



Northern Bank Pension Scheme

Report to Members
December 2019

Danske Bank



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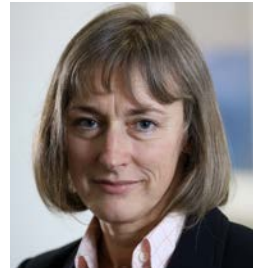
Keeping your contact details up to date

Deferred and Pensioner members are reminded to please inform Equiniti if their personal details change (e.g. name or address). Active Deferred members should inform HR of any changes to their personal details. It is important that you ensure your contact details are up to date, as otherwise the Trustee may not be able to contact you (for example, to arrange payment of your pension).

Also, from time to time, the Trustee (or its appointed agents) may need to contact you with important information regarding your Scheme benefits.

If your contact details are not correct, please contact Equiniti (see back cover for contact details).





Chairman's Introduction

Dear Member

Welcome to the 2019 Member Report, which is issued to all Scheme members. The purpose of the Report is to keep you informed of key developments affecting your pension scheme and other relevant pension matters. We would encourage you to read the Report, as there may be content that is important, or relevant, to you.

In 2019, the Trustee Board, and its sub-committees, managed a wide variety of Scheme-related matters including funding, investment, governance and administration issues. Risk management was also a very important element of the Trustee's role, with compliance, contractual, counterparty, covenant and cyber being examples of the types of risks being considered. In carrying out its role, the Trustee is supported by some of the UK's leading pension advisers. Such professional advice is essential to ensure that the Scheme is well-governed and managed in accordance with the Trustee's fiduciary responsibilities, in an increasingly complex legal and regulatory pensions environment.

Over the last year, the Trustee has been working closely with the Actuary, as we seek to conclude the triennial valuation as at 31 December 2018. Whilst the valuation is not yet complete, provisional results indicate that the Scheme has maintained a strong funding and surplus position. The final valuation results are expected in Q1 2020. The results will then be communicated to you, along with the Scheme's Summary Funding Statement.

The Trustee has also been working closely with its investment adviser, as it continues to seek to protect the Scheme's funding position, as the Scheme moves closer towards its objective of being fully funded on a very low-risk basis by 2025. During 2019, the Scheme's funding position again supported further investment de-risking as well as increased levels of hedging (circa 80%) against interest-rate and inflation risk. The charts on page 4 not only show the Scheme's current investment allocation (with non-'buy-in' assets predominantly now invested in Gilts and Bonds) but also the extent of investment de-risking achieved over the last six years.

I wish to extend thanks to former Directors, Clive Harper, Stephen McLaughlin and Kevin Brown, who over the last year have stepped down from their role as Trustee Director. In particular, I wish to acknowledge the work and commitment of Kevin Brown, who carried out his role for the last six years as Chairman with absolute focus on protecting members' interests. In doing so, he made it his business to develop an in-depth knowledge and understanding of the many complex issues which the Scheme faced during his tenure. When he was elected Chairman, Kevin considered that he was very fortunate to inherit a Scheme from his predecessor (JO Anderson) that was well-run and well-funded. Since then, thanks to Kevin's Chairmanship, the work of all those Directors who have served the Scheme alongside him and the work of the wider support teams and advisers, I believe many of us will agree that he too left a well-run and well-funded Scheme.

I hope that you find this Report informative. Feedback or questions on the Report are welcome and can be sent to me through the Scheme Secretary.

Mrs Lesley Bourke
Chairman
December 2019

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Annual Report and Financial Statements (2018)

A copy of the Scheme's latest Annual Report and Financial Statements (for the year ended 31 December 2018) as audited by KPMG, is available from the Scheme Administrator (Equiniti). A summary of the Financial Statements for the year ended 31 December 2018 is shown below:

Income	£m	
Employer Contributions (normal)	8.9	Total £11.3m
Employer Contributions (early retirement funding/other)	1.0	
Member Contributions (normal and AVC)	1.4	
<hr/>		
Expenditure	£m	
Pensions paid	31.8	Total £50.9m
Commutations and lump sums	4.6	
Transfers out	13.5	
Administration expenses	1.0	
PPF Levies	0.0	
<hr/>		
Return on Investments	£m	
Change in market value of investments*	(50.6)	Total (£19.5m)
Annuity Income (Buy-in)	29.1	
Investment income	3.0	
Investment expenses	(1.0)	
<hr/>		
Assets	£m	
Net assets (inc. AVCs) at 1 January 2018	1,438.4	Decrease (£59.1m)
Net decrease	(59.1)	
Net assets (inc. AVCs) at 31 December 2018	1,379.3	

* Investment income from assets held in pooled funds with BlackRock is included in the 'change in market value of investments'.

