



 **HEINEKEN**

**SCOTTISH &  
NEWCASTLE**  

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**PENSION PLAN**

# Here's to **PENSIONS**

THE NEWSLETTER FOR MEMBERS OF THE  
SCOTTISH & NEWCASTLE PENSION PLAN

SPRING 2021



# CHAIR'S WELCOME

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## Welcome to the spring 2021 newsletter for members of the Scottish & Newcastle Pension Plan, and my second as Chair of the Trustee.

I sincerely hope that you and your loved ones are keeping safe, and that by the time the autumn 2021 issue hits your doorsteps (or inboxes, if you've signed up to receive it online), that we'll find ourselves back to some degree of normality. In the meantime, please be assured that the Trustee and their advisers continue to monitor the effects of the pandemic very carefully. We're pleased to report there has been no disruption to the payment of benefits or general service levels.

When I wrote to you last year, the Trustee had asked the Plan actuary to assess the impact of the pandemic on the Plan. This showed that, despite everything, the estimated funding level had improved, over the period to 30 September 2020, to 93% – an indication that our revised investment strategy had protected the Plan from the worst of the market volatility. The Plan actuary subsequently carried out another update, at 31 October 2020, which indicated that the position had improved to 94%. And I am delighted to share with you that, as at 28 February 2021, the funding position had improved further to 99% which is ahead of our expectations.

## 'OUR REVISED INVESTMENT STRATEGY HAS PROTECTED THE PLAN'

Of course, the Trustee remains mindful of how coronavirus restrictions have impacted HEINEKEN and its ability to support the Plan (known as the 'employer covenant'). For example, you may have heard in the news recently that HEINEKEN Global is planning to cut nearly 10% of its workforce as a result of the sharp drop in sales caused by the pandemic.

The Trustee has closely monitored HEINEKEN's financial position and held regular discussions with Company representatives.

There's more about our work in this area on page 7.

As usual, our spring issue focuses on the Plan's financials, with pages 4 to 6 giving you more detail on income, expenditure and membership figures to 31 October 2020. The full Annual Report & Accounts on which the summary is based will be available on the Plan website at [www.snptions.com](http://www.snptions.com) once they have been approved by the Plan's auditors.

Finally, my thanks go to Andy Ackerman who stepped down in February 2021 as a Member Nominated Trustee Director (MND) after 11 years of valuable service. His contribution both in Trustee and Committee meetings will be missed. If you think you'd like to take Andy's place on the Trustee Board, turn to page 11 to find out more about how

to become a MND. You can apply for this role if you are a deferred member or a pensioner of the Plan. You do not need to be a current employee of HEINEKEN. I wish you all good health and the very best for the future.

**Jane Scriven**  
Chair of Trustee Board



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# ON THE MONEY

The Trustee produces a full set of financial accounts each year to show how much money has been paid into and out of the Plan.

At the time of writing this newsletter, the accounts were in the process of being independently audited by Ernst & Young. A copy of the full Report and Accounts will be available to download on [www.snpenensions.com](http://www.snpenensions.com) when they have been approved.

## SUMMARY OF THE PLAN'S ASSETS

		£million
Value of Plan's assets on 1 November 2019		3,215
PLUS	net change in the market value of the investments	94
PLUS	payments in	72
LESS	payments out	169
Value of Plan's assets on 31 October 2020		3,213*

\*Please note that the numbers don't total correctly due to rounding.



Payments in	£'000
Employer contributions	44,916
Other income	-
Investment income	27,568
<b>Total</b>	<b>72,484</b>

Payments out	£'000
Pensions	121,256
Cash paid when members retire or die	15,889
Benefits for leavers	21,388
Professional and administrative fees	10,791
<b>Total</b>	<b>169,324</b>

## CHANGE IN PLAN VALUE

2018  
£2,999m



2019  
£3,215m



2020  
£3,213m



# WHO'S IN THE PLAN?

Plan membership continues to reduce from year to year, as members leave or draw their benefits.



Pensioners	19,026
Deferred members	16,860
<b>Total</b>	<b>35,886</b>



Pensioners	18,915
Deferred members	16,170
<b>Total</b>	<b>35,085</b>



Pensioners	18,914
Deferred members	15,409
<b>Total</b>	<b>34,323</b>

# FUNDING UPDATE

28 FEBRUARY 2021

Funding level 99%

Deficit £34m

31 OCTOBER 2020

Funding level 94%

Deficit £220m

31 OCTOBER 2019

Funding level 92%

Deficit £271m

The annual funding update, as at 31 October 2020, indicated that the position had improved to 94% of liabilities, with a deficit of around £220m. This compares with a funding level of 92% and a deficit of around £271m at 31 October 2019. Subsequently, the funding level has risen further to approximately 99%, with an estimated deficit of £34m as of 28 February 2021.

