

NRAM Pension Scheme

Pension News – February 2021



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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 had a surplus of c. £37m, and a funding level of c.105%.

This was a marked improvement from the previous valuation, at 5 April 2015, which showed a funding level of c.91%.

Every year, between the formal valuations, the Trustee assesses how the funding position has changed, and as at 5 April 2020, it is estimated that the Scheme has a surplus of c. £78m representing a funding level of c.110%.

The improvement in funding position over the period from 5 April 2018 is in part due to additional funds totalling c. £21m being provided from closure of an escrow arrangement with UKAR, with monies being paid into the Scheme.

As the Scheme is currently in surplus, no contributions are currently being paid by the scheme sponsor, UK Asset Resolution Limited ("UKAR"), other than payments to meet the Scheme's running expenses.

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

The Scheme is largely mitigated against future market movements due to a high level of hedging protection against changes to interest rates and inflation expectations. Therefore, the Trustee expects the funding level to remain stable regardless of short or long-term market volatility.

As communicated in March 2020, it was announced in the Spring Budget that the Government intended to legislate to transfer Scheme members to a new statutory, public sector pension scheme by 2023-2025. The Trustee will work closely with HM Treasury over the next couple of years to facilitate a seamless transition and will communicate progress to members periodically.





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.

Following the High Court's ruling a number of possible approaches to equalise benefits were provided. However, the practicalities of each approach and, in particular, how each impacted on members' tax positions was unclear. Further clarity is being sought by the pensions industry before benefits can be equalised.

The Trustee, working alongside its advisors, has started to work through these complications and expects to be in a position to equalise benefits for impacted members in the next 12-24 months.

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.





COVID-19

We wrote to you in April 2020 to provide you with reassurance regarding your pension benefits in the Scheme, in light of the outbreak of COVID-19.

As detailed in the Summary Funding Statement in the appendix to this newsletter, the Scheme is in a strong financial position and in surplus. In addition, the Trustee Directors have reduced risk in the Scheme significantly, opting to invest in assets that are not exposed to stock market fluctuations. The Scheme's investment strategy is selected such that the assets move broadly in line with changes in the value of the Scheme's obligations to maintain a stable funding position. Regular updates are obtained from our professional advisers regarding the funding level and because of the low risk investment strategy, the funding level remains stable and has continued to do so despite the market volatility reported in the press caused by COVID-19.



Due to changes in working practices caused by COVID-19, the Trustee Directors took the decision to move to paperless administration in Q2 2020. This resulted in monthly pensioner payslips no longer being issued as hard copies.

The Trustee has taken the action to implement a new member portal where this information is readily available (see page 6 for more detail). However, if you wish to receive a paper payslip, these can be obtained on request from the Administrator.

Please be assured that for members who are currently in receipt of their pension, your pension has been and will continue to be paid as normal.

For all other enquiries, such as administrative queries, quotations, changes of status, etc. the administrators continue to operate in line with previous practice and the trustee has monitored the performance of the administrator throughout the pandemic to ensure that members are receiving a high quality service.



New online member portal – Intellisite

All members of the Scheme should have recently received a letter notifying them of a new member portal, known as Intellisite.

This communication provided details as to how members are able to register to have online access to their personal Scheme benefits and Scheme documentation.

The portal allows members to not only review their Scheme pension, but also update key personal information. This includes bank details, changes of address, marital status and spouse/dependant information.

We recommend that all members take this opportunity to register for the portal and review the information held.

Members should update any information that appears out of date.

We encourage members to review the expression of wishes section to ensure that a spouse or other dependant(s) are nominated to receive contingent benefits when you die.

If you do encounter any difficulties in registering for the portal, please contact the scheme administrator using the details provided on page 10 and they will be able to assist.



New public website for Scheme information

We recently introduced the NRAM Pension Scheme website that is located at: www.nrapensions.com

This publicly available website was set up to meet the recent legislative requirement for all pension scheme trustees to make available certain information, such as their Statement of Investment Principles.

