

# YOUR 2021 DB SECTION MEMBER REPORT

Welcome to your 2021 Member Report for the DB Section of the Scheme. Within the report, you'll find brief summaries of the Scheme's investments and membership, as well as updates / changes in the pension world that may impact you.

## IN THE NEWS



### How are my pension benefits affected by Covid-19?

Over the past year, the Global economy has continued to be significantly affected by the Covid-19 pandemic. The impact that this may have on your pension will depend on the type of pension you have, and how close you are to retirement. We have produced a news article on our website which explains how your pension benefits may be affected by Covid-19. You can view this at [www.abfpensions.com/news/2022/investment-update-coronavirus/](http://www.abfpensions.com/news/2022/investment-update-coronavirus/).

In respect of your pension benefits held in the DB section of the Scheme, any investment risk is borne by the Company, not the member, although if you have made any AVCs in the Defined Contribution Section (or for long term AVC payers with the legacy providers) these would be exposed to market movements (explained further in the news article in the link above). The Trustee encourages you to think carefully and consider getting investment advice before changing your AVC investment options in the current market (see further information in our website news article above).

### Contacting us during the Covid-19 outbreak

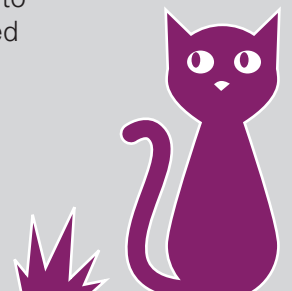
In response to the Government guidelines for workplaces, the Scheme's administrators continue to adapt their working plans with a combination of office and home working. The Scheme has a comprehensive business continuity plan in place to ensure all member services continue, but as a result of the recent Omicron variant staff absences are occurring and this is unfortunately having an impact on turnaround times, in particular when handling incoming and outgoing post (with the postal service also encountering delays due to staff absence).

The team will endeavour to respond as quickly as possible but there may be a longer turnaround time compared with the usual service. If your enquiry is urgent, please call the department on 0800 090 2267 (or +44 (0)207 636 8111 if you're calling from outside the UK). It's free to call from UK landlines and mobiles and the team are available Monday to Friday, from 9am to 5pm.

We are able to reply to you much quicker by email than by post. If you need to send us documents securely then please ask us to provide you with access to our secure file transfer service, which you can use to send your documents to us securely online. If you move house or change your bank, you can now call the team and we can take these details over the phone. We will take you through a series of security questions to make sure we're talking to you and you'll receive a letter confirming that the change has been made.

### New restrictions on transferring your pension

From 30th November 2021, the Government has introduced new conditions which must be met if you wish to transfer your pension out of the Scheme. These have been introduced to help combat the increase in pension scams which are taking place. Based on reports to Action Fraud, over £30 million was lost to pension scams between 2017 and 2020 with scammers adopting increasingly sophisticated tactics.



Should you request a transfer and one or more of the new conditions cannot be met, you will not be able to transfer your pension out of the Scheme to your chosen provider. Please be aware that if you request a transfer we will ask you for certain information to be provided to help us determine if the new conditions have been met and we may also need to speak to you by phone. Should we require any further information or need to speak to you by phone, this must be directly with you and not via any third party (for example an Independent Financial Advisor). Please be patient when requesting a transfer as these new requirements are adding significant processing time whilst we carry out all of the required checks. You can find more information on how to identify and avoid potential scams on our website at [www.abfpensions.com/db/scams](http://www.abfpensions.com/db/scams).

Additionally, if you are considering transferring to an overseas arrangement, it's important that you understand additional tax charges may apply. You can find more information on the tax charges at [www.gov.uk/government/publications/qualifying-recognised-overseas-pension-schemes-charge-on-transfers](http://www.gov.uk/government/publications/qualifying-recognised-overseas-pension-schemes-charge-on-transfers).

### **Further information on transferring your DB pension**

Flexibilities were introduced for Defined Contribution (DC) benefits in April 2015, however these flexibilities were not extended to Defined Benefit (DB) arrangements. If you are an active or a deferred member and you are considering taking advantage of these flexibilities, you will need to transfer your DB pension to a suitable DC arrangement. If your DB benefits are valued at £30,000 or more, then you will legally need to take financial advice from an FCA approved financial advisor.

If you are considering transferring your benefits, it's important that you understand the risks involved and the value of the benefits that you will be giving up. The main risk when transferring benefits from a DB to a DC arrangement is that the resulting benefits may not match the benefits that you are giving up. This includes loss of a guaranteed pension and the benefits payable on your death, including a spouse's pension and potential lump sum.

