

**SCOTTISH &
NEWCASTLE**

PENSION PLAN

Here's to **PENSIONS**

THE NEWSLETTER FOR MEMBERS OF THE
SCOTTISH & NEWCASTLE PENSION PLAN



HEINEKEN

AUTUMN 2019



Robin Hoytema van Konijnenburg
Chair of Trustee Board

Following another busy six months for the Plan, I'm delighted to present the latest issue of *Here's to Pensions*.

CHAIR'S WELCOME

One of the key measures of the Plan's financial security is the strength of its funding level. The most recent valuation, carried out as at 31 October 2018, showed that the Plan had an improved funding level of 91%.

This is good news and allows the Trustee to consider other initiatives to reduce some of the remaining risks to the Plan and meet our aim of having sufficient money, now and in the future, to pay all members' benefits when they are due.

The valuation results can be found on page 6, while on pages 4 and 5 you can read about the long-term funding plan that was agreed between HEINEKEN and the Trustee prior to the completion of the valuation.

This time last year we told you about the Trustee's focus on improving the member experience. To build on that, we've enclosed a member survey with your newsletter and would really appreciate your feedback on how we can help you understand your Plan benefits. If you prefer to complete the survey online, go to **www.snptions.com/survey**.

Everyone who completes the survey by Friday 29 November 2019 will be entered into a prize draw to win one of ten HEINEKEN product vouchers worth £20 each. To be a winner you'll need to provide your contact details, including your email address, and also have registered for our online portal.

We're also delighted to announce that the online portal now allows most of our deferred members to log in and see a live value of their pension at the click of a button. See page 16 for more about this exciting initiative.

One of our independent Trustees, Anne Kershaw, has left the Board and has been replaced by Mark Condon. We'll introduce Mark in a future issue of *Here's to Pensions*. In the meantime, you can find out a little bit more about our newest Member Nominated Director, James Sharpe, on page 11. I'd like to thank the Trustee Directors, our advisers and the Plan administrators for all of their hard work and advice.

I hope you find this report informative. Please get in touch with the Trustee via the Plan administrator, Capita, if there's anything you'd like to see included in future issues.

Robin Hoytema van Konijnenburg
Chair of Trustee Board



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CONTACT US

Please remember to quote your National Insurance number in any correspondence.



Tel: 0345 600 2086

0345 600 3260 (pensioner payroll helpline)
+44 114 273 7331 (overseas)



Email: snpensions@capita.co.uk



Address: Scottish & Newcastle Pension
Plan, Capita, PO Box 555, Stead House,
Darlington DL1 9YT



Online: www.snpensions.com

VALUATION UPDATE

Every three years the actuary, an adviser to the Trustee, looks closely at the finances of the Plan. This is called a valuation.

The most recent valuation for the Scottish & Newcastle Pension Plan took place as at 31 October 2018. You can find the results on page 6. Also included is an update on the long-term funding agreement that was agreed prior to the completion of the valuation, and how this fits in with the Pensions Regulator's Integrated Risk Management framework (mentioned in the Autumn 2018 newsletter).

In a valuation, the actuary compares the estimated cost of providing the benefits that have built up in the Plan (the 'liabilities') with the amount of money held by the Plan (the 'assets'). If the Plan has fewer assets than liabilities, it's said to have a 'shortfall'. If the assets are more than the liabilities, it's said to have a 'surplus'.

While it's easy to work out the assets, the liabilities require a bit more consideration. How can we know, for example, how long a retired member might live and, therefore, how much they are likely to receive in pension payments during their lifetime? We can't, which is why the actuary has to make assumptions about the future – for example, how much the investments will grow by, inflation rates and how long members will live. The Trustee and HEINEKEN also need to agree with the actuary's assumptions. This is known as the funding basis.

A few years ago, the Pensions Regulator introduced the concept of an Integrated Risk Management framework for occupational pension schemes.

This requires trustees to consider funding, investment strategy and covenant assessment as an integrated whole. It recognises that the funding of pension schemes is a long-term process, but also ensures that trustees have taken all relevant aspects into account when agreeing their funding plans with employers.