Actuarial Valuation as at 31 December 2018

Valuing the Scheme

The Trustee is required (at least every three years) to undertake an actuarial valuation of the Scheme. The purpose is to calculate the Scheme's funding position under a number of measures. This will then inform the Trustee as to whether additional funding is required from the Bank but also informs the Trustee on its approach to different investment risks.

In undertaking the valuation, the Scheme Actuary receives the details at valuation date of the Scheme's liabilities (i.e. the benefits paid to Pensioner and Dependant members and benefits to be paid to Active Deferred and Deferred members) and estimates the amounts which will become payable over the lifetime of each member. In doing so, a number of financial and demographic assumptions have to be made (e.g. discount rates, life expectancy and inflation). The assumptions then have to be agreed with the Trustee (and with the Bank). The Actuary also receives details of Scheme investments and the Trustee's review of the sponsor covenant.

The process can take up to fifteen months. Whilst the Scheme's 2018 valuation is well advanced, final results are not expected until Q1 2020. Initial results indicate that the Scheme has maintained a strong funding and surplus position.

The Trustee is required to issue all members with a Summary Funding Statement, following completion of the valuation. Once the valuation results are finalised, the Statement will be issued to you within three months.

Pension Scams – Don't let a scammer enjoy your retirement



Active Deferred or Deferred Members who are considering transferring their benefits from the Scheme should be aware of pension scams. In an attempt to scam you out of your pension savings, scammers may pose as financial advisers and/or try to flatter, tempt and pressure you into transferring your pension.

Tactics used may include promises of guaranteed or unusually high returns; a cold call, text or website pop-up offering a free pension review; a one-off opportunity or a legal loophole; access to pension savings before age 55; paperwork delivered by courier that requires immediate signature; a proposal to put your pension savings in a single investment or an overseas transfer.

Once a transfer is made to a scam scheme, it is probably too late. Your pension savings will then only benefit the scammers.

Never be rushed or pressurised into making a transfer decision.

Active Deferred and Deferred Members can refer to the enclosed insert on how to help protect yourself from pension scams. Further information is available from the Scheme Administrator or at the following links:

www.fca.org.uk/scamsmart/how-avoid-pension-scams
www.pension-scams.com

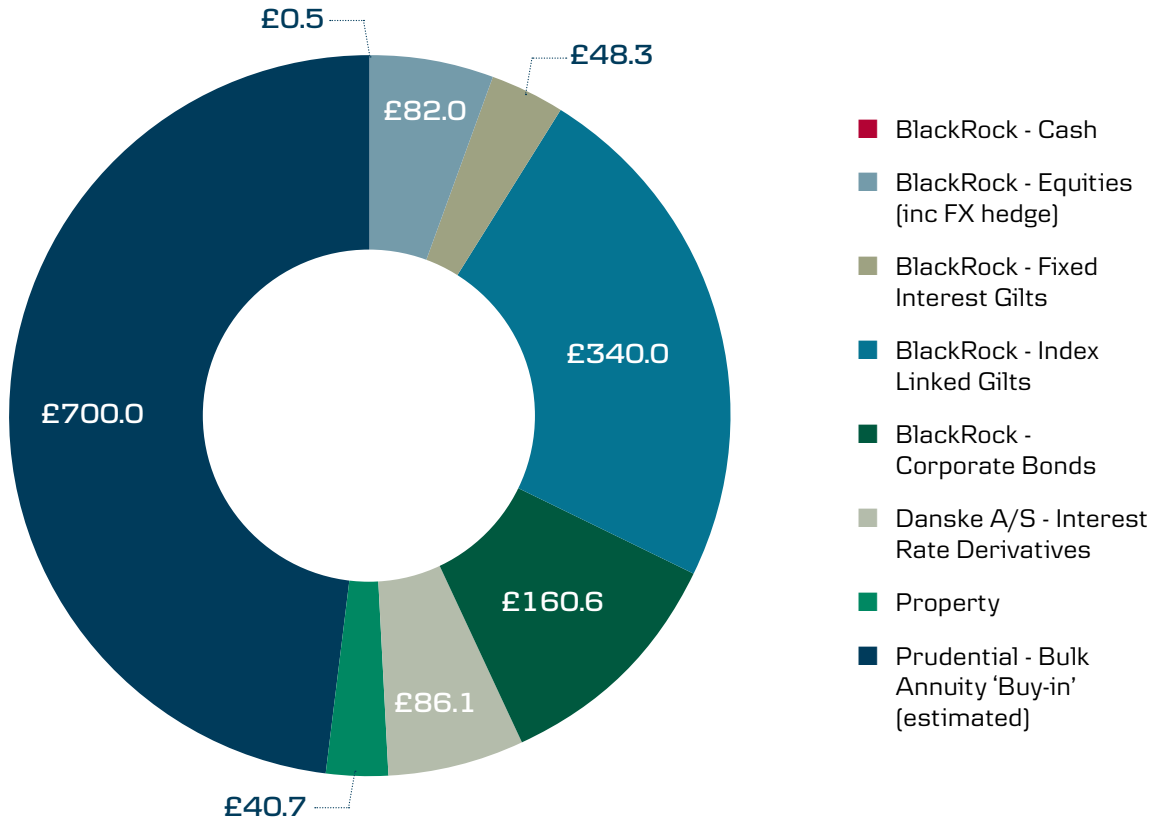
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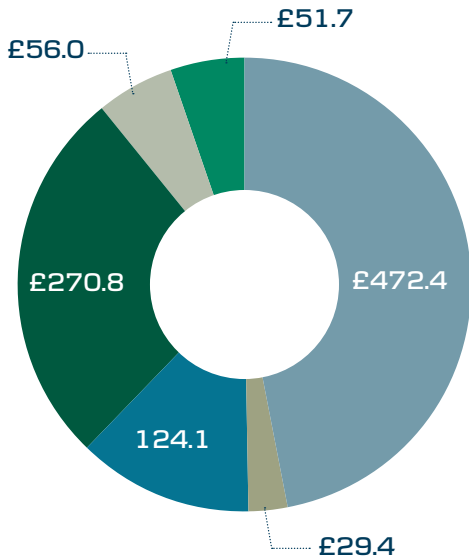
Asset Allocation (£m)

Investment allocation as at 30 November 2019

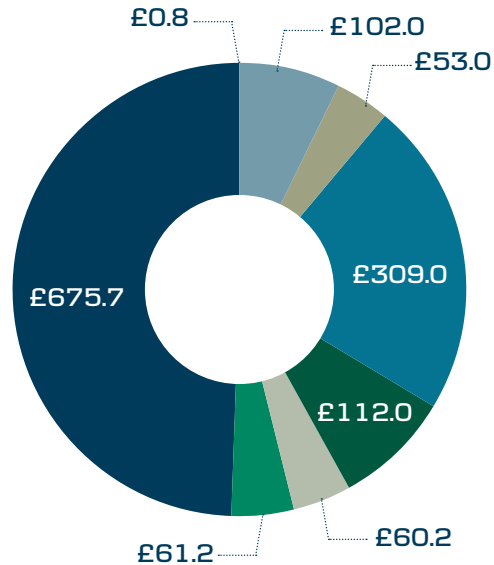


For comparison

Investment allocation as at 31 December 2013



Investment allocation as at 31 December 2018



Scheme Assets and Statistics

Property Assets

As shown in the asset allocation charts, the value of the Scheme's property holdings reduced in the period from 31 December 2018 (£61.2m) to 30 November 2019 (£40.7m). This was as a result of the Trustee disposing of two of its four properties.

