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Thorntons Pension Scheme

Pensions Bulletin

December 2019

A message from the Chair of the Trustee Board

Welcome to our latest newsletter for members of the Thorntons Pension Scheme (the Scheme).

As announced in the Summary Funding Statement issued in July 2019 Independent Trustee Services (ITS) became the sole trustee responsible for running the Scheme from 27 December 2018. We have continued to build on the work undertaken by the outgoing Trustees to continue to govern the Scheme efficiently and effectively in the best interest of the membership.

In this edition we have included the usual summary of the Scheme's Annual Report and Accounts so that you can see the money coming in and out of the Scheme over the year, the Scheme's membership and the investment performance.

The newsletter also includes an article about the non-financial aspects of preparing for retirement, something that people often forget about. You can find out the top five considerations on page 14. We also remind members to be wary of pension scams when considering transferring out, supporting a campaign by the Pensions Regulator to raise awareness in this area.

As you will be aware, the Scheme has been closed for the future build-up of benefits since 5 April 2013. The Trustee continues to look after the pension benefits of all members earned up to 5 April 2013 and to work with the Company to make sure it continues to meet its long-term obligations to the Scheme, including future contributions to meet the current shortfall in the Scheme's assets.

The Summary Funding Statement is included in this newsletter. This shows the results of the most recent review of the Scheme's finances, carried out by the Scheme Actuary.

We have also enclosed an Expression of Wish form for you to complete and return. This document is important, as it informs the Trustee who you would wish to receive any death benefits payable from the Scheme. If your circumstances have changed, or you've not completed an Expression of Wish form, please complete and return the enclosed form.

As always, we hope that you find this edition of your newsletter interesting and informative. If you have any ideas on what you would like to see in future issues or have any questions about anything we've covered in this issue, please contact your Scheme administrator – see back page for details.

Hetal Kotecha
Independent Trustee Services Limited

Contents

Money matters

The Trustee is responsible for running the Scheme efficiently and professionally. We appoint various professional advisers to help us in our day-to-day duties and to give us guidance on the more specialist aspects.

Income & Expenditure

Value of the fund at 1 June 2018	**£104,749,489**
Income	
Employer contributions	£4,729,167
Other income	£900
Total Income	**£4,730,067**
Expenditure	
Pensions paid	(£2,081,328)
Commutations and lump sums on retirement	(£1,156,931)
Death benefits (lump sums and refund of contributions)	(£19,239)
Payments to and on account of leavers	(£404,654)
Administrative expenses	(£562,358)
Total expenditure	**(£4,224,510)**
Investment income	£405,353
Investment management fees	(£159,534)
Change in the value of investments	£7,701,301
Net returns on investments	**£7,947,120**
Value of the fund at 31 May 2019	**£113,202,166**

Membership

	1 June 2018	31 May 2019
Pensioners	665	690
Members with preserved benefits	1,254	1,186
Total membership	1,919	1,876

Investment Strategy

The Scheme invests its assets with the aim of them increasing in value over the long-term to a level, which coupled of with contribution payments from the Company, match the future value of members' benefits. The overall investment strategy is determined by the Trustee, in consultation with our investment advisers, and is set out in the Scheme's Statement of Investment Principles (SIP) which explains:

- the broad aims and objectives of the Scheme's investment strategy;
- the appropriate balance of risk to potential return that the Scheme's investments should maintain;
- the types of investments (called asset classes) that the Scheme's assets should be invested in, and how the Scheme's investments are spread across those asset classes;
- how the Trustee intend to monitor the performance of the Scheme's investment managers; and
- the Trustee's view on social and environmental considerations, and corporate governance relating to the Scheme's investments.

A copy of the SIP is available to you on request. A separate document called the Summary of Investment Arrangements (SIA) includes, amongst other things, the Scheme's detailed investment manager structure.

The Trustee employs both passive and active investment management. Passive management aims to deliver a return in line with a benchmark index, such as the FTSE 100 index. Active management involves employing investment managers who aim to outperform a benchmark index (but with a greater risk that they may underperform).