INVESTMENTS

Deciding how to invest the Plan's £3bn assets is one of the most important elements behind the Plan's ability to meet its future pension promises.

EMPLOYER COVENANT

This refers to HEINEKEN's ability and willingness to continue to support the Plan, because if the Plan did not have enough money to pay its future pension promises, HEINEKEN would have to pay in more.

FUNDING

The formal assessment of the Plan's funding position is an integral part of the strategy we develop with HEINEKEN to maintain the Plan's long-term health. Funding should be in accordance with the covenant strength and the level of risk taken in investments.

Since the last newsletter was issued, the Trustee and HEINEKEN have been engaged in discussions about a long-term funding agreement. We're delighted to confirm that an agreement was reached ahead of the actuarial valuation date.

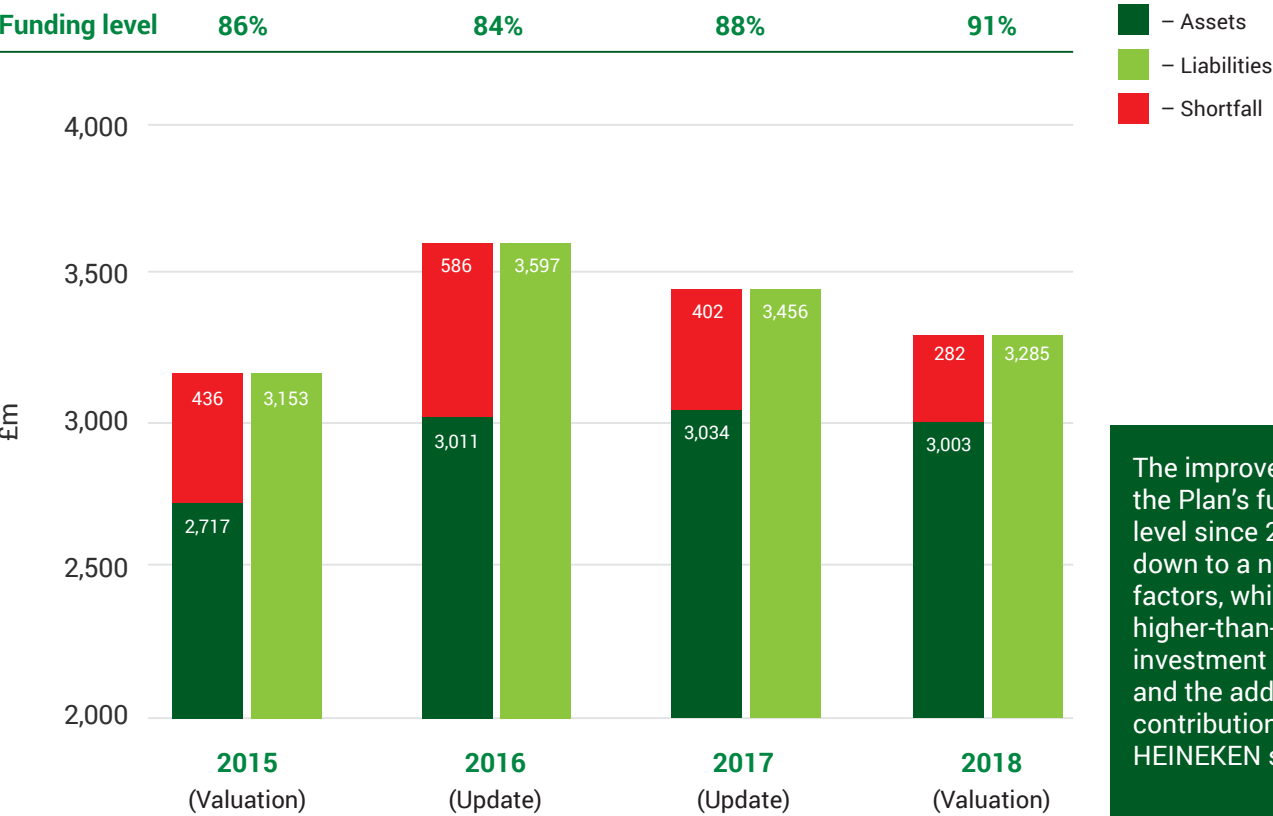
The agreement is consistent with the Regulator's Integrated Risk Management framework.

