

Staff Pension Scheme of



**The
Nottingham**
Building Society

TRUSTEES' REVIEW 2021

CHAIR'S INTRODUCTION

Welcome to the 2021 Review of your pension scheme. I hope you will find it of interest and, for those of you reading this online for the first time, having accessed it on the scheme's new website, I hope being able to access the Review (and other documents) in this way is convenient for you as well as being a less costly and more environmentally-friendly method of communication.

With COP26 in progress as I write this and the world focussed on Glasgow for an achievable and effective solution to the problems of climate change, it feels very appropriate that we are all trying to do our bit to conserve energy and reduce waste. Indeed, pension schemes will have to go much further than this in the years ahead as additional requirements focus on the actions of pension scheme trustees and their investment managers to invest the scheme's assets responsibly. We have already taken the first steps in this respect, as can be seen from the information contained in the Statement of Investment Principles and the Implementation Statement on the scheme's website, and further developments in this area will be reported to members in future issues of the Review.

Continuing on the theme of investments, the year to 31 March 2021 was an extremely good period for the scheme, bouncing back from the low point of March 2020 with strong investment returns, agreement on additional funding from the Society and, ultimately, an improvement in the scheme's funding position, which saw the technical provisions (going concern) funding level achieve 100%.

Despite the significant improvement in the funding level over the year, pension scheme funding is complicated and market volatility can cause the position to change quickly, so we continue to monitor the situation closely, working with our advisers and the Society to ensure that we protect the funding of the scheme for the benefit of its members.

The Trustees meet at least four times a year and, due to ongoing guidance around Covid-19, all meetings during 2020/21 were held by video conference call. In addition to the four trustee meetings, regular meetings took place for both the investment and governance sub-committees and we established a new "GMP Working Group" to tackle the complex issue of reconciling guaranteed minimum pension (GMP) records with HMRC and, more recently, turning our attention to equalising GMPs that accrued for members who contributed to the scheme between 17 May 1990 and 5 April 1997. This is a highly technical issue that will take some time to address fully and we will keep members informed of progress over the next few years.

As the Trustees of your pension scheme, we work hard to ensure that the scheme is well-managed to deliver retirement benefits to members for many years into the future. Introducing a new website for the scheme is intended to provide members with ready access to useful information and we would welcome any feedback on this, via email to the scheme administrators at NottinghamBS@barnett-waddingham.co.uk, so that we can continue to make improvements to the scheme and the way that we communicate with you.

Best wishes.

Mark Griffin
Chair of Trustees

INVESTMENT SUMMARY FOR THE YEAR TO 31 MARCH 2021

During the year, the Trustees continued to invest a significant proportion of the scheme assets with Legal & General Investment Management (LGIM), while the balance was invested with two new fund managers introduced last year, Baillie Gifford and Barings. This change in the investment strategy, was agreed by the Trustees following an extensive review of the growth portfolio. The resulting change means the scheme now has greater diversification in its portfolio, which should reduce the potential for volatility in the overall value of the assets.

As at 31 March 2021, the asset mix of the scheme comprised 73.3% in growth assets and 26.7% in protection assets, which includes any allocation to cash. A breakdown of the investment holdings as at 31 March 2021 is shown below:

Investment Funds

The value of the scheme's investment portfolio, as at 31 March 2021, was £59,972,231 (2020: £54,793,779). The make-up of the individual funds in the portfolio at the start and end of the year can be broken down as follows:

Growth Fund Managers	Investment fund name	At 31 March 2021		At 31 March 2020	
		£m	%	£m	%
Legal & General	Global Equity (50:50)	13.082	21.7	22.332	40.8
Baillie Gifford	Multi-Asset Growth	14.873	24.7	0	0
Barings	Global High Yield Credit	16.261	27.0	0	0
Growth Portfolio		44.215	73.3	22.332	40.8

Protection Fund Managers	Investment fund name	At 31 March 2021		At 31 March 2020	
		£m	%	£m	%
Legal & General	LDI Core Fixed Short	5.307	8.8	9.067	16.5
Legal & General	LDI Core Fixed Long	1.477	2.4	3.451	6.3
Legal & General	LDI Core Real Short	1.813	3.0	3.518	6.4
Legal & General	LDI Core Real Long	2.601	4.3	3.703	6.8
Legal & General	Sterling Liquidity	4.559	7.6	12.724	23.2
Protection Portfolio		15.757	26.1	32.462	59.2

Totals may not be exact due to rounding adjustments. The percentages shown represent the amount of investment assets only, excluding short-term cash held in deposit accounts (see below).

