



**Nationwide
Pension Fund**

**2021 ANNUAL
REVIEW**

Message from the Chair



I'm delighted to welcome you to the 2021 Annual Review and my first as Chair of the

Trustee following Pete Wilkin's retirement. On behalf of all the Trustee Directors, I'd like to thank Pete formally for his contribution to the management of the Fund.

We've had a number of Trustee changes over the last year and we've also had a Member Nominated Trustee election. More detail about this is on page 5. And over the coming year, there'll be some important changes to the administration service provided to members which we'd like to share with you over the next pages.

It has certainly been an un-paralleled year as the world has navigated working through a pandemic. We effectively implemented the Fund's business continuity plans and have since continued to closely monitor the situation as it unfolds. We're pleased that all functions were able to be maintained and by implementing practical solutions, home working has now become the new normal.

The Board continues to meet with its advisers on a regular basis, both at Committee and main Board meetings. However, since March 2020 and the Government lockdown, we've tended to hold our monthly Board meetings and Committee meetings via video conference. We'll continue to assess how we structure our meetings and work together.

On 31 March 2021 the Fund closed to future accrual. This means that as a result of contractual changes for Nationwide employees who were active members of the Fund at the time of the changes, they no longer build up benefits in the Fund, and became deferred members.

The Trustee and the Society entered into a revised funding arrangement that included providing the Fund with a substantial Contingent Asset, which allows the Trustee to take control of up to £1.7 billion of additional assets under certain circumstances. There's more about this on page 8.

There's been a steady improvement in the funding level through the year and the market price volatility seen in February and March 2020 has not been repeated. This Annual Review provides you with an overview of the Fund's investments, the accounts and the funding position.

You may have noticed our colourful new website which is full of useful information and easier to navigate. We're pleased that registration for the Member Portal continues to grow and we now have over 50% of members signed up – a 10% increase from last year!

If you still haven't registered or logged in recently, I'd encourage you to as it's a great way for us to keep in touch with each other. It enables you to keep Expression of Wish and contact details up to date, and to see your current benefit information. To help you with this, we've enclosed a card with a personal activation code for members not already on the Member Portal.

Finally, I'd like to give some thanks. I'd like to recognise the great service and hard work that both the Employee Pensions team and the Investment team have given to the Board and the Fund members, in what has been an exceptionally busy year for them.

I'd also like to acknowledge the efforts of all the Trustee Directors, those who are with us now and to those who have recently left, and I'm grateful for the support received from our professional advisers.

I do hope you enjoy reading this edition of the Annual Review.

Catherine Redmond

(representing BESTrustees Limited)
Chair of the Nationwide Pension
Fund Trustee Board



Contents

- 1 Message from the Chair
- 3 We're making some important changes
- 5 Trustee and Board changes
- 6 Your refreshed Fund website
- 7 Investment corner
- 9 A snapshot of our accounts
- 11 Summary Funding Update
- 15 Pensionwide
- 16 Pensioner Groups
- 17 Other news

We're announcing some important changes to how we administer the Fund in the following pages so please read on.

We're making some important changes

The Trustee and the Society have been working closely together over the last year, with a focus on how we can make sure the administration of the Nationwide Pension Fund is fit for the future, maintaining the high level of service we aspire to for our members.

Following an extensive review, we've concluded that members' interests will be best served through the appointment of a specialist third-party administrator for processing member benefits and pensioner payroll, and we've appointed a partner called Buck Consulting. We believe Buck has the experience, technology and service standards that meet our requirements and high expectations.

**Look out for our
next update in
December!**

We thought it would be helpful to share some of the main reasons for this change with you:

- The systems we currently use within our in-house Pensions team are getting old and need updating. Pension administration systems are extremely expensive to buy and to maintain. By using the services of Buck, their systems are modern and frequently updated so the Fund mitigates the cost, both now and in the future;
- We want to continue to embrace the benefits of digital communications we know our members are enjoying, by providing an even better online Member Portal solution with more functionality. Buck can provide such an offering to members; and
- Most importantly, we want to make sure you continue to get the very best service. Over recent years, it's been increasingly difficult to attract and retain pensions professionals of the standard we look for into a small in-house pensions team. By moving to Buck, who provide services to a large number of pension schemes similar to ours, we'll have access to a larger team of pensions professionals, and it allows us to benefit from the investments in their teams and training they receive. After all, pension administration is what they do!

Who is Buck?

