

SCOTTISH &
NEWCASTLE
PENSION PLAN

Here's to PENSIONS

THE NEWSLETTER FOR MEMBERS OF THE
SCOTTISH & NEWCASTLE PENSION PLAN

SPRING 2023



CHAIRMAN'S WELCOME

... I am very pleased to welcome you to the latest issue of
... *Here's to Pensions*, the newsletter for members of the
... **Scottish & Newcastle Pension Plan.**

We last sent a newsletter in the autumn of 2022 – shortly after the government's mini-budget announcement and just before the full implications of it for defined benefit pension funds like ours were known. The Trustee Board has been monitoring the situation closely, and our main priority has remained unchanged: ensuring that benefits are paid in full and on time, now and in the future.

Investments are, by their nature, unpredictable and it can often seem worrying at the outset when values fall. Highs and lows in the investment market, however, are completely normal, and we hope that our article featured on page 8 will help ease any concerns you may have about the Plan's current position.

With climate change at the heart of investment agendas around the globe, the Plan continues its focus on what kind of funds we invest in. It's possible that you may have heard the term ESG being used over the past year, which stands for Environmental, Social and Governance. These three pillars are used to help us



INSIDE THIS ISSUE

determine our impact on the world around us, and we continue to work hard to ensure our portfolio is moving towards ESG compliance.

As usual, we also share with you a funding update, showing the Plan's current funding position on page 4, as well as a summary of the Plan's income, expenditure and membership figures on page 6 and 7.

With various members of our Trustee Board retiring or moving on to pastures new over the last couple of years, we also thought it would be helpful to showcase who runs your Plan, putting faces to names and introducing you to the team. You can read more about the Board and find out a little more about each of its members on page 10 and 11.

In closing, I hope that the information in this newsletter is useful and helps give better insight into how the Plan operates. If you have any questions or would like further information, please contact us (contact details can be found on page 16).

Jane Scriven
Chair of the Trustee Board

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FUNDING UPDATE

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

The most recent valuation took place as at 31 October 2021, and we shared the results with you in the spring 2022 issue of *Here's to Pensions*. The next valuation is scheduled to take place as at 31 October 2024.

The actuary also carries out less detailed but more regular 'annual check-ups' on the Plan. The latest check-up looked at the position as at 31 October 2022, and the results are summarised here.

The Plan's funding position at 31 October 2022 was lower than expected, mainly due to lower-than-assumed investment returns which decreased the value of the Plan's assets. This was largely offset by rising gilt yields, which led to a decrease in the value placed on the liabilities.

The next update will be carried out as at 31 October 2023, followed by another full valuation in 2024.

WHAT DID THE 2022 UPDATE SHOW?

2022 update

Funding level

97%

Adjusted assets

£2,455m

Liabilities

£2,537m

Shortfall

£82m

2021 valuation

Funding level

99%

Adjusted assets

£3,560m

Liabilities

£3,596m

Shortfall

£36m

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, the Plan was closed and the Trust ended). HEINEKEN has confirmed that it currently has no intention of winding up the Plan; we are just giving this information to help you understand the security of your benefits.

If the Plan had wound up as at 31 October 2021 (the date of the last full valuation), the actuary estimated that the Trustee would have had to pay an insurance company £4,585 million to provide all the benefits in full. This would have left the Plan with a shortfall of around £1,025 million, and a funding level of 78%. The funding level on winding up is therefore estimated to have improved since the 2018 valuation, when it stood at 70%.

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.

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 made to HEINEKEN from the Plan over the last 12 months.



ON THE MONEY

- The 2021/22 financial accounts of the Scottish & Newcastle Pension Plan are summarised here.

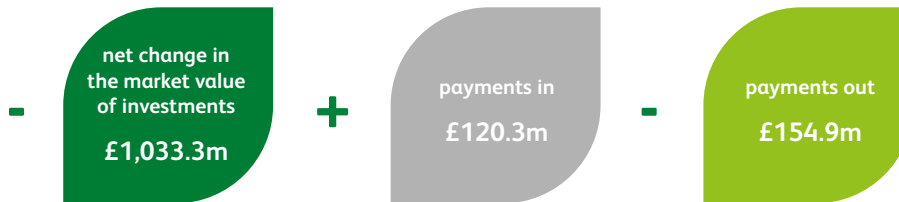
The Plan's independent auditors, RSM, have confirmed that the accounts give a true and fair reflection of the Plan's financial transactions during the year.

