Morrisons
Since 1899

MAKING THINGS SIMPLER

JANUARY 2024

Simply financial

To help you understand the finances of the Scheme, we're giving you the highlights from our annual report and accounts for the year up to 31 March 2023, 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 2023:

Money in
£1.4m

The value decreased by
(£986.8m)

The Scheme paid out
£107.0m
in pensions, benefits and expenses

Investments produced returns of
(£881.2m)

Value at the end of the year
£2.6billion

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.

As you can see, the funding level was more than 100% following the recent valuation at 31 March 2023.

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

SHORTFALL/SURPLUS	FUNDING LEVEL
This is the difference between the money in the Scheme and the cost of providing the benefits	If there's enough money to pay out the benefits when they become due then this is 100% or more
2021 snapshot £607m surplus	**2021 snapshot** 120%
2022 snapshot £528m surplus	**2022 snapshot** 117%
2023 valuation £xxxxx	**2023 valuation** £xxxxx

A surplus means there's more money than needed. A shortfall means that there's not enough money to pay for all the benefits.

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 fell slightly over the year as changes in financial conditions meant the value of the assets in the Scheme just fell behind the cost of paying out the pension benefits (the liabilities). There was still a healthy surplus.

Is my pension secure?

The Trustees aim to have enough money in the Safeway Pension Scheme to pay pensions and other benefits to members. With the current funding level at over 100% your benefits are expected to be paid in full when they become due.

The actuary (the person who does these calculations) also works out how much money the Scheme would need if the Scheme was wound up and the Trustees secured members' benefits by buying an insurance policy - this is called a buy-out.

It's important to work out the Scheme's fundling level on this basis so that the Trustees can feel confident about the future funding of members' benefits under all circumstances.

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 full valuation in 2022 was 90% - 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.

If the Scheme was wound up 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 recent full actuarial valuation in April 2022, it was agreed that the Scheme would pay the expenses for the Scheme, but Morrisons may choose to pay and support the Scheme if agreed by both the Trustee and Morrisons. Morrisons has also agreed to support the Scheme if and when necessary, such as if there was a significant event that impacted the Scheme and member benefits.

This agreement is documented in the Statement of Funding Principles and Schedule of Contributions, copies of which are available on request.

Insuring the future

Sometimes trustees will secure members' benefits with an insurance company without winding up the Scheme. This works like an insurance policy and is called a buy-in. The trustees and the company are ultimately responsible for meeting all members' benefits but the insurance policy carries the risk. It helps make schemes more secure and can only be done when a scheme is in a strong financial position. Due to the well funded position of the Scheme, the Trustee has previously been able to purchase insurance policies with Aviva and Standard Life (formerly known as Phoenix) and in March 2023, with Rothesay. Each of these policies is helping secure the future of the Scheme.

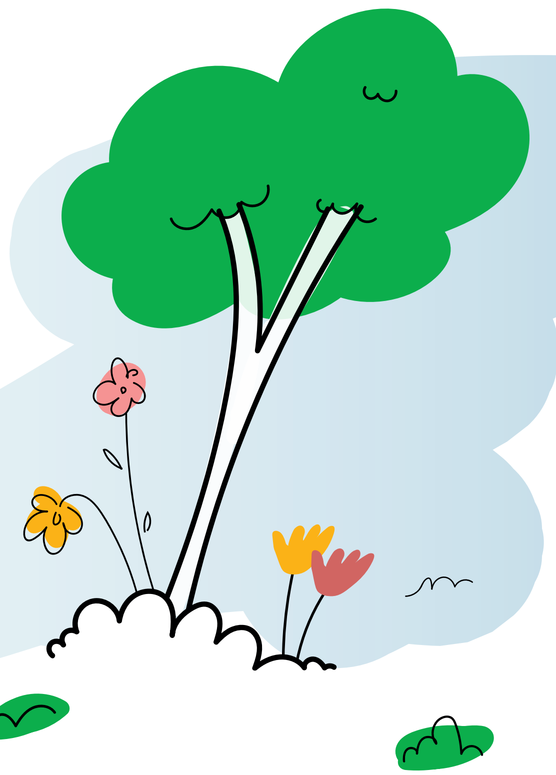
The legal stuff

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. We have now secured the majority of members benefits through four buy-in policies, however the Trustee still have responsibility for the investment strategy for the remaining assets.

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.

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