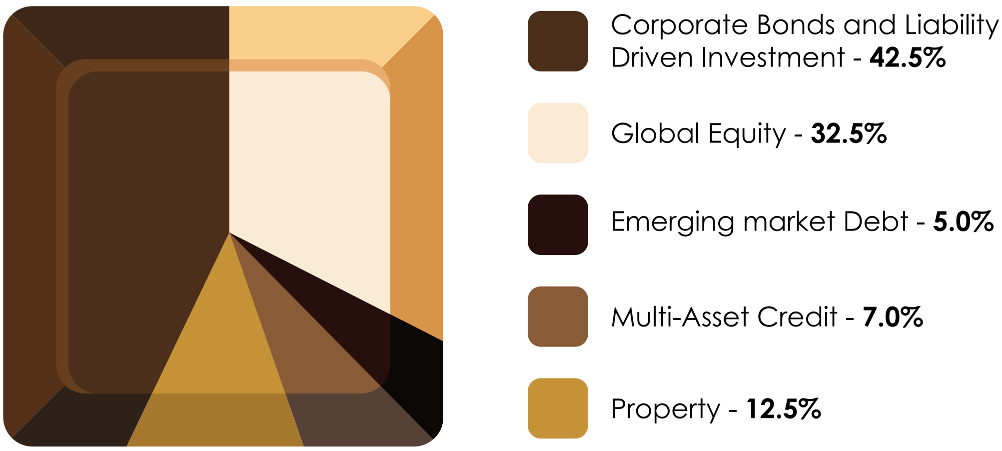
As at the end of May 2019, the day to day management of the main Scheme's assets (excluding AVCs) was delegated to six investment managers as follows:

- BlackRock – global low volatility equities, developed and emerging market equities, passive corporate bonds and Liability Driven Investment (LDI)[1]
- Legal & General Investment Management (LGIM) – active UK corporate bonds;
- Investec Asset Management (Investec) – emerging market debt;
- Mercer Limited (Mercer) – active multi asset credit;
- Hermes Fund Managers (Hermes) – property; and
- Aviva Investors (Aviva) – HLV property.

[1] The Scheme's LDI portfolio contains bond and bond-like assets to hedge a proportion of the movement in the Scheme's liabilities caused by changes to long term interest rates and inflation expectations. It therefore plays a key role in reducing the volatility of the Scheme's funding level.

How the Scheme's assets are invested

The chart below shows the asset allocation of the Scheme's investments (excluding AVCs) as at 31 May 2019, split by asset class.



Source: Managers (given above). Total may not sum due to rounding.

Investment Performance

The performance of the Scheme's investments to 30 June 2019 is shown in the table below:

Fund/Benchmark	1 Year (%)	3 Years (% per annum)	5 Years (% per annum)
BlackRock UK Equity	0.7	N/A	N/A
Benchmark	0.6	N/A	N/A
BlackRock World ex-UK Equity	11.1	N/A	N/A
Benchmark	10.6	N/A	N/A
BlackRock World ex-UK Equity – 95% Hedged	5.9	N/A	N/A
Benchmark	5.8	N/A	N/A
BlackRock Global Low Volatility Equity	15.3	10.1	15.1
Benchmark	14.8	9.6	14.6
BlackRock Emerging Markets Equity	5.1	N/A	N/A
Benchmark	5.0	N/A	N/A
Investec Emerging Markets Debt	9.6	N/A	N/A
Benchmark	11.3	N/A	N/A
Mercer Multi-Asset Credit	3.2	5.1	N/A
Benchmark	4.3	4.7	N/A
Hermes Property	6.2	9.0	11.5
Benchmark	4.1	6.6	8.9
Aviva HLV Property	7.3	8.0	8.0
Benchmark	6.3	7.6	7.5
LGIM Sterling Non-Gilts	9.1	5.4	7.8
Benchmark	9.1	5.3	7.6
BlackRock Sterling Non-Gilts	6.0	4.0	5.5
Benchmark	5.9	3.9	5.4
BlackRock LDI inc-Cash	18.0	11.1	N/A
Benchmark	18.2	11.2	N/A

Where performance is shown as N/A, this is because the Scheme has not been invested in that fund for the period of time.

Source: Investment Managers, Mercer estimates and Thomson Reuters Datastream

Figures shown are gross of fees.

For periods over one year the figures in the table above have been annualised.

Summary Funding Statement

Why have you sent me this Summary Funding Statement?