You can view the full Annual Report & Accounts on the Plan website, www.snpscensions.com

THE BOTTOM LINE

On 1 November 2021 the Plan was worth

£3,446.1m



On 31 October 2022 the Plan was worth

£2,378.2m*

*The asset value above differs from the value on page 4 as the treatment of certain assets in the accounts is different to that under the Plan valuation.

Payments in

	£'000
Employer contributions	48,431
Investment income	71,831
Total	120,262

Payments out

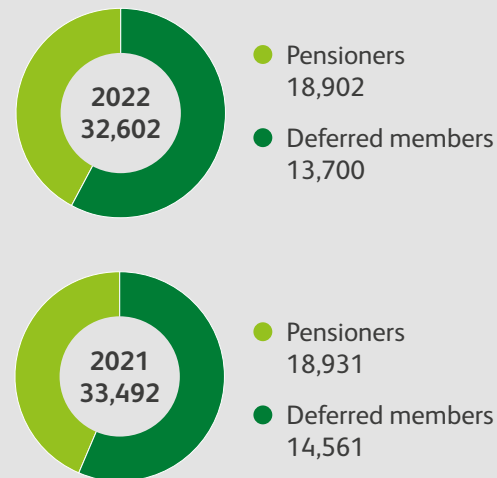
	£'000
Pensions	124,742
Cash paid when members retire or die	17,214
Benefits for leavers	9,381
Professional and administrative fees	3,532
Total	154,869

CHANGE IN PLAN VALUE

2020	2021	2022
£3,213m	£3,446m	£2,378m

WHO'S IN THE PLAN?

At 31 October 2022 there were just under 33,000 members in the Plan, with overall numbers reducing by 890 over the year.



INVESTMENTS

One of the Trustee's main responsibilities is to invest the Plan's assets in a way that ensures members' benefits can continue to be paid out.

The members of the Trustee Board are not investment experts, so they appoint professional advisers to help them set a suitable strategy for the Plan and select fund managers to carry out the day-to-day buying and selling of assets.

The details of this strategy are set out in a document called the Statement of Investment Principles (SIP). You can download a copy from the Plan website, www.snpenensions.com. It's a public website so there's no need to register or sign in to view the document.

INVESTMENT MARKET TURBULENCE IN 2022

As part of its investment strategy, the Plan holds a proportion of its assets in investments which are designed to move in line with the Plan's ability to pay future pensions (known as Liability Driven Investment or LDI).

These investments are set up in such a way that, should financial conditions require it, cash may need to be transferred into this investment from the other assets held by the Plan. The investment market turbulence following the announcement of the Government's 'mini-budget' on 23 September 2022 led to significant cash calls being made.

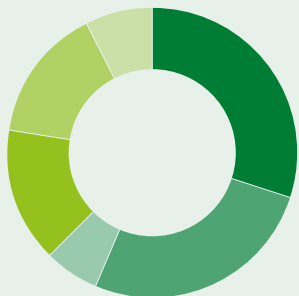
Although there was a substantial reduction in the asset values around this time, the Plan's funding position was not significantly impacted. Liabilities fall broadly in line with asset values when discount rates increase, as was the case at this time. LDI is designed to reflect these sorts of scenarios, and along with the Plan's hedging, provide protection against such movements.

Our managers were instructed to sell some assets to support the LDI portfolio, including corporate bonds. HEINEKEN NV then provided a two-month loan to the Plan of £100 million to avoid further corporate bond sales, and this was repaid in full in December 2022.

After the year end, the Trustee (in consultation with the Company) has been discussing appropriate actions to take with regards to adjusting the Plan's strategic allocation in response to the events of last year.

It is worth remembering that members' benefits are not linked to movements in the financial markets but are defined by the Trust Deed and Rules. Therefore, recent market events and the actions referred to above have not impacted the pensions due to members and their beneficiaries.

BENCHMARK ASSET ALLOCATION



- Liability Driven Investments 30%
- Corporate bonds 26.5%
- Equities 6%
- Higher yielding credit 15%
- Private markets 15%
- Long lease property 7.5%

INVESTMENT PERFORMANCE

The Trustee sets a long-term performance target for the Plan (called the benchmark), against which the Plan's performance is measured. The performance over the year to 30 September 2022 and three-year period is set out in the table below.

	One year (%)	Three years (% p.a.)
Total Plan return	-25.8%	-6.2% p.a.
Benchmark	-20.9%	-6.3% p.a.