Buck is a market leading third party pensions administration business, looking after some of the UK's largest pension schemes. They pride themselves on their technical innovation and forward-thinking approach. They're committed to making sure you'll be given 'best-in-class' service and your data is kept secure, something that is obviously very important to us as your Trustee.

For more information about Buck and what they do, you can visit their website www.buck.com

When will this happen?

The move to Buck will happen late-February next year. We'll make sure that all the information we hold about you and your benefits is carefully moved across to Buck for a seamless transition. You don't need to do anything.

Where can I get more information?

We'll write to you with regular updates as we progress with the move to Buck. The next update will be in December and will include:

- A new section on our website, www.nationwidepensionfund.co.uk with more information about how we'll work together with Buck;
- Some Q&As with responses to a number of questions we anticipate you or other members may have; and
- We know we may not have thought of them all, so you'll be invited to send through any questions you still have via the website. We'll gather these together and answer as many as we can by keeping the Q&As updated as new questions come in.

Should I start contacting Buck about my benefits in the Fund?

Not yet. We're currently working with Buck to transfer all the information they need into their systems. So, please continue to contact the Nationwide Pensions Team if you have questions about your benefits.

It's a really busy time for the team, so we'd appreciate your patience over the next few months as we navigate this transition as response times may be slower.

Details on the move to Buck will become much clearer to you as you start to receive more communications from us.



Trustee and Board changes

We've said farewell to Pete Wilkin this year and we've also seen Muir Mathieson leave the Board and Mark Hedges, Chief Investment Officer retire. We thank them for their respective contributions and welcome Mark's successor Chris Grant.

We're fortunate that Mark was appointed as an Employer Nominated Director from April 2021, so we extend a warm welcome to him in his new role and to Heather Tipple who joined us in December 2020.

Our recent election to appoint two Member Nominated Trustee Directors (MNTDs) resulted in the re-election of our current standing MNTDs, Rob Goldspink and John Wrighthouse. Congratulations to both!

We'd like to thank the membership for supporting the ballot and voting for their preferred candidates, and we'd like to pay special thanks to all the nominees who applied and to those who stood for election.

Next year we'll have two more vacancies. We'd encourage anyone who's interested in the role of a Trustee to consider nominating themselves. You can find out more about the role and what's involved on the 'How the fund is managed page' on the Fund website.



Your refreshed Fund website

The Fund website is full of useful information, so please check to see if it has the answer to your question before contacting the Employee Pensions administration team.

The website contains a wealth of information about how the Fund works and the benefits payable to its members. It also has some short videos covering topics such as funding and investments, a news section which is updated regularly and a helpful Q&A section.

The Member Portal is the secure area of the Fund website where you can log in to see information about your benefits, the contact details we hold for you, and your current Expression of Wish details (which you can update directly if necessary).



If you haven't yet registered, take a look at the postcard in your envelope for your unique code and how to register.

Investment corner

The Fund’s investments are there to meet the cost of providing benefits for all the Fund’s members.

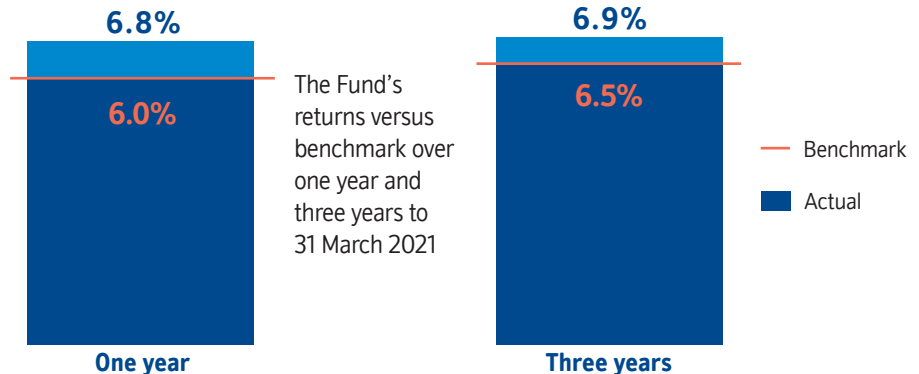
Over the year to 31 March 2021, the Fund’s investment returns were 0.8% higher than the benchmark. The main reason for this was the performance of the equity and credit portfolios, reflecting the benefits of a diversified investment strategy. Core matching assets tracked the benchmark and alternative matching assets and private markets both underperformed the benchmark over the year.