It was identified that the Plan was ahead of its target as at 31 March 2021, which could allow the Trustee and the Company to agree earlier derisking of its investments under its Funding Agreement (see page 8 for information on the Plan's investments).

The impact of the global pandemic obviously made 2020 a difficult year for business, particularly in the hospitality sector. As a result, pension fund trustees had to be very

mindful of the potential financial impact of the difficult business climate on the funding and security of their schemes. The Plan's Trustee instigated a robust covenant monitoring process, which involved regular direct conversations with HEINEKEN, attendance by senior HEINEKEN representatives at Board meetings, reassurance around the payment of deficit funding contributions and monitoring of key financial indicators.

The Trustee is pleased to be able to report that HEINEKEN UK has continued to perform robustly, albeit below its planned performance, throughout 2020, and the indicators are that it is continuing to do so in the early part of 2021. Consequently, the Trustee is satisfied that the business continues to be a viable going concern, and that it will continue to be in a position to support its financial obligations to the Plan.

# INVESTMENTS

**The Trustee Board is responsible for setting and managing the Plan's investment strategy. The implementation of the Trustee's agreed investment strategy, and the selection of investment managers, is delegated to an Investment Committee.**

## INVESTMENT STRATEGY

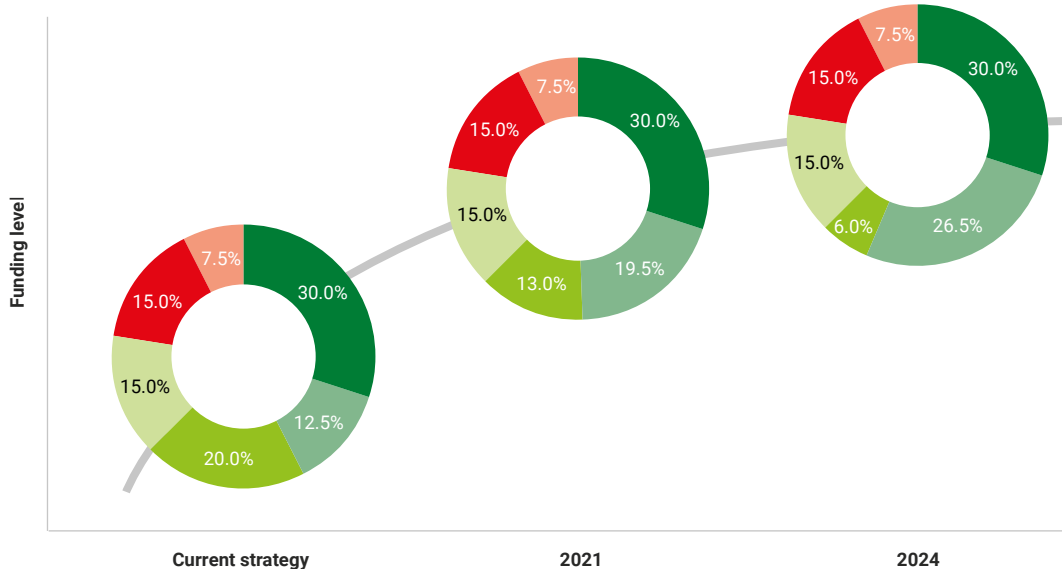
We have previously mentioned that the Trustee was reviewing its investment and future funding strategy, following the results of the 31 October 2018 valuation. As previously noted, this process was completed at the beginning of 2020, and an agreement (the Funding Agreement) was signed by the Trustee and HEINEKEN. The implementation of the new investment strategy has largely been completed during 2020.

The idea of the Funding Agreement is to set out a long-term path (sometimes known as a journey plan or flight path) to a position where reliance on financial support by HEINEKEN is reduced. This will be achieved by a combination of a planned reduction in investment risk and a more predictable asset return over the longer term.

The Plan is able to adopt this approach because of the continued financial strength of HEINEKEN UK and the security provided by the underpin (the Framework Agreement) from HEINEKEN N.V.

After each actuarial valuation (the next one is due as at 31 October 2021), the Funding Agreement sets out the level of investment risk (defined as the level of return in excess of the growth of the liabilities) required to achieve the long-term objective. In turn, this drives changes in the strategic asset allocation towards lower return but more predictable asset returns. As an example, the chart opposite demonstrates how the strategic asset allocation is likely to change at the 2021 and 2024 valuation dates.





- Liability Driven Investments (which seek returns similar to our liabilities)
- Corporate Bonds
- Equities (including currency hedging)
- Higher Yielding Credit
- Private Markets
- Long-Lease Property

The asset allocation shown here is indicative and will be reviewed by the Trustee before any actual change is made. However, you can see how the level of equities (higher yielding but higher risk) is planned to move towards Corporate Bonds (lower yielding but more stable returns) over time.