CLIMATE CHANGE REPORT

The Financial Stability Board (FSB), an international body that monitors and makes recommendations about the global financial system, created the Task Force on Climate-related Financial Disclosures (TCFD) with the aim of improving and increasing the reporting of climate-related financial information.

To offer more transparency to our members, the Plan will publish an annual TCFD report, with the first one published in March, covering the Plan year to 31 October 2022. A copy of the report is available on the Scottish & Newcastle Pension Plan website.

RUNNING THE PLAN

- The Plan is managed by a board of Trustee Directors, comprising three Independent Directors, three Member Nominated Directors and three Company Appointed Directors.

Given we've seen a few changes to the board recently, we wanted to re-introduce you to the people who look after your pension...



Jane Scriven – Independent Director – Chair of Trustee Board

Jane is a lawyer with more than 20 years' experience of being a pension trustee chair and sits as chair on the Bakkavor scheme as well as our own. She was formerly a director on the FTSE 250 PLC boards of Geest and Greene King.

Chair of Funding Committee and member of Investment Committee



Martin Coles – Member Nominated Director

Martin is a retired accountant who also acts as a trustee and treasurer of a charity providing educational programmes to primary schools.

Member of Notable Cases Committee and Audit Committee



Jill Adamson – Member Nominated Director

Jill joined the board in 2021 and has over 25 years' experience in tax and accounting. She currently works for NFI Group as Director – Group Internal Accounting.

Chair of Audit Committee and member of Notable Cases Committee



James Sharpe – Member Nominated Director

James currently works for HEINEKEN's Star Pubs & Bars as National Contracts Manager. He sits on the BBPA & HUK Gaming Machines Panel and represents the Company's interests with BACTA, the British Amusement Industry's political lobbyist.

Member of Notable Cases Committee



John Hutchison – Company Appointed Director

John is currently the Head of Procurement with HEINEKEN UK. He was previously President and Board Trustee of The Scottish Licensed Trade Benevolent Society, a charity founded to help colleagues from the licensed trade.

Member of Risk Committee



Kelly Taylor-Welsh – Company Appointed Director

Kelly is HEINEKEN UK's current Head of UK Tax and is also the director of eight other legal entities within the HEINEKEN UK Group.

Chair of Notable Cases Committee and member of Investment Committee



Sandra Winstanley – Company Appointed Director

Sandra is a qualified actuary who previously worked for Aon and Mercer before joining us as Global Pensions Manager.

Member of Risk Committee and Funding Committee



Mark Condron – Independent Director

Mark has over 30 years' pensions experience and was formerly a senior partner and scheme actuary with Mercer. He is now a member of the trustee board for a number of UK pension funds.

Chair of Investment Committee and member of Funding Committee



Max Graesser – Independent Director

Max has been a trustee of five UK pension schemes before joining the Board in 2022. He currently chairs the UK schemes of Ricoh Europe and away from the pension world, he is chair of the Uffculme multi-academy schools trust.

Chair of Risk Committee and member of Funding Committee



MEMBERS' CORNER

UPDATE ON GMP EQUALISATION

As a reminder from the autumn 2022 newsletter, there are two main processes that we are working on with respect to Guaranteed Minimum Pensions (GMPs):



GMP rectification – this is the process of updating the Plan's records once we've compared with them with the GMP records held by His Majesty's Revenue & Customs (HMRC).



GMP equalisation – this is the process whereby all UK pension schemes whose members have GMPs need to make sure that no one has a lower pension as a result of their sex.

We are making good progress with both of these processes and expect to complete them this year.

If you are a deferred member, you don't need to do anything as our systems have already been updated for GMP rectification and are ready to take GMP equalisation into account.

If you are already in receipt of your pension, you also don't need to do anything for now. If you are affected by GMP rectification only, we expect to complete this process over the coming months and to contact you with more information in the summer. If your pension is affected by both GMP rectification and GMP equalisation, we expect to contact you towards the end of the year. As a reminder, nobody's pension in payment will go down following the completion of these processes. If you are entitled to an uplift, we will let you know as soon as we can. In the meantime, we will continue paying your pension on the current basis.



DOES YOUR PENSION HAVE A 'BEST-BEFORE' DATE?

Your pension is designed to be paid from a set point in time, usually your Normal Retirement Date (NRD).

If you're planning to take your pension earlier or later than your Normal Retirement Date, it's a good idea to let Capita know in good time. Here are some reminders of the choices you have with when and how you take your pension...