Both the Nationwide and the Cheshire & Derbyshire Sections are well funded (see page 10 for more details). As a result, the majority of the Fund’s assets are invested in matching assets, which are expected to broadly track the changes in the value of the

Fund’s liabilities (the cost of paying members’ pensions — both those already in payment and those still to commence). Both Sections also have smaller allocations to return-seeking assets designed to further improve the funding position to a point where the Fund doesn’t need to rely on the financial support of the Society. The investment strategy also allows for a small proportion of the overall assets to

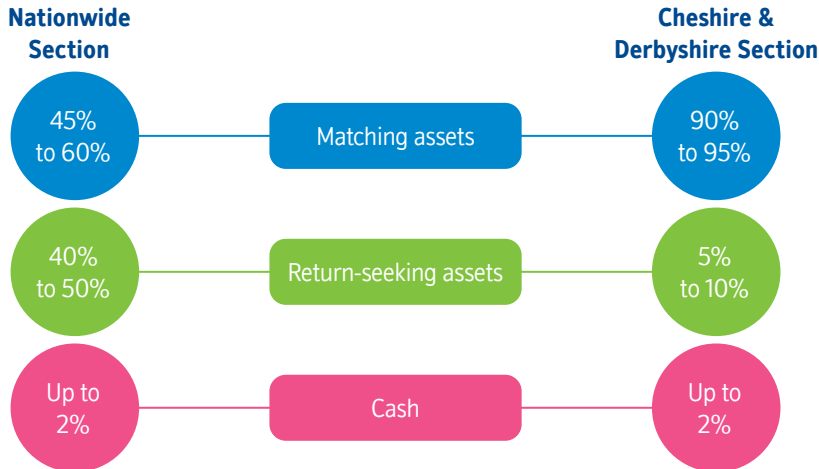
be held as cash. We hold cash primarily to ensure monies can be made available to pay members’ pensions and other Fund expenses.

The Trustee will continue to monitor the Fund’s investment performance and make any appropriate changes to the Fund’s investment objectives and strategy, in conjunction with the Fund’s Investment Consultants and the Investment Team.



To allow a degree of flexibility the strategy sets a percentage range for each asset class as opposed to a fixed percentage. The chart below shows the

current percentage ranges (for both the Nationwide and Cheshire & Derbyshire Sections) in respect of matching assets, return-seeking assets and cash.



A Contingent Asset arrangement

To further reduce the Fund's reliance on the Society, a Contingent Asset arrangement has been agreed which allows the Trustee to take control of up to £1.7 billion of assets should the Society become insolvent or unable to pay contributions to the Nationwide Section. We consider this arrangement to provide greater security for members' benefits.

More about the Contingent Asset and a more detailed Investment update can be found in the online version of the Annual Review at: [newsletter.nationwidepensionfund.co.uk](https://www.nationwidepensionfund.co.uk/newsletter)

See more online where Chris Grant, our Chief Investment Officer, sheds some light on how he and his team support the Trustee and the Fund. To read this interview go to: [newsletter.nationwidepensionfund.co.uk](https://www.nationwidepensionfund.co.uk/newsletter)

A snapshot of our accounts

Over the year to 31 March 2021:

£6,977.3
million



The value of the Fund

28,931
members



The total number of members

£118.2*
million



The value of the pensions and lump sums paid to members*

£45.9*
million



The value of individual transfers out paid to other schemes*

£568.3*
million



The increase in the value of our investments*

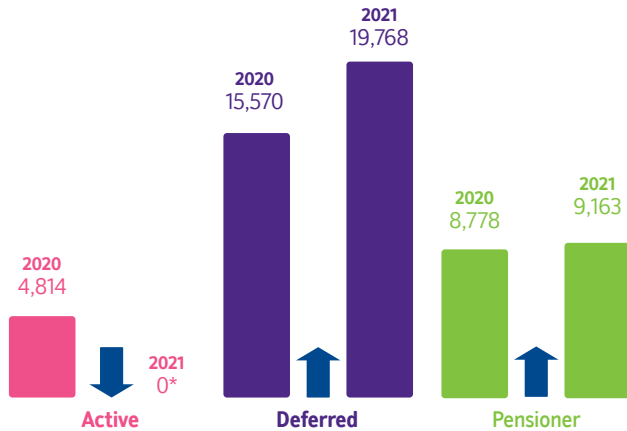
Each year the Trustee produces a report along with an audited set of accounts. The latest accounts are for the period from 1 April 2020 to 31 March 2021. Payments to members, either as pension payments or as lump sums at retirement, increased this year to £118.2 million. An £8.8 million increase on the previous year. Transfer value payments (where a member decides to transfer their benefits from the Fund to another approved pension arrangement) saw a decrease in the 12 months to 31 March 2021 (£45.9 million) compared to the previous 12-months (£51.8 million).