The Statement of Investment Principles (SIP) has been updated to reflect these changes. You can download a copy of the SIP from the Plan website at [www.snptions.com](http://www.snptions.com) (and you don't need to log in to do so).

## HOW DID THE INVESTMENTS PERFORM?

This table shows the overall performance of the Plan's assets over the one and three-year periods to 30 September 2020.

	One year (%)	Three years (% p.a.)
<b>Total Plan return</b>	<b>3.5</b>	<b>6.1</b>



# 5 MINUTES WITH... SANDRA WINSTANLEY

## **What's your background and when did you join HEINEKEN?**

I'm from the UK originally. My home town is St Helens, in the North West. I moved to the Netherlands 22 years ago and although I speak fluent Dutch, I've never lost my accent! I joined HEINEKEN almost 10 years ago, initially as the Global Pensions Manager.

## **What's your current role in HEINEKEN?**

I'm Manager for Global Mobility and Compensation, which covers a lot of different areas, including executive compensation and expat assignments around the world.

## **What attracted you to the Trustee role?**

I'd previously been a Trustee in two other HEINEKEN pension schemes – one in Mexico and one in Belgium. Being involved has been a great way to stay connected with pensions. I'm also a member of HEINEKEN's Pensions Governance Committee, and have been since I joined HEINEKEN. The Committee has an oversight of

HEINEKEN's pension arrangements around the world. Any new pension plan or change to an existing scheme has to be approved by the Committee.

## **Looking ahead, what do you think the main challenges will be for the Plan?**

The Trustee has a good relationship with HEINEKEN, and we've reached a solid Funding Agreement for the years ahead. Our Plan invests in a diverse range of assets, including shares and Government bonds in the UK and globally. The investments have performed well in 2020 despite the Covid pandemic. In the next couple of years we may see markets further impacted by Covid, so it will be critical to monitor and manage the Plan's assets so that we maintain our strong funding position.

I also believe that member communication is very important. There are lots of ways to stay in touch – through this newsletter and the Plan website – but as we

# COULD YOU HELP RUN THE PLAN?

all become more digital, the Plan has to move with the times and provide reliable information to members that then empowers them to manage their finances.

## **What's your favourite HEINEKEN brand?**

Apple Bandit – the equivalent of Orchard Thieves. Cider is really new in many European countries but it's catching on. It takes me back to my days in the UK.

## **What do you do in your spare time?**

I have four children, so most of my free time involves their activities. We're a very sporty family – two of my boys fence, and so do I. In pre-Covid times, most weekends were spent crossing Europe to represent the Netherlands at competitions. We also love adventurous family holidays, but at the moment I'm using my energy to redecorate the house.

**The Trustee issued a call for nominations last year, asking members who are still employed by HEINEKEN to put themselves forward to become a Member Nominated Trustee Director on the Trustee Board. We have now decided to broaden the scope to include deferred members and pensioners (but not those who receive a spouse or dependant's pension from the Plan).**

We have added a new page to the website, at [www.snptions.co.uk/MND](http://www.snptions.co.uk/MND), which gives more details about the role of a Trustee Director. There is also an application form for you to complete if you would like to be considered for this interesting and challenging role. The deadline for applications is 18 June 2021.

# MEMBERS' CORNER...



## GET TO KNOW YOUR ONLINE PORTAL

Eight out of ten members who have registered for the online member portal would recommend it. Why not give it a go? The portal is a secure section of the Plan website where you can view your own personal pension details – much like online banking.

While Capita are maintaining response levels during the pandemic, it still makes sense to be able to access your pension details (and update personal details yourself), in the event of any future disruption.

## WHAT'S AVAILABLE ON THE PORTAL?

**If you're a deferred member\*, you can log in to see:**

- The current value of your pension and what it might be worth at Normal Retirement Age.
- How much you could transfer out if you exchanged your pension for cash.
- What benefits are payable on your death (before and after retirement).
- Who you've nominated to receive death benefits from the Plan.

**If you're a pensioner, you can go online to:**

- Read and print payslips, P60s and pension increase letters.
- Update your bank details (see page 15 for important news for EU residents).

\*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 and view details of their deferred pension. Any deferred members who are still employed by HEINEKEN can only update their details via HR.

## HOW DO I REGISTER?

It's easy to register. You'll be asked to provide a few personal details that verify you are a member of the Scottish & Newcastle Pension Plan. Here's what to do:

- Go to **www.snpensions.com** and click on 'Manage your pension'.
- Click on the Register button in the top right of the page and follow the instructions to set up your online account, including your login name and password. You'll also need your National Insurance number and this must match what we hold on your pension record.
- Once you have completed your registration and received your PIN (either by email or SMS, depending on your preferences), you can log in to see your pension information:
  - Click on the Login button in the top right of the page
  - Enter your login name
  - Enter 3 requested characters from your password
  - Enter 3 requested characters from your PIN

If you've already registered but you've forgotten any of your login details (login name, password or PIN), you can request a reminder.