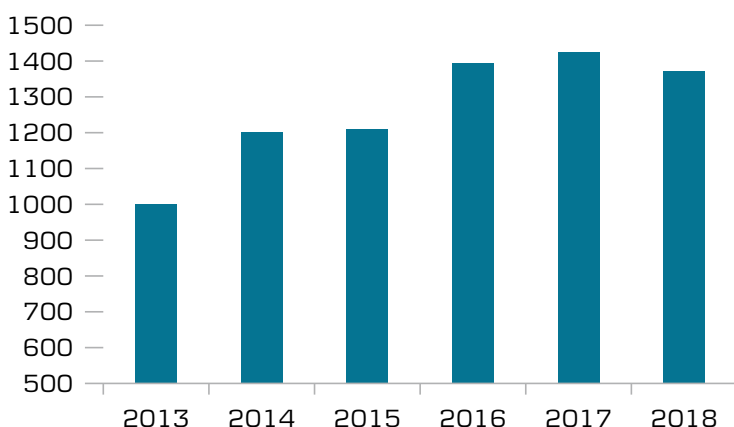
One of those properties was Donegall House (55-63 Donegall Place and 4-7 Donegall Square North, Belfast), which formed part of the Scheme's investments since the early 1970's. Whilst this property had served the Scheme well for over forty years, the economic life of the building and the existing lease terms were factors in deciding to dispose of the asset. The other property which was sold in 2019 was a supermarket (Greenlaw Village, Newtown Mearns, Glasgow) let to Waitrose. Proceeds from the property sales amounted to £21.67m.

The Scheme's two remaining properties are a supermarket at Southend Road, Woodford Green, London and a foodstore at Pond Street, Hampstead, London. Annual rental income from these properties (which are let under long-term leases to Tesco and Marks & Spencer respectively) is approximately £1.75m.

How the Scheme's Fund Value has changed

The Scheme's audited assets (excluding AVCs) amounted to £1,377m at 31 December 2018.

Fund Value 2013-2017



Membership Statistics (as at 1 October 2019)

Active members	0
Active Deferred members	677
Deferred members	1,477
Pensioner members	2,269
Spouses / Dependants	197
Children	16
Total Membership	4,636

General Information

Benefits from contracting-out of the State scheme ('GMP')

As advised last year, a Court decision, involving Lloyds Bank (published on 26 October 2018), may have a small impact on the way your Scheme benefits are calculated.

The decision relates to the equalisation of benefits in the Scheme to take account of the fact that one element of the benefit, the guaranteed minimum pension (GMP) earned from 17 May 1990 (the date of an earlier Court decision on equal treatment) to 5 April 1997 (when GMP's were replaced) currently results in unequal treatment between men and women. The GMP is the minimum Scheme benefit you built up because of being contracted-out of the State Earnings Related Pension Scheme in this period. Benefits in respect of members who were not in pensionable service during this period will not be affected.

Whilst there is still some uncertainty about the Court decision, the Trustee has been working over the last year, with Equiniti, to prepare for 'GMP equalisation'. The first stage of this process was to reconcile GMP records against those held by HMRC. This stage of the process is now almost complete and has identified a comparatively small number of affected members. The next stage will be rectification of GMP discrepancies and then GMP equalisation. If you are affected, your benefits may need to be adjusted in the future, but any change to benefits is expected to be small and we will contact you again at the time to explain this.

Closure of the Scheme to Benefit Accrual (30 September 2018)

A copy of the updated 'A Guide to Your Benefits 1 October 2018', which was included with the closure Statement issued to Active Deferred members in December 2018, is available on the Bank's employee portal under the 'Pensions' section of 'Danske People', or from Equiniti or the Scheme Secretary. **The Guide contains important information on how the Scheme operates and what options are available to you regarding your pension benefits. The Guide is in a simple Q&A format and it is important that Active Deferred members familiarise themselves with its content.**

If you have any queries on the Guide, please contact Equiniti or the Scheme Secretary.