The total return on our investments (before any allowance for investment management expenses) was £568.3 million, which contributed to an overall increase in the value of the Funds' assets of £436.4 million to £6,977.3 million.

* Figures shown are for the period 1 April 2020 to 31 March 2021.

How our membership has changed

A summary of how our membership has changed over the year to 31 March 2021 is shown below. Although the Fund is closed to new members, the Trustee remains responsible for almost 29,000 members.



* In February 2020, the Society confirmed, following consultation, that the Fund would close to future benefit accrual on 31 March 2021. Active members of the Fund at that date moved to the Nationwide Group Personal Pension (GPP) for future pension savings.

Fund accounts

Between April 2020 and March 2021, Fund assets increased from £6,540.9 million to £6,977.3 million. A summary of the payments in and out of the Fund over the year to 31 March 2021 is shown below:

Money paid in	+	Money paid out	-
Employer contributions	£64.1m	Pension payments	£93.4m
Member contributions [†]	£0.2m	Lump sums on retirement	£24.8m
Other income	£0.0m	Lump sum death benefits	£0.7m
Member additional contributions	£10.4m	Leavers	£45.9m
Return on investments	£568.3m	Administration and investment expense	£41.8m
Total income	£643.0m	Total outgoings	£206.6m

[†] Excludes salary sacrifice contributions of £10.7 million (included in employer contributions)

You can find more detail about the Fund finances online at: newsletter.nationwidepensionfund.co.uk

Summary Funding Update

One of the main responsibilities of the Trustee is to monitor the finances of the Fund to make sure there's enough money to pay all of the benefits promised to members, both now and for many years into the future.

In part, this is achieved through a review of the funding position. A comprehensive review, known as an Actuarial Valuation (Valuation), is completed every three years by a qualified and independent Actuary. The most recent Valuation of the Fund was carried out at 31 March 2019. In between these Valuations, annual interim funding reviews are carried out.

What does the Valuation look at?

The aim of the Valuation is to assess the funding position of the Fund. To do this the Actuary has to determine:

How much money each Section needs to cover the benefits members have built up?

If the Fund has more invested money (assets) than money needed to pay promised benefits (liabilities) it has a 'surplus'. If the Fund has more liabilities than assets it has a 'shortfall'. Where a shortfall exists at a Valuation, it's up to the Trustee and the Society to agree how this will be cleared and over what timescale.

How is the funding position calculated?

The funding position is calculated on an ongoing basis and on a solvency basis:

- **The ongoing basis** assumes that the Society will continue to support the Fund if necessary. Certain assumptions are made by the Actuary about future economic and financial conditions and the Fund's membership. While the assumptions cannot be guaranteed, they are agreed by the Trustee and the Society as being suitable.
- **The solvency basis** assumes that the Fund is ended (wound up) on the Valuation date and looks at whether there is enough money in each Section of the Fund to buy individual pensions for every member.

The funding position is a 'snapshot' of the Fund on a single day. However, in practice the liabilities are paid over a very long period of time. In fact, some of the liabilities may not be paid for another 30 or 40 years. Several factors can affect the funding position, including life expectancy, investment performance, interest rates and inflation levels. The Fund's assets are invested over the long-term, and therefore, fluctuations in funding levels are to be expected.

What were the results of the 31 March 2019 Valuation?

The formal Valuation results at 31 March 2019 are shown below.

You'll see that the Nationwide Section had a shortfall of £180 million and the Cheshire & Derbyshire Section had a surplus of £17 million at 31 March 2019.

Nationwide Section		Cheshire & Derbyshire Section
£5,925m	Money invested — assets	£336m
£6,105m	Money needed to provide all benefits — liabilities	£319m
97%	Funding level	105%

As the Valuation is only undertaken every three years, at 31 March each intervening year the Actuary undertakes further estimates of the financial health of the Fund (an interim funding position). These use the 2019 Valuation assumptions, and then updates them to allow for the changes in market conditions.

What was the interim funding position at 31 March 2021?

The Nationwide Section moved into surplus at 31 March 2021 with a surplus of £228 million. The main reason for the improvement was higher than expected returns on the assets held.

The Cheshire & Derbyshire Section's surplus also increased to £22 million at 31 March 2021, also as a result of the asset returns being higher than assumed.