The agreement sets out the funding basis and investment assumptions until, at least, 2030. It allows for progressive strengthening of the funding basis and gradual reduction in the amount of investment risk over that period. The ultimate objective is to reduce reliance on HEINEKEN for financial support, making the Plan as close to self-sufficient as possible within a reasonable timeframe.

The valuation of the Plan as at 31 October 2018 indicated a funding level of 91% (2015: 86%), equivalent to a deficit of £282m (2015: £436m).

WHAT DID THE 2018 VALUATION SHOW?

The table below shows the progression of the Plan’s funding position since 2015.



The improvement in the Plan’s funding level since 2015 is down to a number of factors, which include higher-than-expected investment returns and the additional contributions made by HEINEKEN since 2015.

The current recovery plan, which provides for deficit-reduction contributions until May 2023, will remain in place. Current expectations are that this will return the Plan to full funding, on the basis set out in the funding agreement, either before or by May 2023. The agreement also has provision for the triggering of additional contributions should the funding position weaken against the agreed basis after that date.

The Integrated Risk Management framework also requires assessment of the employer's covenant. The Trustee conducts a formal review every three years, supplemented by informal reviews every six months. The formal review was conducted just ahead of the 2018 valuation and confirmed that the covenant continues to be strong (the highest rating). Together with the framework agreement, under which HEINEKEN NV underwrites the Plan in the event of failure of HEINEKEN UK, the Trustee is confident that the future funding of the Plan is as secure as possible.

The long-term agreement sets out the investment assumptions until 2030. The Trustee has also concluded that the longer-term investment strategy should be reviewed, to try to ensure more predictable returns in line with these agreed assumptions. This review is currently under way, and we will provide more detail in a subsequent newsletter.



WHEN IS THE NEXT VALUATION?

The next valuation is scheduled to take place as at 31 October 2021. However, the actuary also carries out less detailed but more regular 'annual check-ups' on the Plan. The next review will look at the position as at 31 October 2019, and we'll share these results with you in the Spring 2020 issue of *Here's to Pensions*.

WHAT HAPPENS IF THE PLAN CLOSES?

As part of the valuation, the actuary also looks at the funding level if the Plan was wound up (that is, if the Plan was closed and the Trust ended).

The Company has confirmed that it currently has no intention of winding up the Plan; we are just giving you this information to help you understand the security of your benefits.

If the Plan had wound up as at 31 October 2018 (the date of the last full valuation), the actuary estimated that the Trustee would have had to pay an insurance company £4,263m to provide all the benefits in full. This would have left the Plan with a shortfall of around £1,260m, and a funding level of 70%. The funding level on winding up is therefore estimated to have improved since the 2015 valuation, when it stood at 60%.

The Trustee aims to have enough money to pay pensions and other benefits to members as they fall due, rather than having to pay an insurance company to provide the benefits, which can be very expensive.

WHAT IS THE PENSION PROTECTION FUND?

The Pension Protection Fund (PPF) was set up in 2005 to compensate

members of eligible UK pension schemes which are wound up when the employer is insolvent and the scheme does not have enough assets to cover members' benefits. All eligible pension schemes are required to contribute to the PPF by paying a levy each year. HEINEKEN has agreed to pay this levy for the Plan. Further information is available at: www.ppf.co.uk

WHAT IS THE ROLE OF THE PENSIONS REGULATOR?

The Pensions Regulator has the power to intervene in the funding of a pension scheme. The Plan has not been modified by the Regulator, is not subject to any directions from the Regulator and it is not bound by a schedule of contributions imposed by the Regulator.

HAVE ANY PAYMENTS BEEN MADE TO HEINEKEN?

No. We can confirm there have been no payments of surplus made to HEINEKEN over the last 12 months.



WE WANT YOUR FEEDBACK!

The Trustee is continuing to make improvements in the area of member communications.