The purpose of this statement is to tell you about the financial security of the Scheme. We recommend you take time to read it, since the Scheme's financial security could affect the benefits you will ultimately receive. You will be sent a similar statement roughly every twelve months to update you on this important issue.

How is the Scheme's financial security measured?

The benefits that you and other members have earned to date are known as the Scheme's 'liabilities'. This includes the benefits of members who have left the Company or retired.

The amount of money in the Scheme is known as the Scheme's 'assets'. The assets are made up of a range of different investments and these are held entirely separately from the Company's assets.

The Scheme's assets are used to pay the benefits due to members. To check the Scheme's financial security, the Trustee looks at its financial position and compares the value of its liabilities to its assets. If the Scheme has fewer assets than liabilities, it is said to have a 'shortfall'. If the assets are greater than the liabilities, there is said to be a 'surplus'.

The Trustee will carry out an in-depth look at the Scheme's finances at least every three years. This is called an Actuarial Valuation. The Trustee asks a qualified independent professional, known as an 'Actuary', to do this. The Trustee also asks the Actuary to check the financial security of the Scheme on a regular basis. The Actuary has to base their check on a number of financial and demographic assumptions and those assumptions have to be agreed between the Company and the Trustees (who are advised by the Actuary). When this is done the Trustee receives an Actuarial Report summarising the Actuary's conclusions.

What is the Scheme's financial position?

The latest Actuarial Valuation of the Scheme showed that on 31 May 2017:

How much money is paid into the Scheme each year?

The Company continues to pay contributions to the Scheme. This is to pay off the shortfall. Following the closure of the Scheme to the future build-up of benefits from 5 April 2013, there are no more member contributions paid to the Scheme.

How does the Trustee know what contributions should be paid into the Scheme?

Following each Actuarial Valuation, the Actuary advises the Trustee what contributions should be paid into the Scheme by the Company so that the Trustee can expect to be able to continue to pay members' pensions and remove the shortfall. The Trustee then agrees a "Recovery Plan" with the Company and the resulting amount and period of contributions for the Scheme are recorded in a document called the Schedule of Contributions.

As a minimum the Schedule of Contributions is reviewed and updated every three years, each time the Scheme has a full Actuarial Valuation.

The Actuarial Valuation and Schedule of Contributions follow standards the Trustee has set out in a Statement of Funding Principles as agreed with the Company. This document describes how the Trustee will manage the Scheme with the aim of being able to continue to pay members' benefits.

As part of the last valuation at 31 May 2017, the Trustees and Company agreed the method and assumptions to be adopted and the contributions to be paid. The Pensions Regulator did not have to use these powers.

Is the shortfall going to be paid off, and if so, how will this be done?

Following the Actuarial Valuation at 31 May 2017 the Company and the Trustees agreed the Schedule of Contributions to pay off the shortfall. The Company agreed to make up the shortfall of £39.7 million at that date by paying into the Scheme a minimum of £270,833 each month from 1 June 2017 until 31 October 2018 and £520,833 per month from 1 November 2018 to 31 May 2019 and then a minimum of £354,167 each month from 1 June 2019 until 30 June 2028. On the basis of these contributions together with investment returns over the period the shortfall was expected to be paid off by 30 June 2028.

How has the position changed since 31 May 2017?

The most recent actuarial update was carried out at 31 May 2019. The Actuary now estimates that the shortfall has decreased from £39.7 million in the 2017 Actuarial Valuation to around £37.7 million. The improvement in the Scheme's financial position is mainly due to higher than expected investment returns and the effect of lower expectations for future inflation, which has decreased the value placed on the Scheme's liabilities. However, you should bear in mind that these updates only show a snapshot of the situation at a particular moment in time; investment markets fluctuate all the time, particularly when faced by short-term economic uncertainty.

You should remember that pensions are long term in nature and the Trustees set an investment strategy based on long term expectations.

The Pensions Regulator has legal powers to make any directions following a valuation as to:

- The method or assumptions used to calculate the liabilities or the length and structure of the Recovery Plan.
- The contributions that should be paid by the Company under the Schedule of Contributions.

The Pensions Regulator has not exercised these powers in relation to the Scheme.

Is my pension guaranteed?

The aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends on the Company carrying on in business and continuing to pay for the Scheme. To help secure the financial position of the Scheme the Company entered into an agreement with the Trustees under which Ferrero has agreed that, if the Company becomes insolvent or is unable to pay such amounts as required under the Schedule of Contributions, Ferrero will pay those amounts to the Scheme up to £20 million. Under the agreement there are provisions for the amount being guaranteed to increase in value up to £40m at the next valuation.

If the Company goes out of business or decides to stop paying for the Scheme, the Scheme would be wound up and the Company is expected to pay the Scheme enough money to buy all the benefits built up by members from an insurance company. However, even with the amount guaranteed by Ferrero there may not be enough to secure members' benefits in full with an insurance company.

The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the 'Solvency Position'.

What happens if the Scheme is wound-up and there is not enough money to pay for all my benefits?

If the Scheme winds up without enough money to buy all the benefits with an insurer then, unless the employer can afford to pay the difference, you are unlikely to receive the full benefits you were expecting. To help members in this situation, the Government set up the Pension Protection Fund (PPF) which came into effect on 6 April 2005. The PPF pays a legally defined level of benefits to members of eligible UK pension schemes which are wound-up when a scheme does not have enough money to cover the cost of buying this level of benefits for members with an insurer and the company is insolvent and so cannot provide extra finance. If the Scheme were to be wound-up and go into the PPF, the pension you would receive from the PPF may be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits were earned.

Further information and guidance is available on the PPF website at **www.ppf.org.uk**. Or you can write to the Pension Protection Fund at:

The Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon
Surrey
CR0 2NA

Is there enough money in the Scheme to provide my full benefits if the Scheme was wound-up?

The Actuarial Valuation at 31 May 2017 showed that the Scheme's assets could not have paid for the full benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date:

- The value of the liabilities if the Scheme were to be wound-up was £213.3 million.
- The Scheme's assets were £101.4 million.
- This means that there was a shortfall of £111.9 million.

The fact that the Solvency Position is shown here does not mean that the Company is thinking of winding up the Scheme. The Trustee is required to give you this additional information and hopes it will help you further understand the financial security of your benefits.

Additional documents available on request

The Statement of Funding Principles

This explains how the Trustee plans to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.

The Statement of Investment Principles

This explains how the Trustee invests the money paid into the Scheme.

The Schedule of Contributions

This shows how much money is being paid into the Scheme by the Company and the contributing members and includes a certificate from the Actuary showing that it is sufficient to meet the requirements set out by law.

The Annual Report and Accounts of the Thorntons Pension Scheme

This shows the Scheme's income and expenditure in 2019.

The Formal Actuarial Valuation Report as 31 May 2017

This contains the details of the Actuary's check of the Scheme's situation as at 31 May 2017.

The Actuarial Report as at 31 May 2019

This contains the details of the Actuary's check of the Scheme's situation as at 31 May 2019.

The Thorntons Pension Scheme Information Booklet

This is the members' handbook for the Scheme.

Have any payments been made from the Scheme to the Employer?

The Trustee is required to inform you whether a payment has been made to the employer, as permitted under the Pensions Act 1995, since you were last sent a summary funding statement. I can confirm that no such payment has been made and it is worth noting that such payments can only be made when the Scheme has more than enough assets to pay all of the benefits due to members.

Can I leave the Scheme before I am due to retire?

Following the closure to future accrual on 5 April 2013, all remaining active members became entitled to deferred benefits. All deferred members (including those who still work for the Company) have the option to transfer their benefits to another arrangement of their choice.

If you are thinking of taking your benefits from the Scheme for any reason, you should consult a professional adviser, such as an Independent Financial Adviser, (IFA) before taking any action. The law prevents us from providing you with financial advice. For details of an Independent Financial Adviser in your area visit www.unbiased.co.uk. The Trustee reviews the transfer value basis and policy regularly and where the Scheme is in deficit may apply a reduction to the transfer value paid from the Scheme to safeguard the benefits of all Scheme members. Therefore, Members considering a transfer may wish to request confirmation of any reduction in place before asking for a quotation and consulting an independent financial adviser.

Where can I get more information?

If you have any other questions, or would like any more information, please either email, call or write to our administrators [using the address on the back page].