New Pension Age

This is the age at which pension accrued for service after 31 December 2007 will be payable without reduction. For Deferred members, who have left the Bank's employment, post-2007 accrued pension becomes payable at age 60, subject to reduction to reflect payment before New Pension Age. New Pension Age for retirements in 2020 will be 61 years and 5 months.

Additional Voluntary Contributions ("AVCs")

Members can no longer make AVCs to the Scheme. Members who already have AVCs in the Scheme are encouraged to regularly review their AVC fund choice, particularly when approaching retirement, or if overall pension benefits are close to Lifetime Allowance limits.

State Pension

As a member of the Scheme you will receive a State pension in addition to your Scheme pension, although this will not become payable until State Pension age. The amount payable will depend on your National Insurance contribution record. Like most occupational pension schemes, the Scheme was contracted-out of the upper tier of the State Pension until 5 April 2016 (reducing your national insurance contributions) and accordingly a deduction will be applied to your single-tier State pension to reflect contracted-out service. Details on how to get a State Pension estimate and to calculate your State Pension age can be found at www.gov.uk/calculate-state-pension.

Deferred Pensions and their Payment

Deferred members are sent a pension quotation around six months before their pension is due to come into payment. If you have AVCs, you should regularly review your fund choice, particularly as you approach retirement.

Early retirement quotations are also available from the Scheme Administrator. Your pension cannot normally be paid before age 55 and will be reduced to reflect any early payment. (Members who left service under the 1993/94/95 voluntary severance schemes have protected age entitlement and may continue to bring their pension into payment at any time from age 50).

Transferring your Pension out of the Scheme

Pension benefits from the Scheme are normally paid by way of an annual pension or by way of a reduced pension and cash lump sum. The security and certainty of such regular pension payments from the Scheme (including, in periods of inflation, guaranteed annual increases) is expected to be in the best interests of the majority of Scheme members. However depending on personal circumstances, transferring benefits out of the Scheme to a DC arrangement may be more attractive for some members (as a DC fund provides greater flexibility on how pension savings are accessed in retirement – e.g. an annuity from an insurance company, income drawdown, cash or combination thereof).

The Scheme Rules allow for transfers out, up to the point of your retirement (including a partial transfer of AVCs, or ‘split transfers’ for those who became Active Deferred members on 1 October 2018).

Before transferring your benefits from the Scheme, you need to fully consider the benefits and risks of doing so and you should get independent financial advice. If the transfer value is £30,000 or above, under legislation, a member must provide evidence that they have taken ‘appropriate independent advice’ from a financial adviser who is regulated by the Financial Conduct Authority (“FCA”) and has permission to advise on pension transfers. The FCA Financial Services Register can be accessed online at www.fca.org.uk/register. Further details are available from the Scheme Administrator.

Please note that you may have to pay for any independent advice that you receive and you would also need to decide where any transfer would be payable to.

The Trustee does not give financial advice, nor does it promote or encourage one retirement option over another. The Trustee would encourage members, particularly those approaching retirement, to seek independent financial advice on their retirement options.

For your information, the FCA has recently published a video outlining its expectations of financial advisers when advising on pension transfers. This may be helpful to members thinking about transferring benefits as well as to members who may have transferred benefits. The FCA video can be accessed online at: www.fca.org.uk/consumers/pension-transfer.

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General Information / continued

HMRC –Lifetime Allowance

Pension benefits (from all registered pension schemes) in excess of the Lifetime Allowance are subject to a tax charge. The charge (when paid as a lump sum) is 55%. For those members who do not hold HMRC Individual or Fixed Protection, the Lifetime Allowance is currently £1.055m. This is expected to increase to approximately £1.073m from April 2020. The increased Lifetime Allowance is broadly equivalent to an annual pension of £53,650. **However, members who elect to transfer their benefits out of the Scheme could find that the transfer value from a much lower level of accrued annual pension will breach the Lifetime Allowance.**

Further information on HMRC Allowances is available on the HMRC website. Further information on Scheme annual pension and transfer value measures against the Lifetime Allowance are available from the Scheme Administrator.

The information provided above on the Lifetime Allowance should not be taken as tax advice. You are encouraged to take independent financial advice on tax matters.

