The Arts Council Retirement Plan (1994)

YOUR SUMMARY FUNDING STATEMENT 2020

The benefits you receive from this pension plan will depend on how long you paid in and your final Plan earnings. Benefits are paid out of a central fund, invested by the Trustees with the help of specialist advisers.

This is your annual Summary Funding Statement which will give you an idea of the Plan's financial status. Please take time to read this statement so that you know how your pension plan is doing. A copy of the full valuation is available on request from the Plan Administrator.

CREATIVITY CULTURE & EDUCATION
TŶ CERDD MUSIC CENTRE WALES
CRAFTS COUNCIL
Cyngor Celfyddydau Cymru Arts Council of Wales
CREATIVE SCOTLAND ALBA CHRUTHACHAIL
ARTS COUNCIL ENGLAND

KNOW THE FINANCES

HOW IS THE PLAN DOING?

The Trustees have appointed an Actuary who carries out a full actuarial valuation every three years, with annual checks in between. The full valuation as at 31 March 2019 has now been completed and the results are set out below along with the last annual update as at 31 March 2020.

ASSETS

The value of the Plan's investments.

Value at 31 March 2019
£178.1m

Value at 31 March 2020
£176.9m

LIABILITIES

The estimated cost of providing members' promised benefits.

Value at 31 March 2019
£199.8m

Value at 31 March 2020
£212.6m

SHORTFALL

The difference between the assets and the liabilities.

Value at 31 March 2019
£21.7m

Value at 31 March 2020
£35.7m

FUNDING LEVEL

The assets as a percentage of the liabilities

31 March 2019
89%

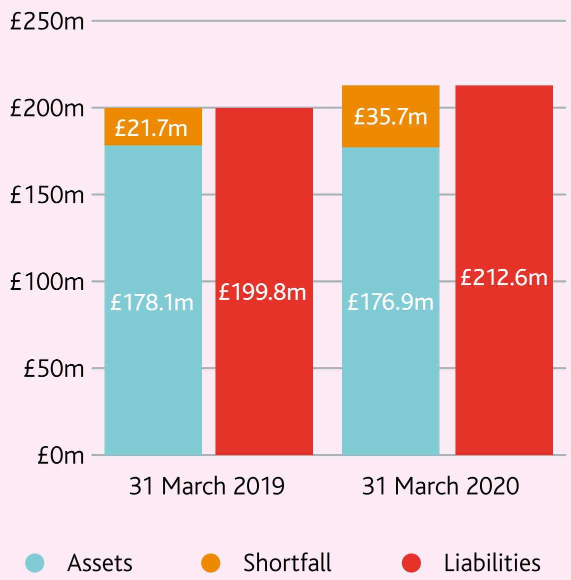
31 March 2020
83%

The Plan's funding level depends on whether its liabilities (the money it expects to pay out now, and in the future) are less than its assets. These assets build up over time through the employers' contributions and investment income.

If the assets are worth less than the liabilities, then the Plan has a 'shortfall', but if the assets are worth more than the liabilities, then the Plan has a 'surplus'. As you can see as at 31 March 2020 the Plan had a shortfall with 83% of the money it needed to pay all benefits due now, and in the future, which is lower than it was in 2019.

The slight reduction in the asset value over the year is primarily due to the market volatility around the Plan's year-end, driven by Covid-19. However, this has been offset, to some extent, by the deficit contributions made by the employers. The increase in the value of the liabilities was largely due to the fall in gilt yields over the period.

The Plan's financial position



WHAT DOES THIS MEAN FOR MY BENEFITS?

These valuations are only a snapshot in time, and as market conditions change, it is perfectly normal for the funding level to fluctuate over time.

IS MY PENSION SECURE?

The Trustee aims to have enough money in the Plan to pay pensions and other benefits to members. So long as the employers continue to support the Plan, your benefits will be paid in full when they become due.

The Trustees have agreed a recovery plan with the sponsoring employers who have agreed to pay additional contributions into the Plan each year until 2029, on top of normal contributions towards the cost of benefits being built up by existing employee members and the expenses of running the Plan. Some employers have already paid their recovery plan contributions in full.

The Actuary also works out how much money the Plan would need if the employers could no longer support it, the Plan was wound up and the Trustee secured members' benefits by buying an insurance policy.

Securing benefits in this way is expensive because the insurance company undertakes to pay members' benefits in full in exchange for a one-off payment. For example, when the last full valuation was carried out, it would have cost £342.0m to secure members' benefits if the Plan had wound up as 31 March 2019 compared to the assets of £178.1m at the same date.

