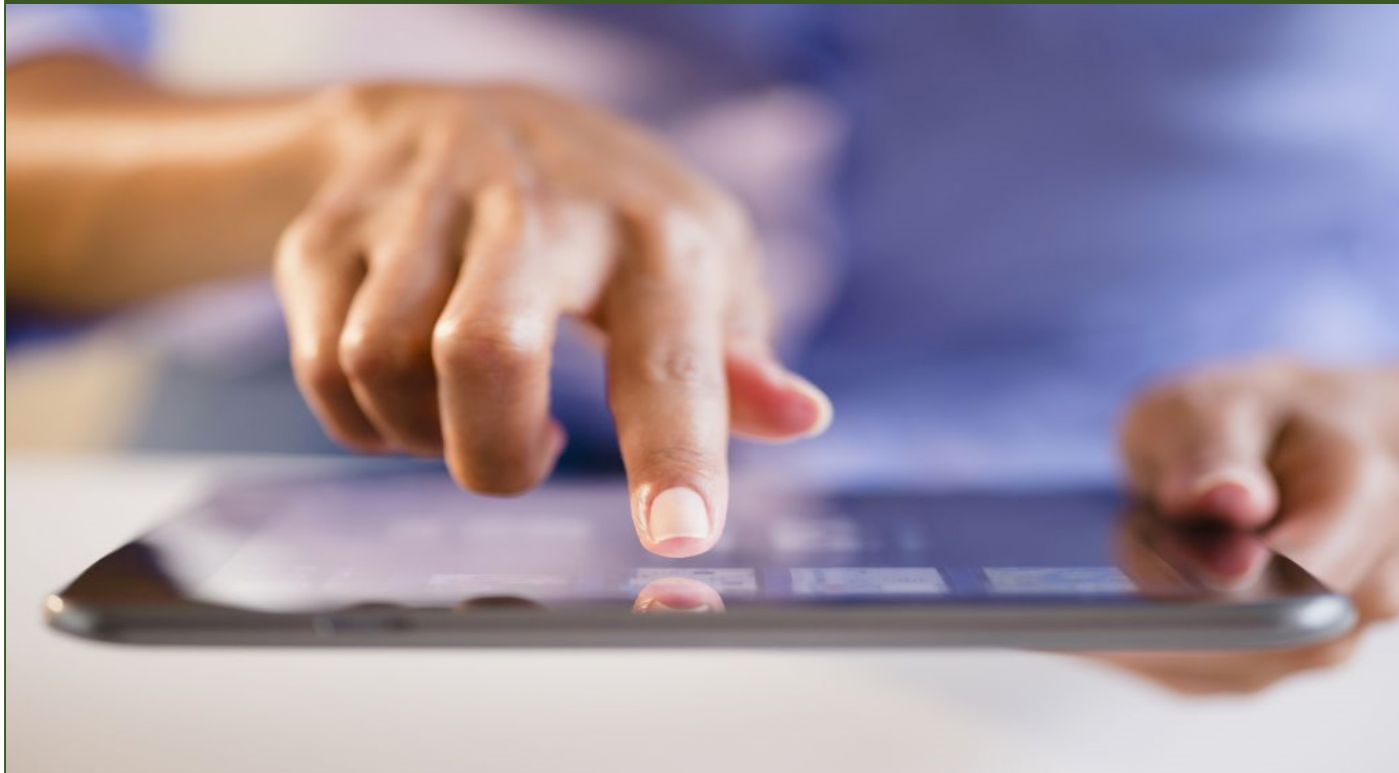


NRAM Pension Scheme

Pension News – February 2020



Contents

Funding update	3
GMP equalisation	4
Escrow account	5
Scheme sponsor and security	5
Trustee Directors	6
Transfers out of the Scheme	6
Pension scams	7-8
Change of administrator	9
Keep in touch	9
Further information	10
Appendix 1: Summary funding statement	11-14



Funding update

The Trustee formally assesses the funding level of the Scheme every three years, with the most recent formal valuation taking place at 5 April 2018.