The Trustee intends to update this website intermittently with other useful member communications, such as the April 2020 COVID-19 communication, so that members can use this to reference Scheme developments.

We encourage all members to visit the webpage periodically or when prompted to do so in future Trustee communications.



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.

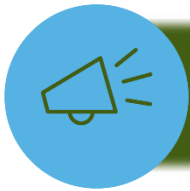


Increases to the minimum pension age

The Government has recently confirmed plans to increase the minimum age that pension savers are able to access their benefits from age 55 to age 57 in 2028, alongside planned increases to the State Pension age to age 67. From 2028, the minimum pension age is anticipated to remain ten years below State Pension age.

This change will affect anybody born after 6 April 1973.





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

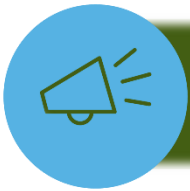


- pressure to act quickly

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

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

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

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

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.

www.fca.org.uk/scamsmart

*FCA Financial Lives



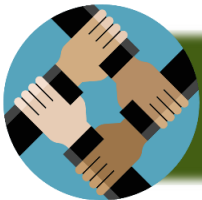


Scheme administration team

If you have any queries, please direct them in the first instance to the Scheme Administrators, Deloitte Total Reward and Benefits (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



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 updating your details on Intellisite or by contacting the DTRB Pensions Administration team in Belfast via post or email (at the addresses set out above)

If you opt to contact the administration team directly, certain information will be required as set out below:

- 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.
- 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 via their webchat or online query facilities at:

<https://www.pensionsadvisoryservice.org.uk/contacting-us>

(Telephone 0800 011 3797)

The Pensions Ombudsman may be contacted at:

<https://www.pensions-ombudsman.org.uk/contact-us>

(Telephone: 0800 917 4487)

(Email enquiries@pensions-ombudsman.org.uk)

The Department of Work and Pensions contact details can be found at:

<https://www.gov.uk/contact-pension-service>

(Telephone: 0800 731 0469)

The Pensions Regulator website provided 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>

(Telephone: 0345 600 7060)



Appendix 1: Summary funding statement

NRAM Pension Scheme (“the Scheme”)

Summary Funding Statement (“SFS”) based on the financial update as at 5 April 2020

Last year you received a Summary Funding Statement (“SFS”) based on the Scheme’s formal actuarial valuation as at 5 April 2018 and the Scheme’s most recent financial update as at 5 April 2019. 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 financial update that was carried out as at 5 April 2020.

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, the position from the 5 April 2019 financial update and the position from the financial update that was carried out as at 5 April 2020.

	5 April 2018 £million	5 April 2019 £million	5 April 2020 £million
Assets	740	719	836
Amount needed to provide benefits (“technical provisions”)	703	683	758
Surplus	37	36	78
Funding level	105%	105%	110%

It can be seen from the table above that the surplus in the Scheme at the most recent formal valuation (5 April 2018) was £37 million and that this had increased to £78 million as at 5 April 2020.

It is pleasing that the Scheme remains in a surplus position. Even though there is a 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).



Appendix 1: Summary funding statement

You can see that the surplus remained broadly stable over the year from 5 April 2018 to 5 April 2019, and then increased over the year from 5 April 2019 to 5 April 2020. This increase was primarily due to a special contribution of £21 million that was paid by the Company in June 2019, as well as the assets outperforming relative to the liabilities.

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.

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 is held in a common fund. It is not held in separate funds for each individual. However, funds in respect of additional voluntary contributions (AVCs) that have been paid by some members are held in 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 and 5 April 2020 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.



Appendix 1: Summary funding statement

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 email the Pension Protection Fund at information@ppf.co.uk.

What is the Scheme currently invested in?

The Scheme's assets broadly comprise 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 split at 5 April 2020 was as follows:

LDI portfolio (including cash)	56%
Annuity policies	44%

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>.

Where can I get more information?

If you have any other questions, or would like any more information, please either email 'nrampensions@deloitte.co.uk' or call the Pensions Helpline on 0113 292 1960.

Yours faithfully

The Trustee of the NRAM Pension Scheme