Taking your benefits early

If you take your benefits early, your pension payments will be smaller in order to account for the longer length of time that they will need to support you.

Depending on which section of the Plan you belong to, a supplementary pension may be paid between your early retirement date and your State Pension Age. This supplement will stop when you reach State Pension Age.

Taking your benefits later

If you choose to take your pension later than your NRD, your payments may increase slightly, due to the shorter length of time your pension will be needed to support you. The latest you can take your pension is age 75.

You also have the option to take your State Pension later, should you wish to. When you reach your State Pension Age, you don't have to claim your State Pension straight away. If you put off claiming it for at least nine weeks, you could increase the payments you get when you decide to claim.

Generally speaking, your State Pension will increase by 1% for every nine weeks you put off claiming. This works out at roughly 5.8% each year. You can get a State Pension forecast at www.gov.uk/check-state-pension



TAKING CARE OF BUSINESS

Your pension is one of most important financial assets you own, which is why it's crucial that you keep your details up to date. We've tried to make that a little simpler for you by ensuring you can do all of this in one place, through our secure online portal.

.....
Access the portal via www.sn pensions.com
.....

There are three things you can do online:



Update your wishes – In the event of your death, having an up-to-date expression of wish can help us quickly and efficiently identify who you would like to receive any benefits that may be payable.



Change your address – Did you know that studies show only one in 25 people think to tell their pension provider that they've moved house? If your personal details have changed in any way, it's important you let us know. If you are still a current employee of HEINEKEN and not in receipt of your pension, you can review and update your personal information on MyHR.



Obtain a quotation – You can request a written pension quote online* for a full breakdown of your benefits at any time before retirement.

*For some members, this information is not yet available online and Capita has to perform a manual calculation. If this affects you, please contact Capita to request this calculation.

IN NEED OF ADVICE? USE MONEYHELPER

Navigating the world of retirement, pensions or even everyday money can often seem like a minefield. With enduring economic instability and a rising cost-of-living crisis, it's understandable that you may need a little extra support when it comes to managing your finances, or making big decisions regarding your pension.

For free pension and financial guidance, MoneyHelper is on hand to assist. This government-backed service offers helpful articles, benefits calculators and free, confidential help if you have worries or concerns about debt. They are also able to offer free, impartial guidance on your pension options – simply book an appointment online via the website, www.moneyhelper.org.uk

IF YOU PAID ADDITIONAL VOLUNTARY CONTRIBUTIONS

While you were a member of the Plan, you may have paid Additional Voluntary Contributions (AVCs). These were a tax-efficient way to give your retirement savings a bit of a boost.

If you have AVCs, they are currently held with an external provider. When you retire, you can use your AVCs to either buy more pension in the Plan or put them towards your tax-free cash allowance.

However, it's worth noting that when you come to retire, Capita will need to contact the external provider to release the AVC funds. This sometimes can take some time, so it's worth bearing this in mind and factoring it into your future retirement plans.

You can also transfer your AVCs out to another arrangement at any time (keeping your main pension in the Plan, if you wish). Contact the Plan administrator, Capita, if you are interested in this option.



STATE PENSION AGE RISING

The State Pension Age is set to rise from 66 to 67 by 2028, with a further rise to 68 planned by 2039. However, it has been suggested by the media that the increase to 68 could be brought forward to as early as 2033. This may have a knock-on effect on the Normal Minimum Pension Age (NMPA), which tracks the State Pension Age at 10 years younger. The NMPA is also due to increase to 57 from 2028.

CONTACT US

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

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+44 114 273 7331 (overseas)

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snpensions@capita.co.uk

Address:

Scottish & Newcastle Pension Plan

Capita

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Darlington DL1 9YT

Online:

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.

Capita experiences cyber attack

You may be aware of a cyber incident involving the Plan administrator, Capita, which occurred in March 2023. The Trustee was informed on Thursday 18 May 2023 that, regrettably, files containing personal data of Plan pensioners were held on the Capita servers from which data was exfiltrated as a result of the incident, and we have written to affected members directly with further information.

Capita has informed us that it has no evidence that information resulting from this incident has been misused or that it is available illegally, including on any third-party websites. However, we recommend that you are extra vigilant if you receive contact from companies out of the blue, including cold-calls, emails or texts, no matter how trustworthy or official they seem.

The Trustee continues to monitor the situation very closely and will update you if there are any further significant developments.

Please check the news page on www.snpensions.com for updates.