MAKING THINGS SIMPLER

FEBRUARY 2024

Simply financial

To help you understand the finances of the 1967 Section, we're giving you the highlights from our annual report and accounts for the year up to 5 April 2023, explaining where, how and why we invest the money in the way we do.

IN SUMMARY

During the 12 months to 5 April 2023:

Amounts in
£0.03m

Investments produced returns of
(£480m)

The 1967 Section paid out
(£32.1m)
in pensions, benefits and expenses

The value decreased by
(£512m)*

Value at the end of the year
£883.5m

*Despite the decrease in value of the fund for the year ending 5 April 2023, 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.

As you can see, the funding level was more than 100% following the recent financial update at 5 April 2023.

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 1967 Section and the cost of providing the benefits

2021 snapshot

£233.8m surplus

2022 valuation

£214.1m surplus

2023 snapshot

£61m 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

2021 snapshot

120%

2022 valuation

118%

2023 snapshot

107%

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

The change in the 1967 Section funding level is due to securing a buy-in of some member liabilities in December 2022. Plus, recently, there has been a rise in interest rates, and as interest rates rise, the value of pension liabilities drops.

Is my pension secure?

The Trustee aims to have enough money in the 1967 Section to pay pensions and other benefits to members. They are still responsible for running the 1967 Section and making sure your benefits are paid when they fall due, but the risks associated with the finances of the 1967 Section 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) 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 through a **buy-out** insurance policy. This is a calculation the Trustee has to do by law every year.

The funding level on this solvency 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 remaining pensioners, with Rothesay LIfe Plc. This means that all benefits in the 1967 Section are now covered by insurance.

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

The solvency funding level provides an indication of the cost of securing the 1967 Section benefits with an insurance company however the true cost can only be known if and when benefits are insured.

If the 1967 Section was wound up though and there was not enough money 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:
information@ppf.co.uk or
PO Box 254,
Wymondham,
NR18 8DN

Insuring the future

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 legal stuff

Legally, we have to confirm that the Company has not taken any surplus payments out of the 1967 Section 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.

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

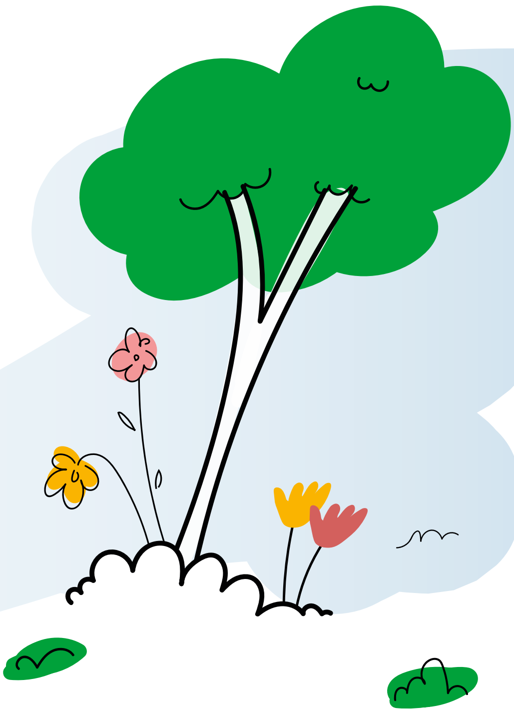
A **buy-out** policy is where the insurance company takes full responsibility for the Plan and pays members and pensioners benefits to them directly.

What we're doing with investments

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

Some years the investments will do well and in other years, less well. This is all to do with what's happening economically and politically around the world rather than necessarily the choice of investments.

The remainder of the 1967 Section's assets which are not insured, are invested with investment managers who choose investments where the value is expected to move in line with the cost of providing the benefits promised by the 1967 Section. This is achieved by investing in mainly low risk investment options such as a range of cash, bonds and index-linked bond investment options.



Our approach to investments

The Trustee has set out it's 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 Plan's 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

The 1967 Section's Statement 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 our new website: **morrisonspensions.co.uk**

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

0345 450 6564 **morrisonsadmin@mercer.com**