A list of documents which provide further information is above. If you would like copies of any of these documents, please let us know.

Summary Funding Statements are issued each year, so if you change address please write to our administrator, Mercer at the address [on the back page], so that they can update the Trustee's records.

Independent Trustee Services Limited – The Trustee of the Thorntons Pension Scheme
December 2019

Pensions update

Since April 2015 members have been given greater flexibility in terms of how they and when they spend the value of the retirement savings. This flexibility can be accessed by member of defined benefit scheme by taking a transfer value out of the Scheme. Unfortunately, this has led to an increase in fraud.

Topics covered in this Section

- **The true cost of pension fraud**
- **Four tips to protect yourself against calls from pension scammers**
- **Transitioning into retirement - Why you should think with your heart as well as your head**
- **The five key areas you should consider before you retire**

The tips that are helping savers keep their pensions safe

Pension scams can rob you of your future, literally.

They're not to be taken lightly. According to the Financial Conduct Authority (or FCA), victims of pension scams lost an average of £91,000 in 2018.

Data from Action Fraud revealed two people lost seven-figure sums. What's more shocking is that these are just the cases we know about - the majority of victims never contact the authorities.

If you think you've been a victim of fraud (or you've been targeted) report it immediately

Action Fraud will give you advice on what to do next. You can reach them on
0300 123 2040
Find out more about Action Fraud at www.actionfraud.police.uk

Action Fraud Director, Pauline Smith, gives us the worst case scenario for victims of pension fraud. "The consequences of falling victim to a pension scam can be devastating. Victims can lose their life savings and are left facing retirement with little or no income".

Pension cold calling is when a scammer calls and uses 'confidence trickery' to steal from you

Just how do scammers get their hands-on people's life-long savings? There are numerous ways, but cold calling is the 'main tactic'.

Some legal measures have already been put in place to stop these calls. In January 2019 the Treasury Minister John Glen reported;

"Pension scammers are the lowest of the low. They rob savers of their hard-earned retirement and devastate lives. We know that cold calling is the pension scammers' main tactic, which is why we've made them illegal"

Just because cold calls have been made illegal, don't assume you won't get one

Companies, even legitimate ones, are no longer allowed to cold call you with pension offers. But you still need to be vigilant, warns Pauline Smith. "If you receive an offer about your pension out of the blue… check who you are dealing with".

If you do get a cold call about your pension, take action:

Make a note of the **phone number**

Try to get extra information from the caller (like the name of the company they're representing)

Make sure you don't give out any **personal details**

Report the call to the Information Commissioner's Office on **0303 123 1113**

Use these four tips to keep your retirement savings safe

To reduce the risk of falling for a pension scam, the FCA recommends you;

1. Reject unexpected offers. It's a firm "No thank you, goodbye" if you're contacted out-of-the-blue about a pension opportunity. Simple.
2. Check the Financial Services Register before you deal with any company. Only use FCA authorised financial services. Need to check a company? Use the register on **www.fca.org.uk**
3. Don't be rushed or pressured. Remember, scammers have little or no information about you. They can't access your bank or pension accounts unless you give them your details. That's why they're calling. The only card they have to play is to try to trick you. This means rushing you, telling you they have a 'limited time' offer, or that there's some kind of emergency. Whatever company you're dealing with, check they're genuine. And take as much time as you need.
4. Get impartial information or advice. Seek financial guidance before making any changes to your pension arrangements. The Pensions Advisory Service provides free, independent and impartial information.

Transitioning into retirement: Why you should think with your heart as well as your head

When you think of your retirement, what comes to mind?

For many, it's a simple image. We work until we're 65, or older, collect our pension, and then live happily ever after.

Few of us think to challenge this stereotype because retirement can feel a long way off. But, if that picture was ever relevant, it's certainly isn't today.

True, using your heart to you help make your retirement plans may sound a bit 'fluffy'. But here's what's truer still; happiness is much more than money.

Don't leave yourself unprepared.

Use this guide to think beyond the financial aspects of retirement planning

It's easy to think of retirement as simply the end of work. That's why many don't anticipate things like missing their job, feeling lonely or feeling out of sync with their partner.

Thankfully, we've put this guide together to help you think about the 'non-money' related aspects of retirement so that 'when the time comes' you can transition into retirement with ease.