If you have any problems using the online portal, contact Capita on 0345 600 2086 (+44 114 273 7331 if overseas) or email **snpensions@capita.co.uk**

## IF YOUR ACCOUNT IS LOCKED

You might not have realised it, but if you enter the wrong login details four times in a row you will be locked out of your account. Please check that your email address is the one you used to register for the portal, before requesting a username, password or PIN reminder, because otherwise you might not get the reset notification. Capita will be emailing locked-out members over the course of the year so please look out for that.

# PENSIONS NEWS

## MEASURING INFLATION IN THE FUTURE

The Government will change the way inflation is calculated, by replacing the Retail Prices Index (RPI) with the Consumer Prices Index that includes owner-occupiers' housing costs, known as CPIH. The way the two indices are calculated has meant RPI was one percentage point higher than CPIH, on average. The Trustee and its advisers will assess the impact of the proposed change on Plan members and update you in a future issue of *Here's to Pensions*. It's not expected that the changes will take effect before 2030.

## MINIMUM PENSION AGE TO INCREASE

The Government has confirmed that the minimum pension age (the earliest age at which you can draw your pension unless you are in ill health) is set to increase from age 55 to age 57 in 2028. This means pension savers aged 48 or younger may now have to rethink their retirement plans – especially those who are due to reach their 55th birthday sometime in 2028. If you ask to retire early from the Plan, your pension may be reduced for early payment.

## STATE PENSION AGE INCREASES

Remember too that the State Pension Age is going up. It is currently 66, for both men and women, and will increase again to 67 between 2026 and 2028. The Government has indicated it wishes to bring forward the increase to 68, which was originally planned to happen by 2046, to 2039.

## PENSIONS DASHBOARDS

Last year, Covid-19 halted progress of the new Pension Schemes bill through Parliament as emergency health measures needed to be hurried through instead. However, the bill has now received Royal Assent. The bill included long-awaited rules for the proposed pensions dashboards, which will allow people to access their pensions information online, securely and all in one place. Dashboards, now scheduled for 2023, aim to provide clear information about an individual's multiple pension savings, including the State Pension and help people locate any lost pensions.

## EQUAL TREATMENT FOR MEMBERS' PENSION BENEFITS

As reported previously, following a UK High Court ruling in October 2018, pension schemes like ours have to consider whether some members' benefits need to be amended to ensure that men and women are being treated equally in respect of any Guaranteed Minimum Pension benefits. A second hearing in May 2020 looked at whether schemes are obliged to revisit the benefits for members who have previously transferred out. The outcome was they are, so Capita will also need to review all past transfers out as part of the overall GMP equalisation project. However, any changes to benefits as a result of GMP equalisation are expected to be small.

## PENSIONERS LIVING OVERSEAS

Some of Britain's biggest banks have closed the accounts of customers living in the European Economic Area, as a result of Brexit. If you have changed the bank account into which your pension is paid, please remember to inform Capita as soon as possible. Their contact details can be found on the back page.

## TRANSFERRING YOUR BENEFITS

Please remember you are entitled to transfer your benefits at any time up to 12 months before your Normal

Retirement Age to a new employer or an alternative approved pension arrangement. The law requires that for a transfer value of over £30,000 to proceed, independent financial advice must first be obtained. The Trustee recommends that you always seek independent financial advice when considering your options.

Transfer value quotations are only guaranteed for a three-month period. Members might like to consider arranging an appointment with an independent financial adviser prior to requesting a transfer value, to ensure that any advice can be prepared within the three-month window. Members are entitled to one transfer value every year free of charge. If you need a new transfer value quotation within this period, then the Plan will charge for this additional transfer value.

Please be careful of any cold callers who encourage you to transfer your money out of the Plan without taking proper advice, offer high investment returns, rush you to make a decision or suggest you can receive all your money as cash. This could be a pension scam.

You can find out more about pension scams and how to spot them on the Pensions Regulator's website:

**[www.thepensionsregulator.gov.uk/en/pension-scams](http://www.thepensionsregulator.gov.uk/en/pension-scams)**

# CONTACT US

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

**Telephone:**

0345 600 2086

0345 600 3260 (pensioner payroll helpline)

+44 114 273 7331 (overseas)

**Email:**

[snpensions@capita.co.uk](mailto:snpensions@capita.co.uk)

**Address:**

Scottish & Newcastle Pension Plan

Capita

PO Box 555

Stead House

Darlington DL1 9YT

**Online:**

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

Don't forget you can access your personal details, your current pension value, and update your Expression of Wish form by visiting the portal via the Plan website: [www.snpensions.com](http://www.snpensions.com)

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 are in any doubt about the benefits and options available to you or your dependants.