Progression of funding since 31 March 2019 Valuation Nationwide Section

31 March 2019 formal Valuation		31 March 2020 update	31 March 2021 update
£5,925m	Money invested — assets	£6,171m	£6,627
£6,105m	Money needed to provide all benefits — liabilities	£6,429m	£6,399
97%	Funding level	96%	104%

Progression of funding since 31 March 2019 Valuation Cheshire & Derbyshire Section

31 March 2019 formal Valuation		31 March 2020 update	31 March 2021 update
£336m	Money invested — assets	£360m	£339m
£319m	Money needed to provide all benefits — liabilities	£347m	£317m
105%	Funding level	104%	107%

You should be aware that the funding level of both Sections will vary over time and the Trustee will continue to regularly monitor the funding positions.

Summary Funding Update continued...

Contributions agreed following the 31 March 2019 Valuation

Following the 31 March 2019 Valuation, the Society agreed to provide a £1.7 billion Contingent Asset to the Nationwide Section of the Fund to provide increased security for members' benefits. This security is available to the Fund in the event that additional funding is required in the future above the level that the Society is able to provide.

In light of the additional security provided by the Contingent Asset the Trustee agreed that no further deficit contributions are currently due, above the £61 million paid in July 2019. This position will be reviewed at each future Valuation.

Closure of the Fund to future accrual

On 31 March 2021 all future accrual of benefits ceased. From this date no future contributions are payable by members of the Fund. Contributions from the Society also ceased, although future contributions from the Society may be still required if the funding position were to worsen.

How will my pension be paid if the Fund is wound up?

As part of the Valuation, the Actuary works out what would have happened if the Fund had been wound up on the Valuation date. This is known as a solvency Valuation where the Actuary estimates if there's enough money to buy individual insurance policies to provide full pensions for every member. The table shows the solvency positions of both Sections at 31 March 2019. The combined shortfall for both Sections of £3,477 million represents the amount of money that would be required from the Society were the Fund to be wound up at this date.

Nationwide Section		Cheshire & Derbyshire Section
£5,925m	Money invested — assets	£336m
£9,350m	Money needed to provide all benefits — liabilities	£388m
63%	Funding level	87%

The funding level on a solvency basis is always lower than on the ongoing basis, as the cost of providing all members' benefits straight away through insurance policies (pension annuities) is much higher than paying for them over the future life of the Fund. Also, insurance companies are required by law to take a very cautious approach to pricing pension annuities, which includes setting aside extra capital and reserves. In addition, their prices will include their costs and a profit margin.

In the unlikely event that the Fund is wound up and the Contingent Asset and further contributions from the Society were insufficient to meet any shortfall (for example because the Society became insolvent) additional security is provided through the Pension Protection Fund (PPF), which has been set up by the Government to assist schemes in such circumstances. The PPF would normally take over the Fund and pay compensation to members. More information is available on their website at www.ppf.co.uk

Why do we include information about the Fund winding up?

This is a legal requirement. It doesn't mean the Society is thinking of winding up the Fund, or that the Trustee has any reasons to expect the Society to become insolvent.

Other information required by legislation

Legislation requires the Trustee to say whether any surplus funds have been paid to the Society from the Fund in the period since the last Summary Funding Update was issued. The Trustee can confirm that there has not been any such payment over the period. The Trustee can also confirm that the Fund has not been modified by The Pensions Regulator, or had any directions or Schedule of Contributions imposed by it.



Summer of sport

If you followed the Olympics this summer, you'll know that it's not the first time they have been held in Tokyo – the city also hosted the Games back in 1964. And now of course there is the Paralympics too! So, we thought we'd share how Nationwide have supported our incredible athletes in days gone by.



Image from the Nationwide News staff magazine August 1984



Members of the British team at the recent Paralympics '84 enjoy the new recreation room at the Stoke Mandeville sports centre donated by the Nationwide Centenary Trust. Standing behind them are, from the left, GM market planning Malcolm Hughes; Horace Poole who's the chairman of the British Paraplegic Sports Society; and the British team manager, Mr T. Willett.

In 1984, our centenary year, we set up the 'Nationwide Centenary Trust' which made a grant of £35,000 to the Stoke Mandeville Stadium, known as the birthplace of the Paralympic movement, to build a recreation room for the athletes to relax

and watch TV when in training. It proved very popular from the beginning! Here's a photo of members of the British team with our then General Manager of Market Planning, Malcolm Hughes at opening ceremony in August 1984.

