



Simply financial

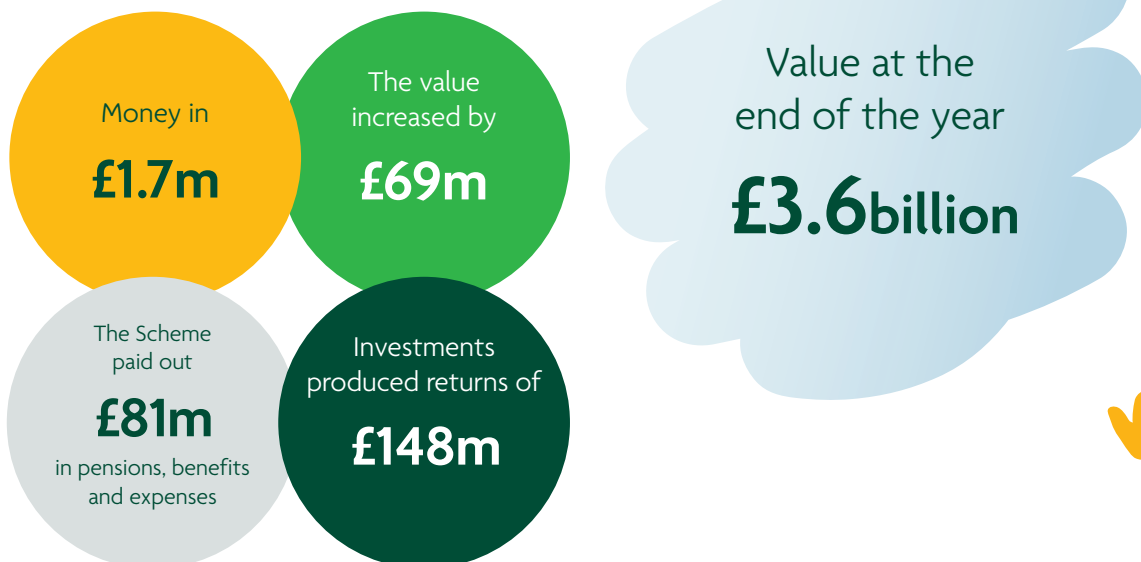
To help you get the most out of the money section, we're giving you the highlights from our annual report and accounts, explaining where, how and why we invest the money in the way we do.

Why the figures matter

The main thing for you to take from this information is how healthy the finances are. This then tells you whether or not the Scheme is able to pay out the pension benefits to everyone.

WHAT YOU NEED TO KNOW

During the 12 months to 31 March 2021:



What this means for the Scheme's financial health

Every year we need to let you know whether the Scheme 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 Scheme 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 Scheme when they're due to be paid.

If the funding level is **100% or more** then you know the Scheme is in a healthy financial position.

SHORTFALL/SURPLUS

This is the difference between the money in the Scheme and the cost of providing the benefits

2019 valuation

£518m surplus

2020 snapshot

£508m surplus

2021 snapshot

£607m 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

2019 valuation

117%

2020 snapshot

117%

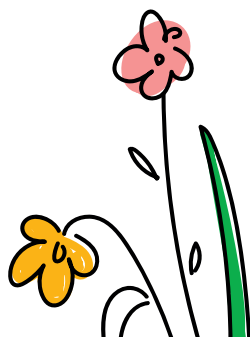
2021 snapshot

120%

These figures assume that the Scheme will continue until all members have their pension paid out to them.

It's an estimate because it depends on assumptions about what will happen in the future, such as the income the Scheme gets from investment returns.

The funding level remains unchanged over the year because the value of the assets in the Scheme broadly keep in line with the cost of paying out the pension benefits (the liabilities).



Is my pension secure?

The Trustees aim to have enough money in the Safeway Pension Scheme to pay pensions and other benefits to members. So long as the Company continues to support the Scheme, your benefits will be paid in full when you come to retire.

The actuary (the person who does these calculations) also works out how much money the Scheme would need if the Company could no longer support it, the Scheme was wound up and the Trustees secured members' benefits by buying an insurance policy.

Securing benefits in this way is expensive because the insurance company pays members' benefits in full in exchange for a one-off payment. This is because insurance companies have to invest in 'low risk' assets with low future investment returns and they also have to hold reserves to demonstrate they have enough money to pay out the benefits.

The funding level on this basis for the Scheme at the last full valuation in 2020 was 88% - so that means that at that date there wasn't enough money in the Scheme to buy everyone's benefits if the Scheme had to do that through an insurance company.

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

If the Scheme 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

The PPF isn't currently accepting documents by post but you can contact them by:

Phone: **0345 600 2541**

Email: information@ppf.co.uk

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

Morrisons' commitment

Following the last full actuarial valuation in April 2019, it was agreed that the Company would continue to pay £1.58m a year into the Scheme to pay for expenses – so paying the fees to the advisers and the administrators - and meet the costs of the Pension Protection Fund levy. This is often paid for by pension schemes, but in our instance is paid for by Morrisons.

This agreement is documented in the Statement of Funding Principles and Schedule of Contributions, copies of which are available on request. The company's contributions will be reviewed as part of the next full actuarial valuation as at 5 April 2022.

The legal stuff

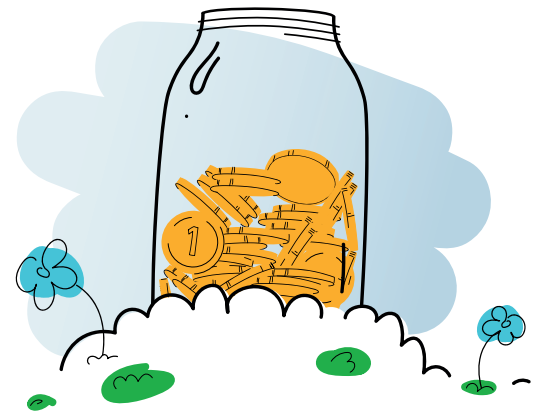
Legally, we have to confirm that the Company has not taken any surplus payments out of the Scheme in the last 12 months. We can also confirm that The Pensions Regulator has not intervened to change the way that benefits build up, the way valuations are calculated, or the way the funding shortfall is met.



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 the scheme 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 Scheme's money is invested here. This reduces risk to the funding level as these investments match the changes in inflation and interest rates which can have a big impact on how much it costs to provide benefits. There are also some investments in company shares - called equities - which are looking for growth and tend to go up and down more than LDI investments.



Influencing business decisions for the better

Did you know that when pension schemes invest in company shares it means that the investment manager can influence decisions that those companies take? They do this as shareholders voting at Annual General Meetings.

The Trustees have set out their 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 Scheme'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 to the environment seriously.

The Scheme's Standards of Investment Principles or SIP includes the Scheme's policy and approach to investments. You can ask for a copy of the SIP from Mercer, the administrator.

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

☎ 0345 450 6564 ✉ morrisonadmin@mercero.com