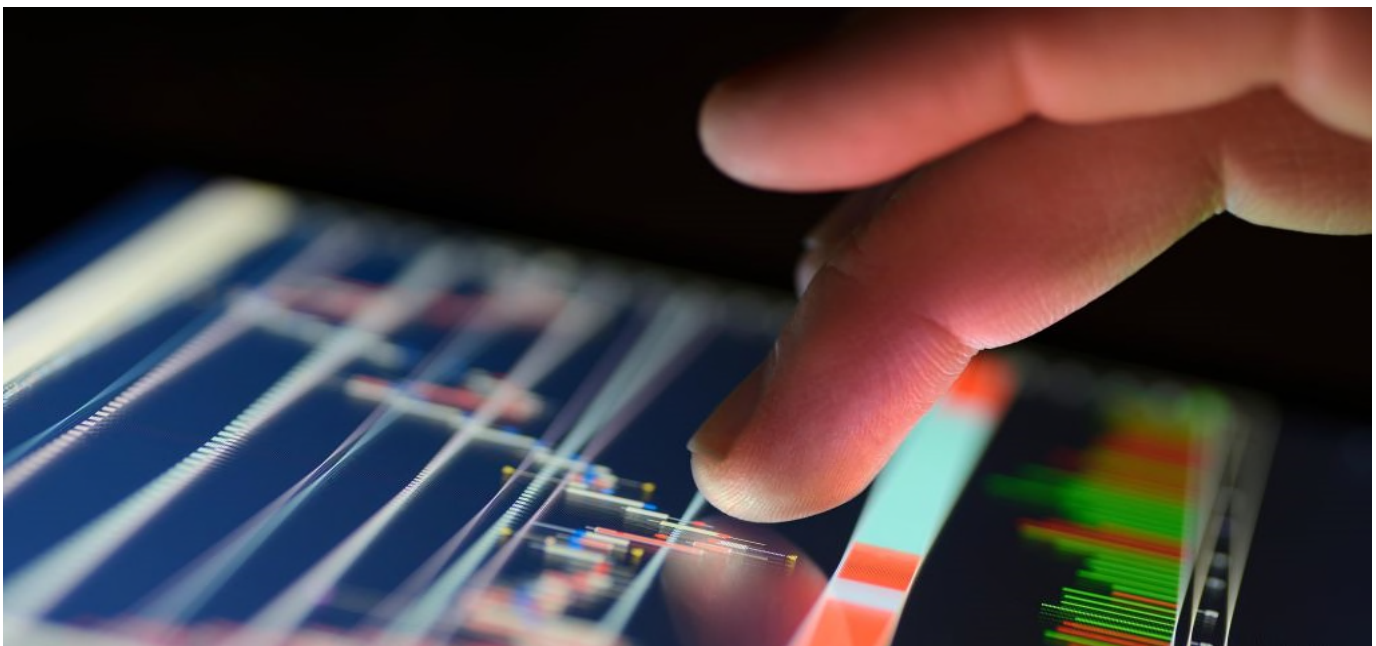
At that date the Scheme's assets totalled £740.1m, and the estimate for the total value of all the benefit liabilities was £702.9m, with a surplus of £37.2m on the Scheme's own funding basis (known as the "technical provisions" basis).

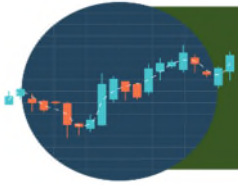
This represented a funding level of 105.3% for the Scheme, a significant improvement on the funding level of 91.3% at the previous formal valuation as at 5 April 2015.

Every year, between the formal valuations, the Trustee assesses how the deficit has changed, and as at 5 April 2019 it is estimated that the Scheme has a surplus of c.£36.2m. This was a slight decrease in the surplus, but the subsequent receipt of the £21m from the closure of the escrow account will have substantially increased the level of the surplus.

As the Scheme is currently in surplus, no contributions are currently being paid by the scheme sponsor, UK Asset Resolution Limited ("UKAR").

If further contributions are required in the future they will be provided by UKAR.





Guaranteed Minimum Pension (GMP) equalisation

On 26 October 2018 the High Court ruled in the Lloyds Bank case that pension schemes must equalise GMP for male and female pension scheme members.

GMP was earned before April 1997 in schemes that were contracted out of the State Earnings Related Pension Scheme, as the NRAM Pension Scheme was, in return for employees and employers paying lower levels of National Insurance Contributions. As a minimum, the Scheme had to pay benefits in line with GMP. GMP accrued at a different rate for males and females, received different levels of increases in deferment and were payable from different ages, as set out by the prevailing law at the time. As such males and females received differing benefits.

A number of methods to equalise benefits was set out in the High Court's ruling, and currently clarification is being sought as to how, in practice, benefit equalisation will be performed by pension scheme trustees. The Trustee expects to undertake a GMP equalisation project during 2020/2021. Following this, for some members who accrued benefits in the Scheme prior to April 1997, there may be a small increase in your pension.