Pensioner Groups

The Pensioner Groups have been keeping safe and planning what they can, with a few socially distant meetings for special occasions. The Swindon Group managed to meet in September at the Wrag Barn Golf Club for afternoon tea and hope to have a day trip later in the year. The Northampton group also hope to plan events soon.

We were sad to hear David Vanandel had passed away. David was a member Trustee and contributed to the running of the Fund from March 2001 to September 2007. His career was as a chartered surveyor for the Society in Birmingham, then an Area Surveyor working from Horsham and from Maidenhead. Douglas Jeffries remembered David as a loyal colleague, gentle of voice, with a strong vocation for care of staff and customers.

Nationwide Alumni

Thank you to all those who responded to the Alumni Network survey which featured in the Spring 2021 edition of Pensionwide. Find out more about the network by following the Nationwide Building Society Alumni on LinkedIn.



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📘 Cheshire Building Society Work

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Somerset, Devon and Dorset

Diana King:

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📘 Nationwide Building Society Staff Past & Present

Swindon

Dave or Jean Coe:

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✉ Deevee.coe@ntlworld.com

June Phillips:

☎ 01793 520059

Members Rachel Williamson, Ann Cleaton and Ruth Dawes celebrating Ruth's 70th birthday near Oswestry

Social media groups are not run by the Society or the Fund.

Please contact Helen Washbourne if you'd like to let us know about a new group or update your contact details helen.washbourne@nationwide.co.uk

Other news

What's new on the website?

Our new look website has been designed to help you learn more about your pension. We've made it even easier for you to access things you need to know quickly. So what's new?

- **New layout** – information about the Fund has been put into new sections to make it easier to follow and navigate;
- **Accessibility improvements** – we've added new functions to the website allowing you to increase the font size, have it read aloud and you can change it to 'dark mode' – these will help our members with visual impairments;
- **Updated designs** – the look and feel of the website has been given a complete refresh;
- **Latest news** – has been added to the main homepage so you can see any updates with you immediately arrive on the website;
- **Library** – important documents have been rearranged so that you can see current items first and a separate archive tab; and
- **Q&A section** – it's only natural to have questions about your pension, so we've put everything together in one area to make it easier to get answers fast.

Take a look for yourself at www.nationwidepensionfund.co.uk
– we hope you like it!

Pension scams

The Trustee is concerned that pension pots are attractive to potential scammers who can be very articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. We have a dedicated section on our website at www.nationwidepensionfund.co.uk/avoiding-pension-scams where you can find out more. And whilst you're there, visit the 'Videos' section to watch our short video on pension scams too.

If you're contacted out the blue or have any concerns go to www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam for more information.

What is the 'triple lock' and why has it been 'suspended'?

Currently, the State Pension is supposed to increase each year in line with whichever of the following three things is highest:

- Inflation, as measured by the Consumer Prices Index (CPI);
- The average wage increase; or
- 2.5%.

During the COVID-19 pandemic, many people were earning less than usual because they were placed on furlough.

Now, as people come off furlough and return to full pay, this has been recorded as a large rise in average earnings – an estimated 8% from May to July 2021.

Under the rules of the triple lock, this would mean that State Pensions would need to rise by a similar amount – an unusual situation.

On this basis, it means the triple lock will be suspended for 2022/23 and instead, the State Pension will be decided by either the inflation rate or 2.5%.

Guaranteed Minimum Pension update

Back in December 2020, the Trustee provided a brief update on a High Court ruling that related to Guaranteed Minimum Pension (GMP) benefits for men and women. In summary, it – and other judgments since – ruled that pension benefits built-up between 17 May 1990 and 5 April 1997 should be equalised for the effect of unequal GMP benefits.

Like many other pension schemes contracted-out of the Government's State Earnings-Related Pension Scheme, the Fund will have some members who are affected by this ruling. The Trustee has been considering the detail of all the judgments

with its advisers to assess how it may impact the Fund and some members' pension benefits.

This is a significant project with some work already undertaken to equalise transfer values for those who choose to transfer out their benefits in the future. The Trustee is managing this exercise alongside the transition to our new administration provider, with discussions already underway to schedule all of the required activities.

Whilst we wanted to assure you that work is ongoing in the background, there is no action for you to take at this time.

News from Nationwide

Nationwide now have a dedicated 'News and stories' section online that shares news, member stories, information and updates.

Grab a cup of tea and head over to www.nationwide.co.uk/news-and-stories

Need more help?

As our contact details will be changing, please take a look at the website for up to date details of how to contact the Nationwide Pensions Team.