Five things you should consider if you want to transition into retirement smoothly

With things like flexible working, sponsored learning and even hot-desking, we have seen rapid changes in the workplace and the various ways people now work to meet their needs.

Have you asked yourself why retirement should be any different?

For example, could you phase in your retirement gradually, to give you time to get used to the change?

How about taking a sabbatical? Some people do this around their late 50s/early 60s to do some travelling and then return to work on a part time basis.

Maybe you'd require something completely different? It's your retirement dream and your retirement savings, so only you can work out what your transition should look like. Start thinking.

To give you an idea what thinking 'beyond money' means, we've covered five areas.

What impact might your retirement plans have on your friends and family? Will they replace your daily human interactions when you stop working? Will you see them more often or less? Retirement can be a wonderful time to nurture your family and personal relationships.

It's OK to be happy. Most people are anxious in the lead up to their retirement but are very happy when they take the plunge. You're allowed to enjoy the retirement you have worked all your life for.

For most of us, our work provides the schedule for our day and week, so how will you spend your time when you're in complete control of it? Do you want to volunteer, focus on your hobbies or travel? Make sure you plan for a variety of activities. 'Too much of a good thing' can see your leisure activities lose their shine - take a balanced approach.

You'll need a strong network of friends and supporters; people you can count on as time goes on. Think about how you can build these social networks and also what support you can give to others.

Finally, aging may not just be physical, how will you maintain a healthy mental outlook? It should be an integral part of your retirement plans.

You'll agree, these five areas require a different kind of thinking to some of the financial decisions you will make.

Your transition to retirement will be a time of massive change. But, use a combination of heart and head to plan more holistically - and when the time comes - you'll have others wondering how you made it look so easy.

The Trustee and its professional advisers

Appointment of a single independent Trustee

Following the conclusion of the Actuarial Valuation, the Company (Thorntons Limited) advised the Trustees of its intention to replace the Trustee Board with a sole professional Trustee, an approach that has worked successfully elsewhere within the Ferrero Group.

Following a selection process, ITS Limited was appointed as the new Trustee with effect from 27 December 2018 with Hetal Kotecha as its representative.

The Trustee

The Trustee is responsible for the smooth running of the Scheme, ensuring that it is managed in line with its governing documents and pension law. We also have a responsibility to protect the interests of all Scheme members, including pensioners and those deferred members that still have benefits in the Scheme.

Employer Nominated Trustees

Independent Trustee Services Limited (ITS)	(With effect from 27 December 2018)
Michael Wrobel	Chairman of the Trustees and Company appointed independent Trustee (until 27 December 2018)
Derek Walmsley	Company appointed independent Trustee (until 27 December 2018)
First Actuarial LLP	Company appointed independent corporate Trustee, represented by Michael Hulme-Vickerstaff (until 27 December 2018)

Employer Nominated Trustees

David Murby	Member nominated Trustee (until 18 December 2018)
Allan Edmondson	Member nominated Trustee (until 17 December 2018)

Professional advisers

To help us, we delegate some of our day to day duties and take advice from professional pension experts. Our current advisers are:

Actuary

Kathryn Taylorson, FIA (appointed 3 December 2019) Mercer Limited.

Kath Taylor, FIA (resigned 3 December 2019) Mercer Limited

Harry Sime, FIA, Mercer Limited (resigned 31 December 2018)

Auditor

BDO LLP

Investment managers

BlackRock Advisors (UK) Limited

Legal & General Assurance (Pensions Management) Limited

Hermes Investment Management Limited

Aviva Investors Pensions Limited

Investec Asset Management Limited

Mercer Limited

Additional Voluntary Contribution (AVC) providers

The Equitable Life Assurance Society

The Prudential Assurance Company Limited

Santander UK plc

Legal adviser

Wrigleys Solicitors LLP

Scheme administrator and investment consultant

Mercer Limited

More Information

If you have any questions about the Scheme, your benefits or anything we've covered in this newsletter, please don't hesitate to get in touch with Paul Sherman, ITS, your Scheme Secretary, at the following address:

Independent Trustee Services Limited
4th Floor Cannon Place
78 Cannon Street
London
EC4N 6HL

@ **paul_sherman@itslimited.org.uk**

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