As already noted above, there are a significant number of pension scams taking place and you need to be aware of the companies and individuals who may try to convince you to transfer your benefits to an arrangement that is later found to be a scam. You can find more information on how to identify and avoid potential scams on our website at [www.abfpensions.com/db/scams](http://www.abfpensions.com/db/scams). The Pensions Regulator and Financial Conduct Authority have also created a joint leaflet which contains useful information about pension scams, a copy of this can also be downloaded from our website using the link above - we also enclose this with all transfer quotation letters.

### **MoneyHelper**

Previously, free and impartial guidance on money, savings and pensions could be obtained from a combination of The Money Advice Service, The Pensions Advisory Service and Pension Wise, who were all Government backed initiatives. These have all now been replaced by the MoneyHelper service. You can find out more at [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk).

### **Member Nominated Trustees**

The Trustee of the Associated British Foods Pension Scheme ("the Scheme") has nine directors, three of whom are Member Nominated Directors (MNT). In 2019, applications were invited from the eligible sections of the membership to apply for the three available vacancies. Members of both the Defined Benefit and Defined Contribution sections were able to apply for the vacancies or be nominated, provided they were either an active contributing member or were in receipt of a pension from the Scheme. Each nominated person needed the support of one sponsor, who is also a member of the Scheme.

There were delays with the nomination and selection process due to Covid 19. A further announcement was made in 2020 reminding eligible sections of membership to apply. As more nominations than vacancies were received, the Trustee Board agreed to appoint an additional MNT for succession planning purposes. Following a rigorous selection process, we are pleased to confirm that the three available vacancies and one additional MNT position have been filled by Ms Sarah Giffen, Mr Paul Longley, Mr Jonathan Willis and Mr Trevor Smith from 3 June 2021. The MNTs will serve as Trustee Directors for a period of six years.



## Changes to normal minimum pension age

The UK Government has confirmed that the normal minimum pension age (the earliest age at which most members can access their pensions without incurring an unauthorised payments tax charge, unless they are retiring due to ill-health) will rise from 55 to 57 from 6th April 2028. Members with a protected pension age will still be able to access their pension at their earlier minimum pension age, where applicable.



## Your personal Annual Allowance (AA)

The Annual Allowance (AA) is the limit on the total amount of contributions that can be paid to DC schemes and the total amount of benefits that you can build up in DB schemes each year for tax relief purposes. From April 2016, you need to calculate your own personal AA, please refer to our website at [www.abfpensions.com/db/taxation](http://www.abfpensions.com/db/taxation) for more details on how to do this. HMRC have also made a calculator available to assist you with calculating your personal AA, you can find this at [www.tax.service.gov.uk/paac](http://www.tax.service.gov.uk/paac). If you exceed the AA, you may be liable for a tax charge.

Your personal AA may also be reduced depending on your earnings (known as the Tapered Annual Allowance). In addition to the standard AA, if you take more than 25% cash from a DC arrangement then you will be subject to the Money Purchase Annual Allowance of £4,000 for future contributions to a DC arrangement (including any AVCs). If you do exceed your personal AA and incur a tax charge, it is possible for this to be paid from your pension fund using a facility called Scheme Pays. If you would like further details on this, please contact us on **0800 090 2267**.

## The Lifetime Allowance (LTA)

The Lifetime Allowance increased to £1.0731 million on 6 April 2020 and has been frozen at this level until 5 April 2026. If your total pension savings exceeded £1 million on 5 April 2016, you can apply for Individual Protection 2016. This does not apply to any members who have Primary Protection or Individual Protection 2014.

If you are interested in applying for protection, further information can be found on the HMRC website at [www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance](http://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance).

## Data Protection

In May 2018, new data protection legislation (the General Data Protection Regulation) came into force introducing significant changes to how the Trustees process personal data fairly and securely. Information about how the Trustees process your personal data, and your rights in respect of your personal data (including the right to object in certain circumstances), is provided in the privacy notice available online at [www.abfpensions.com/dataprotection](http://www.abfpensions.com/dataprotection) (and is also available in printed form, please contact us to request this).

## Accessing your pension information online

We have recently launched a new website which now has an improved secure login area for all members of the Scheme. If you are an active or deferred member you can now view details about your pension online through a new dashboard, access certain documents and check / update your personal information and contact details (note that for active members a change of name or address must still be notified to us via your local HR team).



[www.abfpensions.com](http://www.abfpensions.com)

If you are a pensioner, you can access your payslip and P60 history online, check / update your personal information, contact details and also change the bank account details that your pension is paid into. You can also find lots of useful information on the Scheme.

If you have not yet registered to use the secure login area of the website you will need an activation code to register for the first time which can be obtained by contact us on **0800 090 2267** or email [pensions.admin@abfoods.com](mailto:pensions.admin@abfoods.com).