However, the impact of GMP equalisation is expected to be minimal for both the Scheme and its members.

For the time being, benefits will continue to be paid unaltered to Scheme members.





Escrow account

As part of the agreement to accept the switch of sponsoring employer, the Trustee negotiated the release of part of the escrow account funds which were being held jointly between NRAM Limited and the Trustee.

NRAM Limited had been paying significant contributions into the Deutsche Bank escrow account for the last few years.

A sum of £21m was paid into the Scheme on 21 June 2019 from this account. The remainder of the account (also around £21m) was paid back to UKAR. The account has now been closed.



Scheme sponsor

As signposted in our recent letter, with effect from 20 June 2019 the sponsor of the Scheme has now changed from NRAM Limited to UK Asset Resolution Limited ("UKAR"), which is now the sole participating employer in the Scheme. This change has no effect on members' benefits.

A major consideration for the Trustee when negotiating with UKAR related to the security of members' benefits.

It was agreed that part of the Escrow funds would be released to the Scheme and that the funding level would be reviewed annually, each 5 April to ascertain whether future contributions would be required from UKAR.

In addition, in the unlikely event of UKAR not receiving any required funding for the Scheme from HM Treasury via the usual budgeting routes, a Credit Support Deed, established between UKAR and HM Treasury, would require HM Treasury to make payments to the Scheme, on behalf of UKAR, in accordance with the terms of the Credit Support Deed.





Trustee Directors



There are six Trustee Directors who together make up the Trustee Board that is responsible for the management of the Scheme. Four of these are selected and appointed by the Principal Employer.

The role of Chairman of the Trustee Board is carried out by the Independent Trustee firm, The Law Debenture Pension Trust Corporation plc. Their representative is Sean Burnard.

Two of the Directors are sourced from the ranks of the Scheme membership, with all members having the chance to put themselves forward for selection. These Directors are appointed for a period of five years, at the end of which period all members will be asked if they would like to be considered for the role.

As of 1 January 2020 John Watson has stepped down as a Trustee Director, with Kevin McGuinness replacing him. The Trustee Directors wish to take this opportunity to thank John for his service.



Transfers out of the Scheme

Deferred Scheme members are able to request to transfer the value of their benefit outside of the Scheme.

However, please note that it is not possible to reverse a decision to transfer if you subsequently discover that it was not in your best interests. When considering making such a request, please be aware that independent financial advice must be taken from an adviser with appropriate pension transfer authorisation before any transfer can proceed. The only exception to this is in rare cases where the transfer value is less than £30,000.

Transfer value quotations are guaranteed for a period of three months from the date of calculation. If a re-quote is requested within twelve months of the original quotation, a charge of £250 plus VAT applies. It is therefore a good idea to have an adviser lined up in advance of requesting a quotation to avoid a lengthy advice process taking you over the three month limit. ⁶



Pension Scams

Don't let a scammer enjoy your retirement



Find out how pension scams work, how to avoid them and what to do if you suspect a scam.



Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers design attractive offers to persuade you to transfer your pension pot to them or to release funds from it. It is then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

Scam tactics include:



- contact out of the blue



- promises of high / guaranteed returns



- free pension reviews



- access to your pension before age 55



- pressure to act quickly

If you suspect a scam, report it

- Report to the Financial Conduct Authority (FCA)
by contacting their Consumer Helpline on 0800 111 6768 or using the reporting form at www.fca.org.uk
- Report to Action Fraud
on 0300 123 2040 or at www.actionfraud.police.uk
- If you're in the middle of a transfer, contact your provider immediately and then get in touch with The Pensions Advisory Service (TPAS) at www.thepensionsadvisoryservice.org.uk

www.fca.org.uk/scamsmart



Pension Scams

Four simple steps to protect yourself from pension scams

1 Reject unexpected offers

1

If you're contacted out of the blue about your pension, chances are it's high risk or a scam. Be wary of free pension review offers. A free offer out of the blue from a company you have not dealt with before is probably a scam. Fortunately, research shows that 95% of unexpected pension offers are rejected.*

2 Check who you're dealing with

2

Check the [Financial Services Register \(www.register.fca.org.uk\)](http://www.register.fca.org.uk) to make sure that anyone offering you advice or other financial services is FCA-authorized.

