

The Arts Council Retirement Plan (1994)

YOUR SUMMARY FUNDING STATEMENT

2021

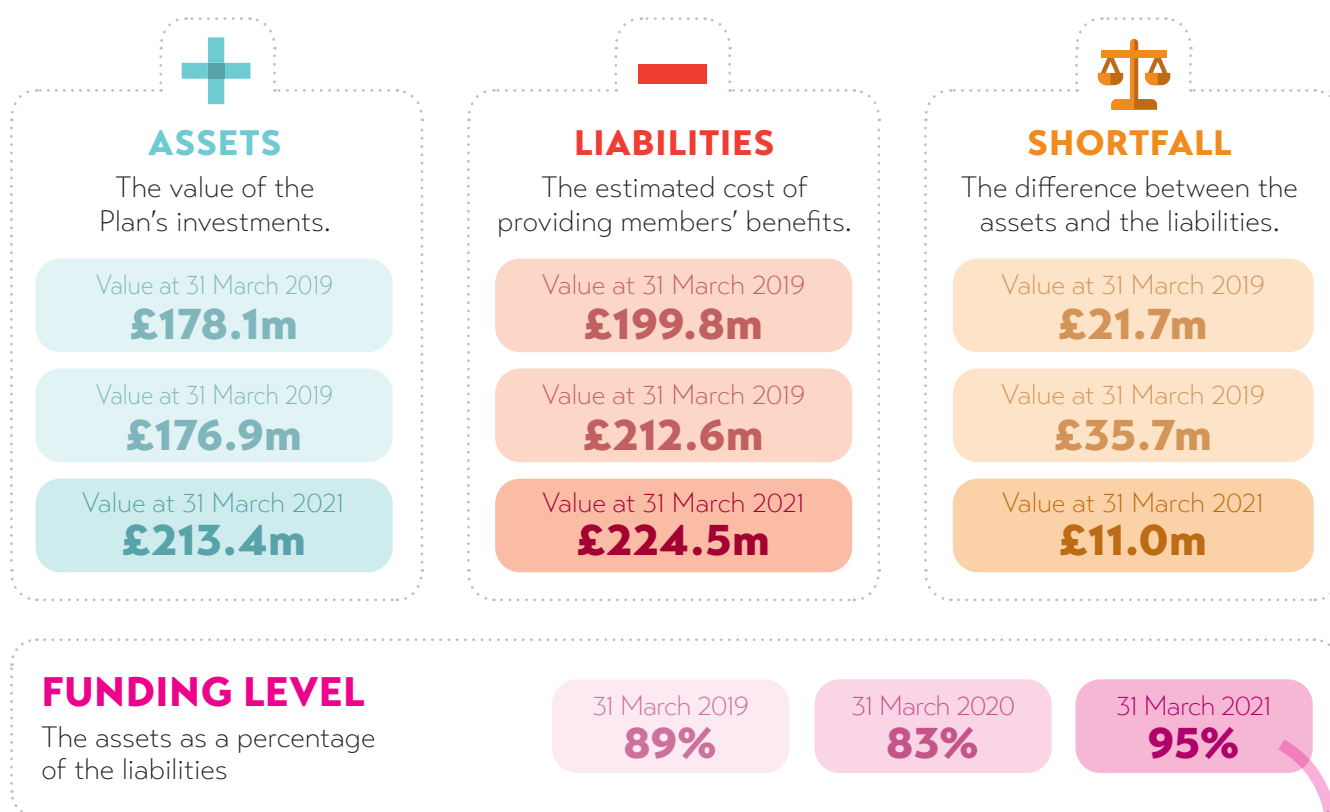
The benefits you receive from this pension scheme will depend on how long you paid in and your final scheme earnings. Benefits are paid out of a central fund, invested by the Trustees with the help of specialist advisers.

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 scheme is doing. A copy of the full valuation is available on request from the Plan Administrator.

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. Here is a summary of the position at the last update and how this compares with the previous annual update and the last full valuation.