# THE FINANCIALS

## Membership

On 5 April 2021 there were:

**1,452**  
Active members

**6,544**  
Deferred members

**14,392**  
Pensioners and  
Dependants

## Income and expenditure

This table shows the breakdown of income and expenditure for the year to 5 April 2021.

Members' and the company's contributions, and Additional Voluntary Contributions	£34,427,000
Investment income and change in market value of investments	£896,375,000

**Total income** **£930,802,000**

Retirement and death benefits	£115,658,000
Administration expenses	£8,602,000
Investment management expenses	£32,479,000
Transfers out	£28,521,000
Taxation on investments and where Lifetime or Annual Allowance exceeded	£1,219,000

**Total expenditure** **£186,479,000**

## Investing

How we invest the assets of the Scheme is summarised below:

Fund category	Percentage of holdings at April 2021	Target allocation of overall holdings
Cash	1.8%	1 - 3%
Property	8.6%	36.5 - 46.5 %
Global Equities (may include UK)	32.9%	
Fixed interest and index linked bonds (including illiquid credit)	56.7%	52.5 - 60.5%

## General market update

Whilst the global economy continued to be impacted during the year by the global lockdown caused by the COVID-19 pandemic, equity markets recovered significantly from the lows by 5 April 2021, with many of them reaching record highs. Positive returns fluctuated during the year primarily in response to COVID-19 with the changing number of infections, subsequent lockdowns, fiscal support and the rollout of the vaccine being key factors.

The COVID-19 pandemic was also the leading factor in bond yield changes. Disparities in the economic recovery and the number of virus cases lead to global bonds seeing little change in the first 9 months of the year. The year ended with the rapid vaccination roll out which caused Government bond yields to rise significantly in the first quarter of 2021. Corporate bonds outperformed Government bonds during each of the four quarters.

The Trustee has monitored all investment strategies closely throughout the year, meeting with asset managers on a regular basis. All strategies have performed in line with expectations across the Scheme year.

## Average overall investment return

Over the last year until 31 March, the average annual return was 22.6% vs a benchmark of 15.7%.  
Over three years, the average annual return for each year was 6.6% vs a benchmark of 5.6%.  
Over five years, the average annual return for each year was 7.9% vs a benchmark of 7.0%



## How members have invested their AVCs

Additional Voluntary Contributions (known as AVCs) are payments a member can make to help boost their retirement income. They are invested in the way that each individual member chooses from the investment options on offer. The Trustee hold members' AVC investments that are invested separately from the main fund. Members participating in AVC arrangements receive a statement confirming the amount held in their account(s) at April each year.

On 5 April 2021, a total of over £11 million was invested with the following providers:

### Current funds

Funds on the Mobius Life platform	£5,658,000
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### Legacy funds

Phoenix Life Limited (previously London Life Limited)	£5,000
Clerical Medical	£1,444,000
Prudential	£73,000
ReAssure (previously Guardian, previously Scottish Equitable)	£19,000
ABRDN (previously Standard Life Aberdeen)	£3,859,000
<b>Total</b>	<b>£11,058,000</b>

## LOOKING AFTER YOUR SCHEME

Trustee	Associated British Foods Pension Trustees Limited	
Company Appointed Trustee Directors	James West (Independent Chairman), John Bason, Paul Lister, Giles Haig, Ciara Ruane (resigned 7 October 2021)	
Member Nominated Trustee Directors	Jonathan Willis, Paul Longley, Sarah Giffen, Trevor Smith	
Secretary to Trustee and Group Pensions Director	Colin Hately	
Investment Managers at year end	ABRDN (previously Standard Life Aberdeen Plc) Alcentra Ltd Ares Management Ltd Artemis Investment Management LLP Beach Point Capital Management LP Blackrock Investment Management UK Ltd Bridgepoint Advisors Ltd (previously EQT Credit Investment Advisors LLP) Calamos Investments LLC Cordet Capital Partners LLP CQSM LLP	Goldman Sachs Asset Management Inc Hay Financial Management LLP Hexavest Inc (removed 29 May 2020) H.I.G. Capital International Advisors LLP Insight Investment Management Ltd Liontrust Asset Management Plc Morgan Stanley Muzinich & Co MV Credit Partners LLP NeuBerger Berman Schroder Investment Management Ltd Veritas Asset Management LLP
Actuary	James Bourne, Mercer Ltd	
Administrator	ABF Group Pensions Department	
Auditor	Ernst and Young LLP	
Banker	Bank of Scotland	
Custodian	The Bank of New York Mellon	
Investment and Benefit Consultants	Mercer Ltd	
Property Manager	Workman LLP	
Property Valuer	CB Richard Ellis	
Solicitor	Travers Smith	

# SUMMARY FUNDING STATEMENT 2021

Each year the Trustee provides a Summary Funding Statement that contains information on the funding position of the DB Section of the Scheme. The purpose of this statement is to help members understand more about the Scheme's finances and its ability to pay the benefits that members have been promised. We are continually reviewing how we can improve the information that we provide to members and have made some changes to how this funding update is presented this year, so it may look different compared to previous years but all of the same information is provided.