If you don't use an FCA-authorized firm, you also won't have access to the Financial Ombudsman Service or the Financial Services Compensation Scheme. So you're unlikely to get your money back if things go wrong. If the firm is on the FCA Register, you should call the Consumer Helpline on 0800 111 6768 to check the firm is permitted to give pension advice.

Beware of fraudsters pretending to be from a firm authorized by the FCA, as it could be what we call a 'clone firm'. Use the contact details provided on the FCA Register, not the details they give you.

3 Don't be rushed or pressured

3

Take your time to make all the checks you need – even if this means turning down an 'amazing deal'. Be wary of promised returns that sound too good to be true and don't be rushed or pressured into making a decision.

4 Get impartial information and advice

4

The [Pensions Advisory Service \(www.thepensionsadvisoryservice.org.uk\)](http://www.thepensionsadvisoryservice.org.uk) – Provides free independent and impartial information and guidance.

[Pension Wise \(www.pensionwise.gov.uk\)](http://www.pensionwise.gov.uk) – If you're over 50 and have a defined contribution (DC) pension, Pension Wise offers pre-booked appointments to talk through your retirement options.

Financial advisers – It's important you make the best decision for your own personal circumstances, so you should seriously consider using the services of a financial adviser. If you do opt for an adviser, be sure to use one that is regulated by the FCA and never take investment advice from the company that contacted you or an adviser they suggest, as this may be part of the scam.

Be ScamSmart with your pension. Check who you are dealing with.



Change of administrator

On 1 October 2019 Deloitte Total Reward and Benefits (DTRB) took over as administrator for the Scheme.

If you have any queries, please direct them in the first instance to the Scheme Administrators, DTRB, who can be contacted at:

NRAM Pension Scheme,
Deloitte Total Reward and Benefits,
Lincoln Building,
27-45 Great Victoria Street,
Belfast,
BT2 7SL

email: nrampensions@deloitte.co.uk

In addition, the Trustee, in collaboration with Deloitte, is currently arranging for a member portal to be established. This will provide members with access to scheme information, including details of their benefits, and scheme documents.

Further details will be provided in due course.



Keep in touch

It is important that all Scheme members keep their contact details with us up to date. Please let us know if you move house or of any other changes, such as your marital status, which may affect your pension, by contacting the DTRB Pensions Administration team in Belfast.

To ensure that we are receiving a genuine address change from you, the member, we need to see some form of official correspondence (a utility bill for example) in your name to the new address. This can be scanned and emailed to the inbox below.

email: nrampensions@deloitte.co.uk

For a change of marital status we will need to see the marriage certificate, and cannot accept photocopies of this certificate. We will return this in the post via Recorded Delivery.



Further information

For any other pensions related queries that you may have, the following organisations have been established to assist members with queries regarding past or present pension benefits:

The Pensions Advisory Service (provided by the Money and Pensions Service) may be contacted at:
Money and Pensions Service, 120 Holborn, London, EC1N 2TD
(helpline telephone 0800 011 3797).

The Pensions Ombudsman may be contacted at:
10 South Colonnade, Canary Wharf, E14 4PU
(telephone 0800 917 4487).

The Department of Work and Pensions, Pension Service may be contacted at: <https://www.gov.uk/contact-pension-service>.

The Pensions Regulator website provides more useful links for who to contact with pensions related issues. These can be found at:
<https://www.thepensionsregulator.gov.uk/en/contact-us/scheme-members-who-to-contact>.



Appendix 1: Summary funding statement

Summary Funding Statement (“SFS”) based on the formal actuarial valuation as at 5 April 2018 and the financial update as at 5 April 2019

Two years ago you received a Summary Funding Statement (“SFS”) based on the Scheme’s financial position as at 5 April 2017, the Scheme’s most recent financial update. A SFS is something that the Trustee is legally required to send to you to explain how your benefits will be funded. This SFS now summarises the results of the formal actuarial valuation that was carried out as at 5 April 2018 as well as the financial update as at 5 April 2019.

The funding target agreed with the Company

As explained in previous versions of the SFS, the Company is running down its existing mortgage book and, eventually, it will be wound up. Before that point is reached, it is important that the Scheme will have sufficient assets in order to operate on a ‘self-sufficiency’ basis. In other words, once full funding on this basis is reached, the assets held should be sufficient to pay all future pension benefits without any further support from the Company. This is the funding target that we have agreed with the Company.

What was the funding position of the Scheme on the ‘self-sufficiency’ funding measure?

