

AUTUMN 2020



MEMBER BRIEFING

For members of the Mitchells & Butlers Pension Plan
(DB Section)



WELCOME

I'm pleased to send you the 2020 issue of Member Briefing, our annual update for members of the Mitchells & Butlers Pension Plan (the Plan).

This year, we have decided to create separate newsletters for our DB Section members and those in DC Choice (our money purchase section) – mainly because the issues affecting the two membership groups are so different in light of COVID-19.

As a member of the DB Section, you'll be more concerned about the future security of your pension, whereas DC Choice members will want to know more about the impact of the pandemic on their individual retirement account. We wrote to you in May to let you know that the Company had requested a deferral of contributions to the Plan, and again in August when they asked for an extension. Turn to page 6 for an overview of how we have managed the Plan so far in this difficult year.

I hope this newsletter gives you some useful information and reassurance that the Trustee is continuing to manage the Plan in your best interest. Remember, you can always check on our website for updates from the Trustee: **www.mbplcpensions.com** – and you don't need a personal login to view it.

If you have any questions about your pension, you can contact the administrator, Mercer, using the details on the next page.

Jonathan Duck
Chairman of the Trustees

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KEEPING IN TOUCH

Please note that any changes to the information held by Mercer or requests for details about your DB benefits must be provided in writing and should include your full name, address, date of birth and National Insurance number and must be signed. A change of address should also include your previous address.

If you prefer to report a change of address via email, please include the information stated above. For your email to be accepted, your email address must include your name or detail that enables the administrator to identify that the email has been sent by you.

Mitchells & Butlers Pensions, Mercer, 52 Westgate,
Chichester, West Sussex PO19 3HF

Telephone: 0370 850 0714

Email: mbplc@mercer.com

Mercer OneView: www.merceroneview.co.uk/mab

The benefits provided by the Plan are governed by the Plan's Trust Deed and Rules (copies of which are available on request). Nothing in this Member Briefing confers any right to benefits save as provided by the Trust Deed and Rules and in the event of any inconsistency between this Member Briefing and the Trust Deed and Rules, the Trust Deed and Rules prevail. This Member Briefing does not constitute legal advice or financial advice and should not be relied upon as such. The description of legislation in this Member Briefing is intended as a basic guide only, not a comprehensive or exhaustive guide to the legislation.

MONEY MATTERS

The following table summarises the Plan's key sources of income and how that money has been paid – as benefits to members and as fees to advisers.

The Trustee publishes its financial accounts once a year, which are then audited by Crowe UK LLP. The auditors have confirmed that the 2019/20 financial statements are a true and fair reflection of the Plan's income and expenditure.

	DB Section	DC Section	Total Plan
Value at 1 April 2019	£1,913.3m	£39.7m	£1,953m
Plus money in	£37.7m	£6.5m	£44.2m
Less money out	(£66.7m)	(£0.7m)	(£67.4m)
Plus the rise/(fall) in the value of investments	£30.8m	(£2.3m)	£28.5m
Value at 31 March 2020	£1,915.1m	£43.2m	£1,958.3m

FIND IT ON THE WEBSITE

www.mbplcpensions.com

You can download the Plan's full Report & Accounts.

MEMBERSHIP AS AT 31 MARCH 2020

DC SECTION



DB SECTION



COVID-19 UPDATE

The coronavirus (COVID-19) pandemic has resulted in an unprecedented period of economic and investment uncertainty, but we'd like to reassure you that the Plan Trustee had already implemented robust measures to ensure we could continue to provide services to our members, even in times of crisis.

For those of you already in receipt of a pension from the Plan, the payment of your pension has not been affected by the coronavirus situation – and it will continue to be paid to you on the same date each month.

The pensions administration team at Mercer continues to be available for all our Plan members to call, email or write to. The individual team members at Mercer have been working from their homes but are still able to provide you with any help you may require. Please note, however, that some requests for quotations and answers to queries may take a little longer than usual to process.

Mercer has launched a website that you can access to contact them directly for any queries or to follow up on any previous communication; this can be accessed via **<https://contact.mercer.com>**.

If you haven't done so already, you can also access the details of your pension benefits and update your personal details online via Mercer OneView. To access OneView, please go to **merceroneview.co.uk/mab**. If you have any problems accessing the site, please give the team a call on 0345 600 0229 (Mon–Fri, 9am–5pm).

