



Simply financial

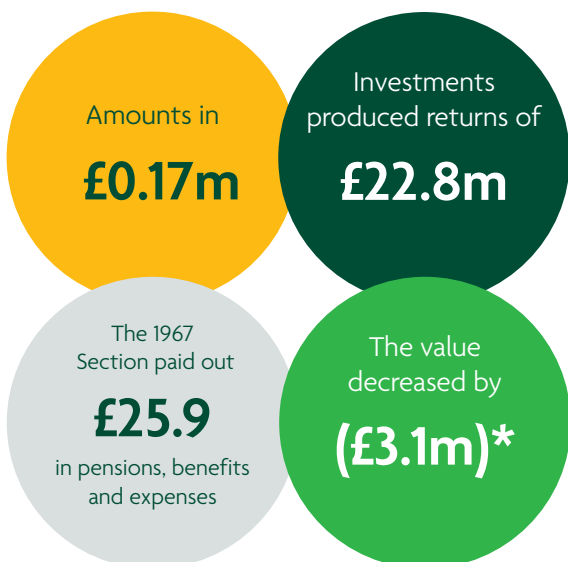
To help you get the most out of the money section, we're giving you the highlights from our annual report and accounts, explaining where, how and why we invest the money in the way we do.

Why the figures matter

It can be difficult sometimes to see how this section relates to you as a member of the 1967 Section. The main thing for you to take from this information is how healthy the finances are. This then tells you whether or not the 1967 Section is able to pay out the pension benefits to everyone in the scheme as and when they start their retirement.

WHAT YOU NEED TO KNOW

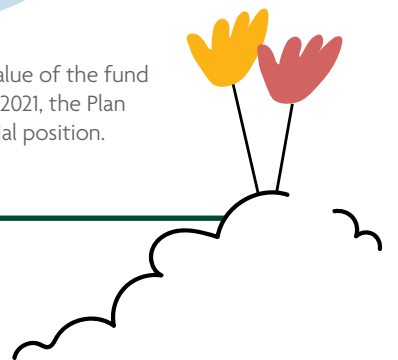
During the 12 months to 5 April 2021:



Value at the end of the year

£1.4billion

*Despite the decrease in value of the fund for the year ending 5 April 2021, the Plan remains in a healthy financial position.



What this means for the 1967 Section's financial health

Every year we need to let you know whether the 1967 Section can cover its commitments both in the long and the short term. This is a legal requirement called the Summary Funding Statement but is also valuable information for you as it helps you to understand a bit more about your pension and how it's financed.

The key figure to look at is the funding level as this tells you if there's enough in the 1967 Section to pay out the benefits. If it's 100% or more then that means there's enough money to pay the benefits to everyone in the 1967 Section when they're due to be paid.

If the funding level is **100% or more** then you know the Plan is in a healthy financial position.

SHORTFALL/SURPLUS

This is the difference between the money in the Plan and the cost of providing the benefits

2019 valuation

£157.3m surplus

2020 snapshot

£193.7m surplus

2021 snapshot

£233.8m surplus

A surplus means there's more money than needed. A shortfall means that there's not enough money to pay for all the benefits.

FUNDING LEVEL

If there's enough money to pay out the benefits when they become due then this is 100% or more

2019 valuation

114%

2020 snapshot

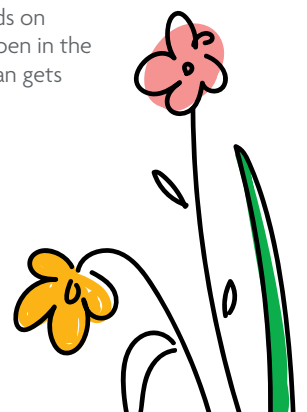
116%

2021 snapshot

120%

These figures assume that the 1967 Section will continue until all members of the Plan have their pension paid out to them.

It's an estimate because it depends on assumptions about what will happen in the future, such as the income the Plan gets from investment returns.



Is my pension secure?

The Trustees aim to have enough money in the 1967 Section to pay pensions and other benefits to members. So long as the Company continues to support the Plan, your benefits will be paid in full when you come to retire.

The actuary (the person who does these calculations) also works out how much money the 1967 Section would need if the Company could no longer support it, the 1967 Section was wound up and the Trustees secured members' benefits by buying an insurance policy.

Securing benefits in this way is expensive because the insurance company pays members' benefits in full in exchange for a one-off payment. This is because insurance companies have to invest in 'low risk' assets with low future investment returns and they also have to hold reserves to demonstrate they have enough money to pay out the benefits.

The funding level on this basis for the 1967 Section at the last full valuation in 2019 was 77% - so that means that at that date there wasn't enough money in the Plan to buy everyone's benefits if the Plan had to do that through an insurance company. It's expected that the estimated solvency funding level of the Plan has improved since then. We will be able to give you an update on this after the next full valuation based on figures at 5 April 2022.

This does not in any way imply that the Company or the Trustees are thinking of winding up the 1967 Section – it's just a calculation that they need to do by law.

If the Plan was wound up though and there was not enough money in the 1967 Section to buy out all the benefits with an insurance policy, the Company would have to make up the shortfall. For cases where a company goes out of business and doesn't have the money to pay the benefits promised, the Government has set up the Pension Protection Fund (PPF) which can pay compensation to members. You can find out more about the PPF on its website: www.ppf.co.uk

Or you can write to the PPF at:
**Renaissance, 12 Dingwall Road,
Croydon, CR20 2NA.**

The legal stuff

Legally, we have to confirm that the Company has not taken any surplus payments out of the Plan in the last 12 months. We can also confirm that The Pensions Regulator has not intervened to change the way that benefits build up, the way valuations are calculated, or the way the funding shortfall is met.

The solvency funding level provides an indication of the cost of securing the pension scheme benefits with an insurance company however the true cost can only be known if and when benefits are insured.



What we're doing with investments

The main purpose of investing a pension scheme's money is to make sure that the scheme earns enough money from the return on the investments to build up the value so that the scheme can pay members their pension benefits.

To do this, the investment managers choose investments where the value is expected to move in line with the cost of providing the benefits promised by the scheme. These are called Liability Driven Investments or LDIs and the largest part of the 1967 Section's money is invested here. This reduces risk to the funding level as these investments match the fluctuations in inflation and interest rates which can have a big impact on how much it costs to provide benefits.



Influencing business decisions for the better

Did you know that when pension schemes invest in company shares it means that the investment manager can influence decisions that those companies take? They do this as shareholders voting at Annual General Meetings.

The Trustees have set out their approach to investments and have briefed the investment managers to consider the Environmental, Social and Governance ratings of companies when choosing new investments.

The overall priority is to invest the 1967 Section money in the interests of members and bring in a healthy return for the fund, whilst choosing companies that take their responsibilities to their people, to society and to the environment seriously.

The 1967 Section's Standards of Investment Principles or SIP includes the Scheme's policy and approach to investments. You can ask for a copy of the SIP from the Scheme administrator, Mercer, or you can simply download it from the new Benpal website.

You can get copies of the full Report and Accounts from Mercer.

☎ 0345 450 6564 ✉ morrisonadmin@mercer.com