The table below shows the financial position of the Scheme on the self-sufficiency basis at the date of the last formal valuation, 5 April 2018, as well as the position from the financial update that was carried out as at 5 April 2019.

	5 April 2018 £million	5 April 2019 £million
Assets*	740	719
Amount needed to provide benefits (“technical provisions”)	703	683
Surplus	37	36
Funding Level	105%	105%



Appendix 1: Summary funding statement

It can be seen from the table on the previous page that the surplus in the Scheme at the most recent formal valuation (5 April 2018) was £37 million.

It is pleasing that the Scheme is now in surplus and that this was reached ahead of the previously agreed target of 2019 for removing the shortfall. Even though the Scheme is in surplus, the funding level will continue to be assessed at 5 April each year and, if a shortfall were to appear, the Company would be required to pay contributions to eliminate the shortfall over a two year period. This is set out in the Scheme's latest funding agreement, which was completed following the 5 April 2018 full formal valuation (dated 26 June 2019).

You can see that the surplus has remained broadly stable over the year from 5 April 2018 to 5 April 2019.

What levels of contributions are currently payable to the Scheme?

Since 5 April 2018, the Company has paid the following contributions into the Scheme:

- £0.4 million on 5 April 2019 (this being a payment towards general administration costs)
- a special contribution of £21 million on 21 June 2019 (this special contribution was negotiated as part of the change in Principal Employer from NRAM Limited to UKAR Limited).

Going forward, the Company will meet the administrative and general costs associated with running the Scheme, including PPF and other levies.

As mentioned above, if a shortfall were to appear, the Company will also pay contributions so as to eliminate the shortfall over a two year period.

What about normal regular contributions?

There are no longer any active members of the Scheme and so no normal regular contributions are payable.



Appendix 1: Summary funding statement

Your benefits within the Scheme

Your benefit entitlement under the Scheme is calculated using a formula based on your earnings and length of active membership within the Scheme in the period up to 31 December 2009 plus any transferred in benefits from other schemes, for example if you transferred in any benefits from the Northern Rock (2010) Pension Scheme.

The money to pay pensions for members of the Final Salary Section, and for members of the Money Purchase and AVC Sections who have chosen to annuitise the value of their personal account at retirement through the Scheme, is held in a common fund. It is not held in separate funds for each individual. The position is different for AVC Section members before retirement, who have individual funds.

What would happen if the Scheme were to wind up?

If the Scheme were to wind-up, benefits would be secured by buying insurance policies with an insurance company. At 5 April 2018 it was estimated that the additional amount needed to ensure that all members' benefits could be bought out with an insurer was around £6 million and at 5 April 2019 it was estimated that there would be no additional amount required. However, it is worth noting that the cost of buying out benefits with an insurance company will vary quite significantly over time, as investment conditions change and depending on how competitive the buy-out insurance market is.

If the Scheme were to wind up and the Company could not afford to meet the extra cost of securing benefits with an insurer, the Pension Protection Fund (PPF) might be able to take over the Scheme and pay compensation to members. Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.



Appendix 1: Summary funding statement

What is the Scheme currently invested in?

The Scheme's assets broadly comprises of two types of investment:

- a bulk annuity contract with Aviva (which provides for the future payments for all of the current pensions in payment at the date of the policy) and
- a Liability Driven Investment (LDI) portfolio which was implemented to provide a better interest and inflation rate match with the liabilities not covered by annuities.

The Scheme's asset splits at 5 April 2018 and 5 April 2019 were as follows:

	5 April 2018	5 April 2019
LDI portfolio	45%	45%
Annuity policies	44%	47%
Cash and liquidity fund	11%	8%

Pensions Act requirements

In accordance with the requirements of the Pensions Act 2004, we confirm that there have not been any payments to the Company out of the Scheme since the last funding statement was issued, other than in respect of general administrative expenses. We also confirm that the Scheme has not been modified by the Pensions Regulator and that no directions, nor a schedule of contributions, have been imposed on the Scheme by the Regulator.

Looking after your data

Some personal data for members (such as date of birth and pension amount) is required for the running of the Scheme, including paying out the right benefits. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as "data controllers" under the Data Protection Act). Data controllers include the Trustee of the Scheme, and, in certain circumstances, professional advisors to the Scheme. These may include the scheme actuary and Willis Towers Watson, who have provided further details at

<http://www.willistowerswatson.com/personal-data>.