## The Scheme's funding position

Your pension contributions and those made by the Company are paid into a trust fund, which is invested by independent investment managers appointed by the Trustee. The funding position is an assessment of how the Scheme's assets (its investments in the trust fund) are able to meet its future liabilities (all of the pension benefits that will need to be paid out in the future). If the assets are more than the liabilities, the Scheme is said to have a surplus. If the liabilities are greater than the assets, the Scheme is said to have a shortfall.

The Scheme's funding position is measured by the Scheme's independent actuary using a complicated actuarial valuation based on certain assumptions for future interest rates, life expectancy and how investment markets will perform. This is carried out at least every three years, the Scheme's most recently completed actuarial valuation took place at 5 April 2020.

## The results of the 5 April 2020 actuarial valuation

The actuarial valuation at 5 April 2020 showed that:

- The value of the Scheme's liabilities was: £ 3,619 million
- The Scheme's assets were: £ 3,317 million
- The Scheme had a shortfall of: £ 302 million

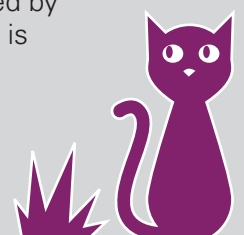
## How the Scheme's funding position has changed since 5 April 2020

In the period between the three yearly valuations, the Actuary checks the Scheme's funding position regularly. The latest review showed that the Scheme's funding position had improved, with a surplus between its assets and liabilities at 5 April 2021 of around £636 million. This surplus has been caused primarily by higher than expected growth in the Scheme's assets.

It is important to remember that pension schemes are long term investments. Investment market conditions, which affect the value of both the Scheme's assets and liabilities, change on a daily basis. As has been shown in the Scheme's annual summary funding statements over the past few years, fluctuations in the Scheme's funding position from year to year are common. In particular, the markets' reaction to the COVID-19 pandemic resulted in particularly high volatility during 2020 and 2021 with a significant recovery since the fall in markets seen in April 2020.

## The Company's contributions and support of the Scheme

The Company pays contributions towards the cost of new pension that members earn each year. In addition, the Company has agreed to make up the shortfall of £302m by paying shortfall contributions of £29.8m per year until 5 April 2026. These contributions are subject to the Scheme having a shortfall, as assessed by the Actuary, in that year. As the Scheme had a surplus at 5 April 2021, no shortfall contribution is due this year.



To calculate the amount of the shortfall, assumptions have to be made about what will happen in the future, for example, the rate at which the Scheme's assets will grow. If the assumptions do not all turn out to be exactly in line with what happens in future, it may be necessary to change the level of contributions to the Scheme or the period over which the shortfall is paid off.

In March 2017, ABF plc provided a formal guarantee that it would cover at least £420 million of any future shortfall. This guarantee provides further security to benefits in the Scheme. ABF plc has also confirmed to the Trustee that it currently has no intention of discontinuing the Scheme and that it is committed to paying the ongoing expenses of running the Scheme and paying extra contributions when necessary to fund the shortfall (including if the shortfall were to exceed £420 million). However, it is important to remember that the Scheme currently relies on the Company's continuing support.

We are also required to confirm that no assets have been refunded from the Scheme to the Company and the Scheme has not been subject to any interventions by the Pensions Regulator.

### **Considering what would happen if the Scheme had to be stopped**

The Trustee is required by law to look at what would happen if the Scheme was to be stopped and members' benefits secured with an insurance company. At 5 April 2020, the Scheme's assets would have been sufficient to secure, on average, 73% of members' benefits. This situation is typical of the majority of UK pension schemes. We currently consider it a remote possibility that the Scheme will be stopped.

### **Next steps**

The next actuarial valuation will be undertaken in 2023, however the Trustee and the Actuary will continue to check the Scheme's funding position regularly. Looking further ahead, we can assure you that we will continue to keep the Scheme's financial situation under close review, with regular dialogue with the Company about the potential need for additional contributions if required.

### **Further information**

If you have any questions about this statement or the Scheme, you can contact us on **0800 090 2267** (or **+44 (0)207 636 8111** if you're calling from outside the UK). It's free to call from UK landlines and mobiles and the team are available Monday to Friday, from 9am to 5pm. You can also contact us by email at [pensions.admin@abfoods.com](mailto:pensions.admin@abfoods.com) or write to us at Associated British Foods Pension Scheme, 50/51 Russell Square, London, WC1B 4JU.

You can also find lots of information on the Scheme's web site [www.abfpensions.com](http://www.abfpensions.com).

