Morrisons
Since 1899

MAKING THINGS SIMPLER

APRIL 2025

Simply financial

To help you understand the finances of the the Safeway Pension Scheme (the Scheme), we're giving you the highlights from our annual report and accounts for the year to 5 April 2024, explaining where, how and why we invest the money in the way we do.

Why the figures matter

The main thing for you to understand from this information is that the Scheme is in a healthy financial position and is able to pay out the pension benefits to everyone.

WHAT YOU NEED TO KNOW

During the 12 months to 31 March 2024:

Money out
£0.13m

The value increased by
£45.0m

The Scheme paid out
£87.0m
in pensions, benefits and expenses

Investments produced returns of
£132.2m

Value of assets at the end of the year
£2.6bn

There has been an increase in value of the assets for the year ending 31 March 2024, which means that the funding level is in a healthy financial position.

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 financial update at 1 April 2024.

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

2022 valuation

£489m surplus

2023 snapshot

£313m surplus

2024 snapshot

£317m 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

2022 valuation

116%

2023 snapshot

112%

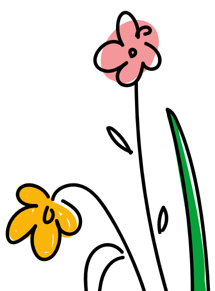
2024 snapshot

114%

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 Trustee has secured the majority of members' benefits with insurers via buy-ins, and we aim to secure all remaining insured benefits in 2025.



Your pension is secure

The Trustee aims 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 Trustee 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 Trustee 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 solvency 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.

Since then, the funding materially improved and in March 2023, the Trustee was able to secure further benefits with an insurer. It is the intention of the Trustee to insure all benefits during 2025.

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 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.

A **buy-in** insurance policy means that the Trustee is still responsible for running the Plan and making sure your benefits are paid when they become due.

A **buy-out** policy is where the insurance company takes full responsibility for the Plan and pays members and pensioners benefits to them directly.

Morrisons' commitment

Following the 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

The Trustee has secured the majority of members benefits through insurance policies, known as buy-in. It is the aim of the Trustee to secure all members benefits in 2025. The trustees and the company are still responsible for 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.

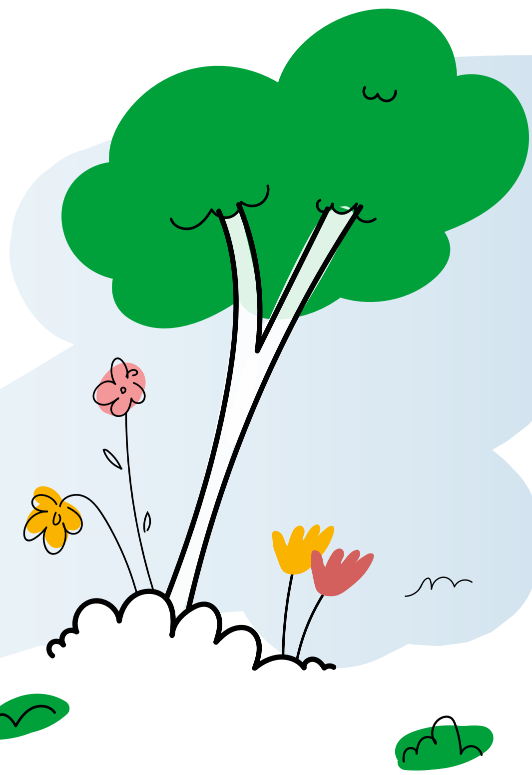
The legal stuff

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 has the responsibility for the investment strategy for the remaining assets.

The remainder of the Scheme's assets which are not insured, are invested with investment managers who choose investments where the value is expected to move in line with the cost of providing the benefits promised by the Scheme. This is achieved by investing in mainly low risk investment options such as a range of cash, bonds and index-linked bond investment options.



Our approach to investments

The Trustee has set out its 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 Statement of Investment Principles or SIP includes the Scheme's policy and approach to investments. You can ask for a copy of the SIP from Aptia, or you can simply download it from our new website: **www.morrisonspensions.co.uk**