Cash Accounts

The total on deposit was:

	As at 31/03/2021	As at 31/03/2020
Current Accounts ¹	£341,105	£562,775
The interest received was:	£601	£356

Note 1: Cash funds were held to meet short-term cash flow expectations.

FINANCIAL MATTERS 2020/21

Movement of Scheme Funds

Net assets of the scheme at beginning of the year	£57,194,028
Net withdrawals from the scheme	-£1,096,714
Total returns on investments during the year	£6,268,307
Total assets of the scheme at end of the year	£62,365,621

Note: net assets include amounts in relation to annuity policies, members' AVC funds, accrued income and current assets.

Contributions 2020/21

Employer deficit funding contributions	£1,500,000
--	------------

Expenditure 2020/21

Benefits payable	£2,180,391
Payments to and on account of leavers	£415,990
Admin expenses	£333

Summary Funding Statement

A Summary Funding Statement was issued to members in September, showing the progress of the scheme's funding position over the year to 31 March 2021.

You may recall that a formal valuation of the scheme's assets and liabilities is carried out every 3 years, the last one having been prepared as at 31 March 2020. This coincided with global financial markets' initial reactions to the Covid-19 pandemic and proved to be a difficult time for pension schemes to carry out such valuations. Fortunately, the position improved significantly over the following 12 months and the recent statement showed that the scheme's funding level had improved to 101%, from 86% at March 2020.

The funding level is reviewed at each trustee meeting and annual updates are also received from the Scheme Actuary. We will continue to provide updates to members in future Reviews and in the Summary Funding Statement updates.

Changes in the Scheme Membership

Membership	As at 31/03/2021	As at 31/03/2020
Pensioners (including spouses and dependants)	200	191
Ex-employees with preserved pension and deferred Members (those who have left their benefits in the Scheme for payment at a later date and those who have elected to delay the payment of their pensions beyond normal retirement date)	95	109
Current employees with preserved pensions	19	19
Total Members*	314	319

*The Member numbers shown above reflect the number of Member records held by the Scheme, as a small number of Members have more than one record.

PENSIONS UPDATE

The Trustees work closely with their advisers to keep the scheme up to date and running effectively for the benefit of its members. Regular meetings have continued to be held via video conferencing throughout the year, which is proving to be an efficient method of keeping in touch, with a number of participants still working from home for at least part of their working week.

As was mentioned in last year's Review, a major investment update was completed during the last 12 months. This has seen further diversification (see above) of the scheme assets by introducing the Barings Global High Yield Credit Strategies Fund and the Baillie Gifford Multi-Asset Growth Fund.

With the scheme now valued at over £60 million and the funding level measured at close to 100% of liabilities, the assets are being invested to deliver an expected return that will maintain and improve the scheme's funding position for the longer-term, accepting that there is always the risk of short-term volatility in any investment strategy.

Details of the scheme's current investment approach can be found in the Statement of Investment Principles (SIP), which is available on the recently launched website at: www.thenottingham.com/staffpensionscheme

In addition to regular interaction with advisers and scheme members, other topics that kept the Trustees busy during the year included:

- Triennial actuarial valuation – this was completed in December 2020, well within the 15-month time limit, and a revised Schedule of Contributions was agreed with the Society with effect from January 2021.
- GMP reconciliation, rectification and equalisation – This is a highly technical project that is likely to run for another couple of years and a separate working group was formed in January to consider the specific issues that need to be addressed by the Trustees.
- Training and technical updates – topics included avoiding pension scams, Environmental, Social and Governance (ESG) considerations for scheme investments, the Pensions Regulator's annual funding update, and planning ahead for a new combined Code of Practice, legislation introduced by the Pension Schemes Act 2021 and a new Code of Practice on scheme funding.

