Morrisons
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MAKING THINGS SIMPLER

APRIL 2023

Simply financial

To help you understand the finances of the Plan, we're giving you the highlights from our annual report and accounts for the year up to 5 April 2022, explaining where, how and why we invest the money in the way we do.

IN SUMMARY

During the 12 months to 5 April 2022:

Amounts in
£0.06m

Investments produced returns of
£15.9m

The 1967 Section paid out
(£28.5m)
in pensions, benefits and expenses

The value decreased by
(£12.5m)*

Value at the end of the year
£1.39billion

*Despite the decrease in value of the fund for the year ending 5 April 2022, 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.

As you can see, the funding level was more than 100% following the recent valuation at 5 April 2022.

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	FUNDING LEVEL If there's enough money to pay out the benefits when they become due then this is 100% or more
2020 snapshot £193.7m surplus	**2020 snapshot** 116%
2021 snapshot £233.8m surplus	**2021 snapshot** 120%
2022 valuation £214.1m surplus	**2022 valuation** 118%

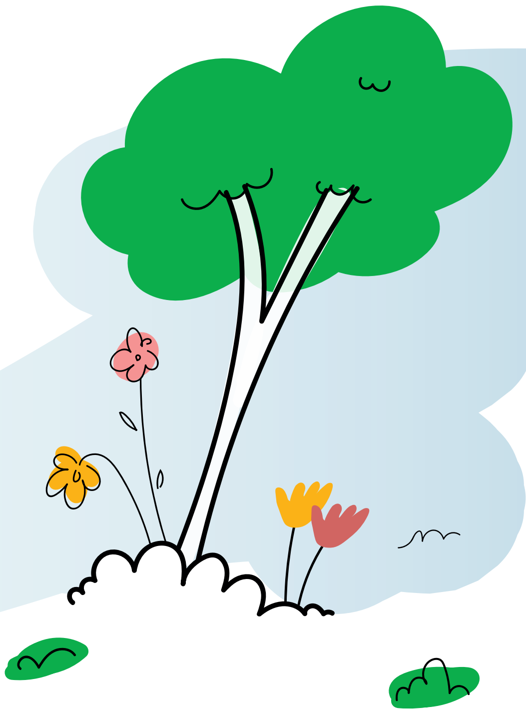
A surplus means there's more money than needed. A shortfall means that there's not enough money to pay for all the benefits.

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

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 it 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 for the year to 5 April 2022 was 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.



Buying an insurance policy

In 2020 the Trustee took out an insurance policy with Standard Life, (formerly known as Phoenix) to insure the benefits of the members who were pensioners at the time. In December 2022 the Trustee took out another insurance policy with Rothesay Life Plc for all the remaining members. This means that all members of the 1967 Section now have the added security of their benefits being covered by an insurer. It's only possible to buy such an insurance policy when a pensions scheme is well funded.

The 1967 Section's Standards of Investment Principles or SIP includes the Plan'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 Benpal website.

Is my pension secure?

The Trustees aim to have enough money in the 1967 Section to pay pensions and other benefits to members. They are still responsible for running the Plan and making sure your benefits are paid when they fall due, but the risks associated with the finances of the Plan are now covered by two specialist pension insurance companies. This means that your benefits are insured for the future.

The actuary (the person who does these calculations) worked 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 through a **buy-out** insurance policy. This is a calculation the Trustees have to do by law every year.

The funding level on this basis for the 1967 Section at the recent full valuation in 2022 was 97% which is why the Trustees were able to arrange a **buy-in** of deferred members' benefits and a few pensioners, with Rothesay LIfe Plc. This means that all benefits in the Plan are now covered by insurance.

A **buy-in** insurance policy means that the Trustees are still responsible for running the Plan and making sure your benefits are paid when they become due.

A **buy-out** policy is where the insurance company takes full responsibility for the Plan and pays members and pensioners benefits to them directly.

The solvency funding level provides an indication of the cost of an insurance company taking over the Plan.

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.

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

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