General Data Protection Regulation

The Trustee holds, shares and processes certain personal information about Scheme members and, where applicable, their dependants for the purpose of administering the Scheme. Much of the data held and processed by the Trustee in running the Scheme will be “personal data” - in other words, it is information from which you as an individual (or your dependant) can be identified. Under the General Data Protection Regulation, the Trustee, as Data Controller, must process this information fairly, transparently and lawfully. The Trustee issued a Privacy Notice in December 2018 to all members explaining what information the Trustee holds about Scheme members, what they do with it and who they share it with. A copy of the Trustee’s Privacy Notice is available upon request from the Scheme Secretary.

Staff Bank Accounts – Danske Bank

Pensioner members who currently have their pension paid to a Danske Bank account may ordinarily avail of staff account facilities. This is not a Scheme benefit but is offered at the discretion of Danske Bank. Staff account facilities include the availability of commission-free foreign currency at special rates. Staff foreign cash purchases **must not exceed** £3,000 per calendar year and must only be used for personal travel purposes.

Pensioner-organised Social Activities

After retiring, some pensioners like to keep in touch with each other through various social activities such as luncheons and golf outings. These are organised by different groups of pensioner members.

If you would like further information on these activities, please email nbpensionergroup@gmail.com.

The Trustee

Northern Bank Pension Trust Limited, which is the corporate Trustee of the Northern Bank Pension Scheme, is governed by its Directors.

Trustee Board

Lesley Bourke (Chairman)
Paul Alexander*
Stephen Bloomfield*
John-Paul Coleman
Stephen Johnston*
Irene Martin
David Murphy**
Colin Steele*
Katharine Strain
Brian Telford

* Member Nominated Director

** Independent Director

Administration Committee

Irene Martin (Chairman)
Stephen Bloomfield
Stephen Johnston
Katharine Strain

Investment Committee

Brian Telford (Chairman)
Paul Alexander
John-Paul Coleman
David Murphy
Colin Steele

Secretary

Brett Armstrong

The Trustee's Professional Advisers

Actuary:

Stephen Yates (Willis Towers Watson)

Administrator:

Equiniti

Auditor:

KPMG

AVC Providers:

Standard Life Assurance Limited
Northern Bank Limited (t/a Danske Bank)

Bankers:

Northern Bank Limited (t/a Danske Bank)
Danske Bank A/S

Bulk Purchase Annuity Provider:

Prudential Assurance Company Limited

Covenant Adviser:

PwC

Custodians:

The Bank of New York Mellon, London Branch
The Northern Trust Company

Investment Adviser:

Hymans Robertson LLP

Investment Consultant:

Lane Clark & Peacock LLP

Investment Managers:

BlackRock
Danske Bank A/S (Treasury Division)
Osborne King

Solicitors:

Sacker & Partners LLP
Johns Elliot
Burgess Salmon LLP

Scheme Contact Information

Equiniti (Scheme Administrator)

Danske Administration
Equiniti
Sutherland House
Russell Way
Crawley
West Sussex
United Kingdom RH10 1UH

Tel: 01293 604 224

Email: danske.administration@equiniti.com

The Equiniti team deal with the day-to-day administration of the Scheme and should be your first point of contact for all general enquiries, including requests for details of your Scheme benefits.

Scheme Secretary

Northern Bank Pension Trust Ltd
Donegall Square West
Belfast
BT1 6JS

Tel: 028 9004 8514

Email: pensionsteam@danskebank.co.uk

The Scheme Secretary and his team, assist the Trustee Board with the management and operation of the Scheme. Please contact the Secretary if your query cannot be resolved by Equiniti.

This Member Report summarises developments within, and progress of, the Northern Bank Pension Scheme. It also contains details of Scheme benefits and other general pension information. Checks have been undertaken to verify the accuracy of its content, however in the event of any omissions or inaccuracies, the legal documents governing the Scheme, or relevant legislation, will apply.

Northern Bank Pension Trust Limited

Registered in Northern Ireland NI 3155

Registered Office: Donegall Square West, Belfast, BT1 6JS

Danske Bank

Danske Bank is a trading name of Northern Bank Limited
www.danskebank.co.uk