SCOTTISH &
NEWCASTLE
PENSION PLAN

MEMBER SURVEY 2019

By taking a few minutes to complete this survey, you can help us improve how we communicate with you about your pension. If you complete the survey (including your contact details) you'll be entered into a prize draw to win one of ten HEINEKEN product vouchers worth £20 each, provided you've also registered for our online portal. If you're filling out this paper copy, please send it back in the pre-paid envelope – you don't need a stamp.

Please return your completed survey by Friday 29 November 2019.

Prefer to complete the survey online?
Just go to: www.sn pensions.com/survey



 **HEINEKEN**

We've commissioned our communications provider, Wordshop, to carry out our first ever full member communications survey. The survey is enclosed with this newsletter, but you also have the option to complete it online at www.sn pensions.com/survey.

We'll use the feedback to plan a rolling schedule of activities that will help improve our members' understanding of pensions and their benefits in the Plan. The survey results

will be published in the next issue of *Here's to Pensions* and also posted online at www.sn pensions.com.

Please return your completed survey by Friday 29 November 2019. To encourage you to complete the survey, we are offering ten prizes of HEINEKEN product vouchers worth £20 each. If you want to be entered into the prize draw, please remember to include your contact details, including your email address, and also to register for our online portal if you haven't already done so. We'll email the winners after the closing date.

A condensation-covered bottle of Heineken Lager Beer is shown on the left side of the page. The bottle is green with a white label featuring the Heineken logo and text. It is placed on a reflective surface, likely the deck of a boat, with a blurred background of water and a boat railing.

PLAN NOTICEBOARD

PENSION INCREASES

This year, the discretionary increase will be 1.5% for those pensioner members whose benefits entitle them to discretionary increases. This is effective from 1 November 2019. The level of the discretionary increase is set by HEINEKEN. While the Trustee has no part to play in that decision, we've confirmed with our actuary, as required under the Plan Rules, that the funding plan is able to support this increase.

INVESTMENT CONSULTANT REVIEW

The Trustee regularly reviews its professional advisers to make sure the Plan is receiving the best advice and service out there. The Trustee recently reviewed its investment consultant and decided to replace Mercer with KPMG. The Trustee was impressed with KPMG's vision, which fits better with its own philosophy. KPMG will be helping the Trustee review its longer-term investment strategy (see page 7).

PROTECTING YOUR DATA

In order to manage the Plan and pay correct benefits at the right time to members and their dependants, the Trustee holds data relating to your membership of the Plan. Holding this data means we're a 'data controller' and there are a number of points we need to bring to your attention. These have been set out in a Privacy Notice which you can access on the Plan website, **www.snptions.com**. If you would prefer a hard copy of the Notice, please contact the Plan administrator, Capita.

MEET THE NEW TRUSTEE



James Sharpe joined the Trustee Board as a Member Nominated Director in March.

How long have you worked for HEINEKEN?

Since 2008 but I was with Scottish & Newcastle from 1994 until 2001. I started as an Operational Auditor, and then I became an Area Manager.

Where else have you worked?

I was a Regional Manager for Enterprise Inns in the North West of England from 2001 to 2007.

Have you been a Trustee before?

No, this is the first time I've signed up for something like this.

What is your current job title and what does it involve?

I'm a National Contracts Manager. My primary responsibilities are managing external suppliers for gaming machines, flow monitoring and site security, and liaising with our operations teams.

What has impressed you about the Plan so far?

We're very fortunate to have such a strong covenant underwritten by HEINEKEN.

What would you like to see done better?

I think we'd benefit from having slightly greater clarity about individual pensioner benefits.

What's your favourite HEINEKEN brand?

My favourite is a Polish lager called Zywiec, but it's difficult to get hold of in the UK, so otherwise Heineken Extra Cold.

What are your hobbies?

They're quite wide and varied but include: working gun dogs, sailing, skiing, bee-keeping, farming and restoring military vehicles!

PENSIONS NEWS

MONEY AND PENSIONS SERVICE NOW LIVE



**Money &
Pensions
Service**

The Money and Pensions Service is the new name for the Government's three financial guidance

providers, the Pensions Advisory Service, the Money Advice Service and Pension Wise, which are being merged into a single organisation. It brings together the core services of pensions guidance, money guidance and debt advice.