After what has been a difficult period for all of us, since the start of the global pandemic at the beginning of 2020, the Trustees are pleased to be able to confirm that the scheme is in great shape compared to many other defined benefit (final salary) pension schemes, and we will continue to work hard, with the support of the Society, to ensure that this remains the case in the years ahead.

AUDITORS' STATEMENT

The auditor has reported to the Trustees that, in their opinion, the financial statements show a true and fair view of the financial transactions of the scheme during the year, and of the amount and disposition of its assets and liabilities. The auditor has also reported to the Trustees that contributions have been paid to the scheme at least in accordance with the latest schedule of contributions, certified by the Scheme Actuary, that was applicable as at 31 March 2021.

DON'T LET A SCAMMER ENJOY YOUR RETIREMENT

Members may have seen or heard the Government's recent media campaign raising awareness of the risk of pension and investment scams. As if coping with the challenges of Covid-19 has not caused enough issues during 2020 and 2021, financial regulators are reporting an increase in activity by scammers looking to capitalise on the public's financial concerns, promising early access to benefits and/or enhanced returns on savings and investments.

Your pension benefits could be one of the most valuable assets you will ever own.

Please be very careful when discussing options about your pensions and, if you have any concerns, check out the warning signs on the ScamSmart website at

www.fca.org.uk/scamsmart

LOOKING AFTER YOUR PENSION SCHEME

THE TRUSTEES

The Trustees continue to meet 4 times each year, with additional meetings being arranged for each of the two sub-committees – Investment and Governance. The sub-committees consider specific issues within their terms of reference and report to the full Trustee Board where issues need to be considered and decisions made.

WHO ARE THE TRUSTEES?

There are four Trustees and additional support is provided by the Society's Senior Legal Counsel and Company Secretary, Rob Ewin, who acts as the Secretary to the Pension Scheme, and by our pension advisors, MHM Pension Services Ltd.

Mark Griffin



Mark became a Trustee on 1 August 2013, becoming Chair of the Trustees in April 2017. He was The Nottingham's Treasurer between November 2011 and June 2016, after having had extensive treasury experience which included 15 years at Alliance & Leicester. He is now an independent management consultant in financial services.

Manda Bettle



Manda was appointed as a Trustee in August 2020. She is the Society's Reward & Remuneration Specialist, having held various roles in the People & Development team over her long career with the Society, and has provided support to the Scheme as administrator for many years.

Chris Hayes



Chris became a Member-Nominated Trustee on 1 January 2008. He is an IT Operations Analyst, and has worked at The Nottingham since 1992.

Chris Gardner



Chris became a Trustee on 26 April 2017. He joined The Nottingham's Treasury department in 2013 as Deputy Treasurer and was appointed Treasurer in July 2016. He has over 30 years' experience in financial services, working largely in the building society sector and also for a fund manager.

Rob Ewin



Rob is The Nottingham's Senior Legal Counsel and Company Secretary and became the Secretary to the Pension Scheme in 2020. Rob joined the Society in 2018, and has 25 years' experience as a solicitor.

FUND MANAGERS, ADVISORS AND ADMINISTRATOR

Fund Managers

Legal & General Investment Management Ltd
Barings LLC
Baillie Gifford & Co Limited

Investment Consultant

Barnett Waddingham LLP

Deposit Holder

Lloyds Bank Plc

Actuary

Ben Roach, Barnett Waddingham LLP

Pension Advisers

MHM Pension Services Ltd

Scheme Administrator

Barnett Waddingham LLP

Solicitors

ARC Pensions Law

Auditors

Ernst & Young LLP

FURTHER INFORMATION

A copy of the full report and accounts for 2020/21 is available to view on our website www.thenottingham.com/staffpensionscheme. On the site you will also find the latest Summary Funding Statement, Statement of Investment Principles and other useful information.

For any other technical information, please contact the Scheme Administrators, Barnett Waddingham by emailing NottinghamBS@barnett-waddingham.co.uk or call 0333 11 11 222.