If there was not enough money in the Plan to buy out all the benefits with an insurance policy, the employers would have to make up the shortfall or arrange for another organisation to take on the liabilities. For cases where a company goes out of business and doesn't have the money to pay the benefits promised the Government has set up the Pension Protection Fund (PPF) which can provide compensation to members. You can find out more about the PPF on its website: **www.ppf.co.uk**.

Including this information doesn't mean that there are plans to wind up the Plan, it's simply required to form part of our report.

And finally,

The Plan currently has a shortfall, and so there is no surplus in the Plan. We can therefore confirm (as legally required) that the employers have not taken any surplus payments out of the Plan in the last 12 months. We can also confirm that The Pensions Regulator has not intervened to change the way that benefits build up, how valuations are calculated, or the way the funding shortfall is met.

OUR INVESTMENT STRATEGY

The Plan's investment strategy is set by the Trustees after taking appropriate advice. Details of the Trustees' investment strategy are outlined in the Plan's Statement of Investment Principles – copies are available on request from the Plan Administrator.

DID YOU KNOW?

?

If you are thinking of leaving the Plan or making any changes to your pension arrangements, we recommend you get professional financial advice first. For a list of advisers go to **www.moneyadviceservice.org.uk** and type 'Retirement adviser directory' in the search bar.

PLAN ADMINISTRATOR

The Plan Administrator is:

Arts Council Administration Team
Hymans Robertson
20 Waterloo Street
Glasgow G2 6DB

0141 566 7656

@ **artscouncil@hymans.co.uk**

YOUR DATA

If you would like to find out more about how we use your personal data please follow the link to the Hymans Robertson Trust Centre: **www.hymans.co.uk/information/trust-centre/**

KNOW THE LATEST NEWS

Welcome to your 2020 Summary Funding Statement. In the last year the Trustee Board has been joined by Rebecca Nelson as the employer-nominated trustee from Arts Council Wales. Mumtaz Ali and Mark Harrison continue as member-nominated trustees, representing active members and pensioners respectively.

This year we are in the middle of lockdown because of the coronavirus and you may be wondering how this will impact your pension entitlements. The short answer is not much. Our Plan administrators Hymans Robertson implemented their disaster recovery plan and are working from home. Although there may sometimes be slight delays in dealing with some queries, the trustees have been pleased to see the administration continuing more or less uninterrupted, which is a great tribute to the way in which our administrators have overcome these unprecedented conditions.

Current pensions have continued to be paid without interruption. Although investments held by the Plan have been affected by the considerable turbulence in global markets, the Plan's portfolio is well diversified and is invested for the long term. The participating employers remain committed to supporting the Plan and we expect investments to recover in due course. The trustees will review the situation at future actuarial valuations (with the next one due in 2022) and will advise the employers of the contributions that need to be made in order to ensure that the longer-term financial condition of the Plan remains satisfactory.

However, we do advise anyone considering making a transfer out of the Plan, especially to a defined contribution plan, to think very carefully before taking irrevocable action. Scammers are particularly active at this time, seeking to ensnare members of DB plans into their criminal net, so you should be more wary than ever about listening to siren voices that suggest that you could do better by transferring your entitlement out of the Plan. You should be confident that you are a member of an excellent plan which provides good benefits and is fully supported by the participating employers.

Work continues to strengthen the investment strategy of the Plan, to future-proof it as much as possible. We switched our property investment from Aviva to Hermes because over a period we were getting dissatisfied with Aviva's performance and we selected Hermes from a short-list of possible alternatives, both on the basis of their track record and also because of their strong emphasis on responsible investment. We have invested in IFM as a new global infrastructure investment, also with a strong orientation towards responsible investment and intend to invest more of our funds in IFM when the time is right.

Our existing infrastructure investment with Arcus is coming to an end, with the sale of the last remaining asset in the fund having been announced recently, giving the Plan a very satisfactory return over the 12 years of the fund's existence during which we have been invested with them. We have moved part of our equity market exposure into the Legal & General Future World fund, which does not mechanically track markets but applies tilts to favour investment in companies which are taking a responsible attitude to governance and to preparing for the impact of climate change. The trustees have agreed to switch more of our equity exposure into this as time goes on, reducing our allocation to UK equities in favour of a more global allocation and with more emphasis on responsible investment. Meanwhile keep safe.

Chris Daykin

Chair of the Trustees of the Arts Council Retirement Plan (1994)