotectionfund.co.uk.

## Has the Employer received any payments from a surplus in the Scheme?

Legislation requires the Trustee to notify members if the Employer has received any payments from a surplus in the Scheme during the last 12 months. The Trustee can confirm that no such payments have been made. In addition, the Scheme is not subject to any modifications or directions imposed by the Pensions Regulator.

## What options do I have under the Scheme?

The Scheme's rules mean that you would ordinarily receive your pension from your Normal Retirement Date. However, it might be possible to receive your pension at an earlier or later date.

On early retirement, your pension would be reduced to allow for the extra period of time for which it was expected to be paid.

On late retirement, your pension would be increased to allow for the reduced amount of time for which it was expected to be paid.

As an alternative, you might be able to transfer the value of your benefits to another pension arrangement. This might mean that you can take advantage of the flexibilities associated with defined contribution arrangements that do not apply to the Scheme.

If you would like to consider any of the options above, you should contact Barnett Waddingham in the first instance.

The law requires members to take independent financial advice before transferring benefits out of the Scheme (unless the amount being transferred is less than £30,000). You can find an adviser from the FCA's website www.fca.org.uk/consumers/finding-adviser or you can get guidance via the website www.moneyadviceservice.org.uk.

## What is pensions liberation and how can I avoid being scammed?

If you're under age 55 you cannot release funds from your pension unless you are too ill to work. If you're over 55 you can release up to 25% of your total pension as a tax free lump sum, although this will mean you have less income in retirement. This means that taking this lump sum early is only suitable for a very limited number of people and circumstances.

Pension scams can be given a number of labels including free pension review, pension loans, early pension release, cashing in your pension and pension liberation. Should you be targeted, scammers will try to encourage you to transfer your pension fund into an alternative arrangement in order to 'cash in' your pension early. This will probably result in you paying a substantial tax-charge and losing a significant amount of your pension savings.

There are signs to look out for which could help you avoid falling victim to these scammers. Take care of:

- promises of being able to access your cash before age 55
- offers of 'one-off' or unusual investment opportunities (such as overseas property, car parking spaces, loans or unlisted shares)
- anyone putting you under pressure to make a decision
- being contacted out of the blue also known as cold calling (even though there is a law that bans this)
- offers of cash in advance or other incentives to transfer
- so called "loopholes" to avoid paying tax or complying with regulations

If you have concerns you can get more information about pension scams at www.fca.org.uk/scamsmart

If you wish to investigate taking your pension or lump sum before retirement, we suggest that you find an independent financial adviser to assist you rather than responding to an unsolicited approach. Always check your adviser is authorised by the FCA and be suspicious if they give an excuse for not being authorised. You can check someone's authorisation to provide financial advice at http://www.register.fca.org.uk

## What is the Annual Allowance and will it affect me?

The Annual Allowance is the limit on the total value of pension benefits that you can build up over a year without incurring a tax charge. If you exceed your available Annual Allowance, the excess is taxed at your marginal rate of income tax.

### Annual Allowance limits

The limit remained at £40,000 for the 2021/22 tax year. For high earners the limit can reduce to as low as £4,000. This reduction (known as "tapering") starts if your taxable income exceeds £240,000 in the 2021/22 tax year.

As your Annual Allowance and any subsequent tax charge will be based on your total taxable income over the year, it will cover income from all sources and all pension schemes of which you are a member. As a consequence you will need to take personal responsibility for working out whether or not you are affected and have incurred a charge. Seek advice if you think these limits will affect you.

### Annual Allowance Tax charge

There is a provision in the Scheme to pay any Annual Allowance tax charge you incur and reduce your pension paid in the future proportionately. If you think you are subject to an Annual Allowance tax charge for 2021/22 and you wish to exercise this option you should send an application to the Trustee requesting this. This action should also be declared on your tax return form which should be submitted by 31 January 2023.

You should note that if you leave completing your individual tax return until the end of January and then decide you would like the Scheme to pay your tax charge, it may be impossible to process before the 31 January 2023 deadline. Therefore if you wish to exercise this option please confirm this to the Trustee as soon as possible.

The following link may provide you with more details https://www.gov.uk/tax-on-your-private-pension/annual-allowance. If you believe that your income may trigger the Annual Allowance, we recommend that you take independent financial advice.

## What is the Lifetime Allowance?

The Lifetime Allowance (LTA) is a maximum on the value of benefits that a member can have in all registered pension schemes at retirement without incurring additional tax charges. Currently the LTA is £1,073,100 and more information on how the LTA is tested can be found at https://www.gov.uk/tax-on-your-private-pension/lifetime-allowance.

If you believe that your pension benefits are close to or exceed the LTA, we recommend that you take independent financial advice.

## Where can I get more information?

If you have any other questions, or would like any more information, please contact us. The following additional documents are available on request:

- *The Statement of Investment Principles* - This explains how the Trustee invests the money paid into the Scheme. It is also available to view on NFU's website.
- *The Schedule of Contributions* - This shows how much money is being paid into the Scheme.
- *The Recovery Plan* - This describes how the Employer is to meet the shortfall in the Scheme.
- *The Statement of Funding Principles* - This explains the Trustee's approach to funding the Scheme.
- *The Annual Report and Accounts* - This shows the Scheme's income and expenditure in the 12 months up to 30 June each year.
- *The report on the Actuarial Valuation of the Scheme as at 30 June 2020*
- *The Scheme Booklet* (you should have been given a copy when you joined the Scheme, but further copies are available).
- *An Annual Benefit Statement* - If you are not already in receipt of a pension from the Scheme (and have not received a benefit statement in the previous 12 months) you can ask for a statement that provides an illustration of your likely pension.
- *Trustee's Privacy Notice* – This details the individual data held by the Scheme in order to pay members' benefits, who has access to this data and how the data is used. It is also available to view on NFU's website.
- *Implementation statement* – This covers how the Scheme's policies on stewardship have been followed during the year and describes the voting behaviour by or on behalf of the Trustee. It is also available on NFU's website. If you have any queries regarding this Statement please contact NFU Staff Pension Trust Company Limited c/o Tamsin Richards at NFU Headquarters, Stoneleigh.

If you have any queries regarding the day to day administration of the Scheme, your benefits from the Scheme or if you wish to inform us of a change of address, please contact the NFU Staff Pension Scheme Helpline on 0333 11 11 222 or at the following address:

Barnett Waddingham LLP
3 Devon Way
Birmingham
B31 2TS

## NFU Staff Pension Trust Company Limited, September 2022