Transfer warning

If you're thinking about transferring your benefits from the DB Section to a defined contribution (DC) pension during the COVID-19 crisis, you will receive a letter from The Pensions Regulator (TPR), warning you that's unlikely to be in your best long-term interests.

Since 2015, pensions freedoms have given scheme members more flexibility in how they can access their pension. Many have taken advantage of this flexibility and last year £34 billion was transferred from DB schemes.

However, with COVID-19 causing market volatility and an uncertainty for businesses and personal finances, pension members could be at risk of making knee-jerk decisions which hit their pensions.

The letter will also point you towards free, impartial guidance available from The Pensions Advisory Service.

Pension payment dates

Pensions are typically paid in advance on the first working day of each month. For example, the pension you received on 1 September is to cover the period from 1 September to 30 September.

When the first of the month falls on a bank holiday or weekend, pensions are paid on the first working day of the month. In 2021, pensions will be paid on the first of the month except for 4 May and 2 August. Your January 2021 pension instalment will be paid on Friday, 18 December 2020.

DB SECTION NOTICEBOARD

Update on Court case

The Court case between the Trustee of the Plan and Mitchells & Butlers plc (the Company) is about who, under the Plan's rules, has the power to decide the rate at which pensions in payment are increased and deferred pensions are revalued to combat inflation (both referred to as 'pension increases').

A trial was due to take place in London starting during the week commencing 8 June 2020, but on 18 March 2020, the Company requested an adjournment of the trial. The Trustee considered that it would be in members' interests to agree to that request and the parties made a joint request to the Court to adjourn the trial. The Court has granted this application, and the trial is scheduled to take place for 15 days starting on a day during the week commencing 28 June 2021.

Pension increases

Pensions in payment and deferred pensions (in excess of the Guaranteed Minimum Pension) increased on 1 October by 0.5%, in line with the change in the Consumer Prices Index (CPI) in the year ending 31 May.

The CPI increase in 2018 and 2019 was the result of an interim arrangement approved by the Court, while proceedings are under way as to the correct basis for determining pension increases and revaluation in the Plan. In light of the adjournment of the trial to 2021, the Trustee and the Company have agreed that it would be sensible to extend this interim arrangement for pension increases to be applied in October 2020 and, if the outcome is not known in time, October 2021. We sent letters to members about this matter earlier this year; if you didn't receive your copy, please get in touch with pensions@mbplc.com.

Cyber-attack

As you will be aware, the Trustee wrote to you twice earlier this year to formally advise and keep you up to date about a cyber-attack suffered by Like Minds.

The annual Member Briefing is a further opportunity to update you. Set out below is a brief summary of events and the subsequent actions taken by the Trustee to minimise any risks, now and in the future:

- Like Minds are a communications agency engaged by the Trustee to run member mail-outs and communications. On 7 August, Like Minds reported a cyber-attack to the Trustee, telling us that one of their staff email accounts had been compromised.
- Although the purpose of the attack appeared to be to interfere with Like Minds' regular business, the email account contained a member data file sent to Like Minds by the Plan administrators (Mercer). This data file contained the following information: names, addresses, dates of birth and National Insurance numbers. No member financial information was in the data file.

- The Trustee informed the Information Commissioner's Office (ICO) of the incident within the 72-hour deadline required to report potential data breaches. Shortly afterwards, the ICO informed the Trustee that it did not intend to take any further action.
- The Trustee obviously takes this matter extremely seriously. It has discussed measures with Mercer and Like Minds to ensure member data and Plan assets are fully protected and to prevent any risk of recurrence. Mercer and Like Minds have, as a result, adopted stronger internal data-security processes. In addition, there is an added focus from both organisations to ensure their own data-security procedures are always followed.
- The Trustee is also engaging an independent specialist cyber-security firm. This firm will audit all internal and external providers to both Main and Executive Plans. Any recommendations will then be implemented.

Although the Trustee has not had any evidence of member data being misappropriated as a result of the above incident, it is important that all members remain vigilant. Please do not hesitate to contact the Trustee should you experience any suspicious activity that you think may be linked to the above.

DB SECTION INVESTMENTS

The Trustee continues to monitor the Plan's investments and funding positions. The DB Section's assets are invested in the Mitchells & Butlers Common Investment Fund (CIF), which is available to all the Company's defined benefit pension plans.

