

## The Arts Council Retirement Plan (1994)

# YOUR SUMMARY FUNDING STATEMENT

2019

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.

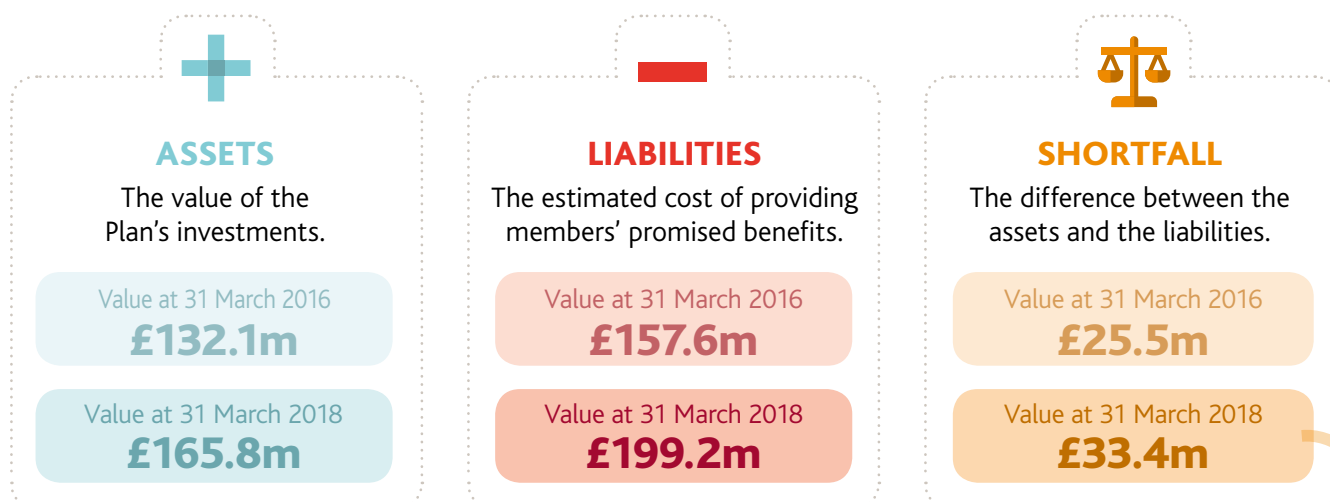
This is your annual Summary Funding Statement which will give you an idea of the Plan's financial status. Please take time to read this statement so that you know how your pension plan is doing. A copy of the full valuation is available on request from the Plan Administrator.

# 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. Work has begun on the next full valuation as at 31 March 2019 and the

results will be available in next year's newsletter. As a reminder, the position at the last full valuation as at 31 March 2016 and how this compares with the last annual update as at 31 March 2018 is set out below.



## FUNDING LEVEL

The assets as a percentage of the liabilities

31 March 2016  
**84%**

31 March 2018  
**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 2018 the Plan had a shortfall with 83% of the money

it needed to pay all benefits due now, and in the future, which is slightly lower than it was in 2016.

The increase in the value of the assets was due to strong returns and contributions from the employers. The increase in the value of the liabilities was largely due to the fall in gilt yields over the period. However, other assumptions, such as longevity, have not been updated, so too much weight should not be placed on the precise level of these figures.

## 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/](http://www.hymans.co.uk/information/trust-centre/)

## 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 of their recovery plan contributions in full.

## 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 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 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 £298.1m to secure members' benefits if the Plan had wound up as 31 March 2016 compared to the assets of £132.1m 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. For cases where an employer 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](http://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 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

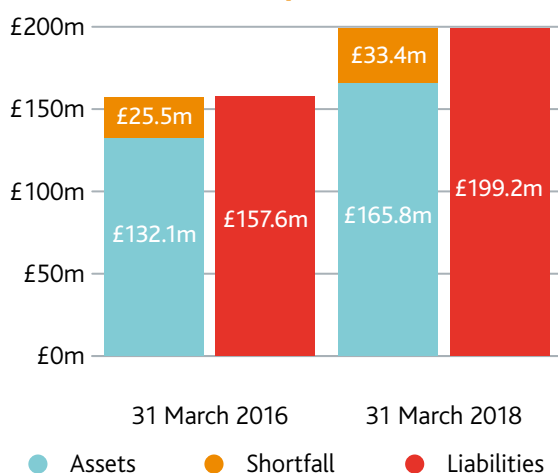
The Plan's investment strategy is set by the Trustees after taking appropriate advice. Details of the Trustees' investment strategy are outlined in the Plan's Statement of Investment Principles – copies are available on request from the Plan Administrator.



### 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.unbiased.co.uk](http://www.unbiased.co.uk) where you can also find information about workplace pensions under the 'Tips & guides' tab.

### The Plan's financial position



# KNOW THE LATEST NEWS

## A MESSAGE FROM THE TRUSTEE CHAIR

Welcome to the 2019 edition of the Trustees' Report. This year we are issuing the newsletter earlier, to combine it with sending out the benefit statements.

We've seen further changes to the the Trustee Board, with Gwyn Williams moving on from Arts Council Wales. He has continued to represent the employer at meetings whilst we await a new Employer Nominated Trustee from Wales. Mark Harrison was re-elected for another three-year term as a Pensioner Member Nominated Trustee.

We're now in the middle of the actuarial valuation, with initial assumptions set and a first cut of results available in September. Although our investments have performed well, we are still up against headwinds from the impact on our liabilities of very low interest rates and so will probably have some challenging results to work through with the employers, especially regarding the contributions needed for continued accrual of benefits.

We continue to review the Plan's investments as we seek to strengthen our investment strategy for the longer term, whilst also paying increasing attention to how our investment managers integrate Environmental Social and Governance factors into their management of the assets. With this in mind we've made an allocation to the Legal & General Future World fund, which gives weight to the different factors that may drive returns but also gives consideration to the risks of climate change. This recognises the Trustees' long-term strategic thinking about what assets may give value in a changing world. We're also making an increased allocation to infrastructure and planning to invest through a more diversified infrastructure manager to achieve this.

**Chris Daykin**  
Trustee Chair

## WERE YOU A PLAN MEMBER BETWEEN 17 MAY 1990 AND 6 APRIL 1997?

The benefits you receive from the Plan are closely intertwined with the State Pension scheme. Until recently, there were two State Pensions: the basic State Pension plus the Additional State Pension (ASP).

If you joined the Plan before 6 April 1997, your National Insurance contributions automatically went down and you stopped earning ASP because the Plan agreed with the Government to pay you a pension broadly equivalent to your ASP instead. This part of your pension is known as your Guaranteed Minimum Pension (or GMP).

A recent High Court ruling means that GMPs built up between 17 May 1990 and 6 April 1997 must be treated the same for both men and women. The calculation of a GMP was set out in legislation and reflected inequalities in the calculation of the State Pension at that time. Pension schemes affected by this ruling are consulting with their legal advisers to seek clarity and your pension benefits may change slightly as a result.

### PLAN ADMINISTRATOR

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