Sponsored by the Department for Work and Pensions, the Money and Pensions Service is funded by payments from pension schemes and the financial services industry. Its aim is to help everyone manage their personal finances by providing easy access to the information and guidance needed to make effective financial decisions.

For more information and to access the various services, go to www.moneyandpensionservice.org.uk

PROPOSAL FOR PENSIONS DASHBOARDS APPROVED

Following a consultation, the Government has approved proposals for online pensions dashboards which will offer people access to their information from multiple pensions in one place.

Initially, the first pensions dashboard will only include information from those pension schemes that have volunteered it, until legislation is passed to compel all schemes to provide data. It's anticipated that the first pensions industry-led dashboard will be launched later this year, facilitated by the Money and Pensions Service. It could be up to four years before State pension data will also be included.



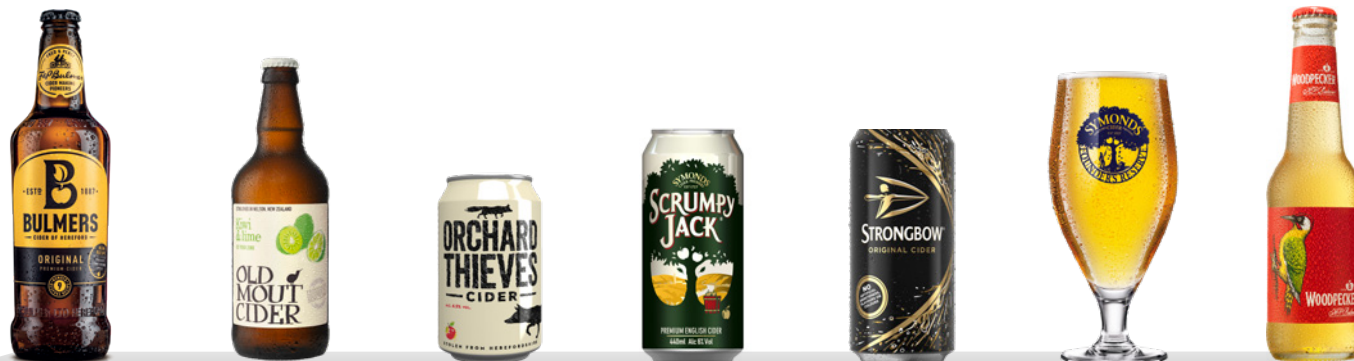


THE LOWDOWN ON HEINEKEN'S BRANDS

In the last issue we asked members to give some ideas of what they would like to see in a future edition of *Here's to Pensions*.

We had a great suggestion from a member who wanted to know what ciders and beers are made by HEINEKEN, so that he can remain brand loyal. We think that's a great idea – so here's a list of HEINEKEN brands available in the UK.

CIDERS



BEERS



DEFERRED STATEMENTS ONLINE NOW

The Plan administrator, Capita, has added a new feature to the online portal that will allow most of our deferred members to view an up-to-date statement of their benefits in the Plan.

If you're a deferred member, you'll first have to register to access the portal. It's really easy – all you need is your National Insurance number and then follow the instructions online. Your deferred statement will show you the current value of your deferred pension and what it might be worth at Normal Retirement Age. You can also see what benefits would be available from the Plan on your death before and after retirement, and the cash value of your pension if you wanted to transfer it to another approved pension arrangement.

Go to www.snptions.com
and follow the links to
'Manage your pension'.

If you're having problems using the online portal, contact the Plan administrator, Capita, on 0345 600 2086 (+44 114 273 7331 if overseas) or email snptions@capita.co.uk

Please note, a small number of deferred members with very complex benefits won't have access to all the new features but can still update their details.



This newsletter has been prepared by the Trustee of the Scottish & Newcastle Pension Plan. None of the information in it constitutes financial advice or guidance. You should consider seeking your own independent financial advice if you're in any doubt about the benefits and options available to you or your dependants.

October 2019