At 31 March 2020, the DB Section held approximately 35% of its assets in return-seeking investments (such as UK and overseas equities, absolute return equity funds and absolute return bonds funds), and 65% of its assets in liability-driven investments (such as gilts, corporate bonds and different types of debt). The proportion of hedged assets increased, which helps to protect the Scheme against volatility in interest rates and inflation rates.

Equities posted gains through the year, albeit UK equities grew more slowly because of Brexit uncertainties, but the situation completely changed from mid-February 2020

onwards, with the arrival of COVID-19, leading to sharp falls in all equity markets.

In these circumstances, it is fortunate that the DB Section has been much more heavily invested in relatively safe debt instruments, rather than risky equities. The increase in hedging levels was very well timed and shielded the Plan from the worst of the recent market turmoil.

The table below shows the investment return over the last 12 months, three years and five years.

Period to 31 March 2020	Actual Fund return	Benchmark return
1 year (%)	1.6	6.4
3 years (% p.a.)	3.4	3.5
5 years (% p.a.)	5.9	7.4

PENSIONS NEWS

Deferring your State pension

Recent research shows that almost half (47%) of 55- to 64-year-olds do not know that deferring their State pension will increase their payments.

Putting off the age you claim the State pension means the amount you receive eventually can go up significantly. State pension is not paid automatically, so you need to make a claim to start receiving it. You can delay when this happens, known as deferring your State pension. With the new State pension now £175.20 a week, deferring for one year can increase the amount you receive by £10.16 a week or £528.32 a year. It is also possible to start deferring your State pension after you start receiving it. You need to contact the Pension Service on 0800 731 0469. You can only defer your State pension once during your retirement.

DWP/PPF guide for pension savers

The Department for Work and Pensions (DWP) has teamed up with regulators and other bodies to produce a guide for pension savers, which sets out what protections are in place for your pension and directing savers to free, impartial advice. The move comes as numerous pensions organisations, including the Pension Protection Fund (PPF) and the Financial Services Compensation Scheme (FSCS), report an increase in the number of enquiries they have received from concerned pension savers seeking guidance during COVID-19. You can find the guide and more information on the PPF website, www.ppf.co.uk.

Lifetime Allowance increases

The Lifetime Allowance (LTA) is the maximum amount of retirement savings that you can have at retirement from all pension schemes without facing an additional tax charge.

The LTA increases in line with inflation, as measured by the Consumer Prices Index, so in April 2020 it went up to £1,073,100 (from £1,055,000 last year).

PENSIONS NEWS CONTINUED

Is it time to take a mid-life MOT?

The Department for Work and Pensions (DWP) has launched a website to help people carry out a 'mid-life MOT' – basically a check-up on your finances, much as someone might receive a health check-up from their GP.

The website offers free online support to help you make decisions that will ensure the future retirement you want, looking specifically at work, health and wealth.

It includes information on the State pension and caring responsibilities and links to the Pensions Advisory Service, the Money Advice Service and Pension Wise, which have merged into the Money and Pensions Service.

You can check it out at:

www.yourpension.gov.uk/mid-life-mot

MANAGING THE PLAN

The Plan is run by a Trustee Board that is made up of nine trustee directors, three of whom are nominated by the members. The Trustee Board is made up of the following trustee directors:

NOMINATED BY THE MEMBERS

Eamonn Lavin

Rita Mitchell

Clair Slevin

APPOINTED BY THE COMPANY

AAA Trustee Limited

20-20 Trustee Services Limited

INDEPENDENT

Jonathan Duck (Chairman)

Martin Thomas

Law Debenture Pension Trust Corporation plc

Christian Edger

SUMMARY FUNDING STATEMENT 2020

This statement has been produced by the Plan's Trustee in order to:

- 1) Provide a summary of the results of the latest actuarial valuation.
- 2) Set out the Trustee's funding objectives for the Plan.
- 3) Outline the steps being taken to improve the funding of the Plan.

How does the Plan work?

The benefits of DB Section members are set out in the Plan's rules and are based on the member's final salary at retirement or earlier leaving, or on the member's salary at 12 March 2011, when the DB Section closed to future accrual. Benefits are paid to members from the Plan's assets. The Company pays contributions into the DB Section but member contributions ceased from March 2011.