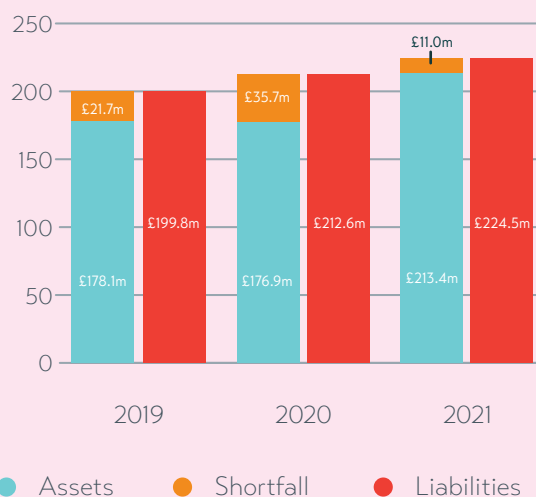


The Plan's funding level shows how its liabilities (the money it expects to pay out now, and in the future) compare with its assets. These assets build up over time through the sponsoring employers' contributions and investment income. If the assets are worth less than the liabilities, then the Plan 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 2021 the Scheme had a shortfall with 95% of the

money it needed to pay all benefits due now and in the future.

The increase in assets since the valuation is primarily due to strong returns on assets above the expected return and deficit contributions made by the employers. However, this has been partially offset by the increase in the value of the liabilities primarily due to the fall in gilt yields over the period.

The Plan's financial position



HOW IS THE PLAN DOING?

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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.

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.

A copy of the recovery plan is available upon request from the Plan Administrator.

IS MY PENSION SECURE?

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

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

Securing benefits in this way is expensive because the insurance company pays 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 sponsoring employers would have to make up the shortfall. 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 pay 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,

Legally, we have to confirm that the sponsoring 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, the way valuations are calculated, or the way the funding shortfall is met.

Details of the Trustees' investment strategy is published in our Statement of Investment Principles. Copies of all the Plan's documents are available upon request from the Plan Administrator.



KNOW THE LATEST NEWS

Welcome

Welcome to your 2021 Summary Funding Statement. In the last year the Trustee Board has remained unchanged in composition. Mumtaz Ali was re-elected as the member-nominated Trustee representing active members. Mark Harrison remains as member-nominated Trustee representing pensioners for a further year.

Working for you through the pandemic

The country has been in various stages of lockdown for almost 16 months because of the coronavirus but we are delighted that Hymans Robertson, our Plan administrators, have continued to work very effectively to administer the Plan from homes. I can repeat what I said in the Chair's statement for last year's newsletter that the Trustees have been really pleased to see the way in which our administrators have overcome these unprecedented conditions. Current pensions have continued to be paid without interruption and other events, such as receipt of transfer values, have been processed in accordance with normal timescales.

The Plan finances are strengthening

The investments held by the Plan suffered a lot of volatility in the early days of the pandemic, as a result of turbulence in global markets. However, the Plan's portfolio is well diversified and is invested for the long term. Taking the past year as a whole the investment performance has been excellent. With additional deficit contributions having been paid by some employers, and actuarial assumptions having moved in our favour, the funding position has strengthened significantly. One participating employer (CCE) decided to leave the scheme on the retirement of their last remaining scheme member and paid the necessary lump sum to close off their membership. The other participating employers remain fully committed to supporting the Plan for the long term.

The Trustees will review the financial situation at the next actuarial valuation, which is 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.

Looking at Environmental, Social and Governance factors

Work continues to strengthen the investment strategy of the Plan. Over the past year the Trustees have devoted a lot of attention to issues of the sustainability of the underlying investments, including considerations of climate change, but also other environmental, social and governance factors. After much discussion, and having taken appropriate advice, we have decided to move our generic passive global equity investment portfolio into a combination of an equity fund which is strongly focussed on addressing climate change issues and an equity fund which tracks an index that takes into account the effectiveness of companies in addressing a wide range of environmental, social and governance issues.

Keep your pension safe

There is no doubt that the Arts Council Retirement Plan offers great value for money, and we hope that all members appreciate what an excellent scheme it is. As we noted last year, pension scammers have been particularly active in recent months and you should be very careful to resist anyone who seeks to lure you into making a transfer out of the scheme, which may prove to be an expensive mistake. You should always take independent financial advice before transferring any money out of the Plan.

Chris Daykin

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