As part of this statement, we need to tell you if the Pensions Regulator has used its powers in relation to the Plan over the last year, for example by changing the way future benefits build up, or amending the employer contribution rate. We are pleased to confirm that the Regulator has not used its powers in relation to the Plan over the last year. We can also confirm that there have not been any payments to the Company from the Plan in the previous 12 months.

SUMMARY FUNDING STATEMENT 2020 CONTINUED

What is an actuarial valuation? How is it used?

Periodically the Plan's Actuary assesses the financial position of the Plan by carrying out an actuarial valuation. The main purpose of the valuation is to help determine the contributions payable into the Plan. It also helps the Trustee to set the investment strategy for the Plan's assets.

An actuarial valuation must be carried out at least once every three years and an actuarial valuation was completed as at 31 March 2019. The next triennial valuation is due on or before 31 March 2022. In the years between triennial valuations, the Plan's Actuary also carries out less detailed funding updates.

As part of the valuation, the Actuary estimates the cost of providing the benefits earned in the Plan, taking into account members' life expectancy, the effects of future salary growth and price inflation. The Trustee's funding target (i.e. the value of assets which are needed to provide for all members' benefits) partly depends upon the anticipated returns from the Plan's assets.

The Trustee decided to set the funding target prudently by assuming that the Plan makes investment returns in line with those achieved by investing in Government bonds (Gilts) plus a small extra amount (0.8% per annum) for the period to 31 March 2023.

The results of the Plan's valuation at 31 March 2019 and the funding update as at 31 March 2020 on this basis were:

	Funding update as at 31 March 2020 £'million	Actuarial valuation as at 31 March 2019 £'million
Assets held	1,915	1,910
Funding target	2,231	2,165
Shortfall	(316)	(255)
Funding level (%)	86%	88%

How does the Trustee intend to recover this funding shortfall?

The Trustee takes the financial strength of the Company into account when agreeing the contributions and recovery plan with the Company. It has been agreed with the Company that the funding shortfall as at 31 March 2019 would be recovered within four years of the valuation date (the 'recovery period').

This is planned to be achieved by a combination of additional contributions by the Company (see below) and achieving additional returns from the assets held.

However, due to the COVID-19 pandemic, and after considering professional advice, the Trustee has agreed for the Company's contributions over the six months from April to September 2020 to be deferred. Contributions will recommence from 1 October 2020, at the rate of £3,234,228 per month and will continue to 30 September 2023 to compensate for this deferral. The aim of this deferral is to support the Company during the current crisis and ensure that it has a healthy viable business that can continue to support the Plan.

The Company also granted an additional package of enhanced contribution and security arrangements for the Plan as part of the actuarial valuation, the details of which are available in the full Report & Accounts.

How has the funding position changed during the period to 31 March 2020?

We previously told you that the funding shortfall was calculated at £255 million as at 31 March 2019. At 31 March 2020, the funding shortfall was calculated to have increased to £316 million. The deterioration over 2019/20 was largely due to adverse market conditions leading to lower than expected asset returns and an increase in the liabilities, which more than offset the contributions paid by the Company over the year.

This deterioration was largely a result of the impact of COVID-19 on financial markets, although this has subsequently recovered to a large extent.

SUMMARY FUNDING STATEMENT 2020 CONTINUED

What is the current solvency position?

The following table shows the Actuary's estimate of the cost of an insurance company taking on the Plan's liabilities ('buying out' the Plan).

	31 March 2020 £'million	31 March 2019 £'million
Assets held	1,915	1,910
Funding target	2,426	2,394
Shortfall	(511)	(485)
Funding level (%)	79%	80%

What happens if the Company is unable to meet its commitment to the Plan?

There is a safety net for members of occupational pension schemes that have to wind up in the form of the Pension Protection Fund (PPF). To benefit from the PPF, the employers must generally be insolvent and the assets of the plan insufficient to secure the pensions covered by the PPF.

Briefly, the PPF will provide DB members and pensioners below normal pension age with 90% of their accrued pension, subject to a cap. This cap currently limits compensation to around £37,315 per annum at normal pension age. Pensioners over normal pension age and incapacity pensioners will receive 100% of their uncapped pension. However, in all cases, future increases to pensions in payment will be lower than the rates applicable under the Plan and there are some other differences compared with Plan benefits.

Further information and guidance is available on the PPF website at www.ppf.co.uk. Alternatively, you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey CR0 2NA.