

## The Arts Council Retirement Plan (1994)

# YOUR SUMMARY FUNDING STATEMENT

 **2022**

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This is your annual Summary Funding Statement which gives you an overview of the Plan's financial status – a copy of the full valuation is available on request. The benefits paid to members and their dependants come from a central fund that's invested by the Trustees with the help of specialist advisers.

This Summary Funding Statement does not contain any personal information or include any benefits you may receive from this pension, either now or in the future.

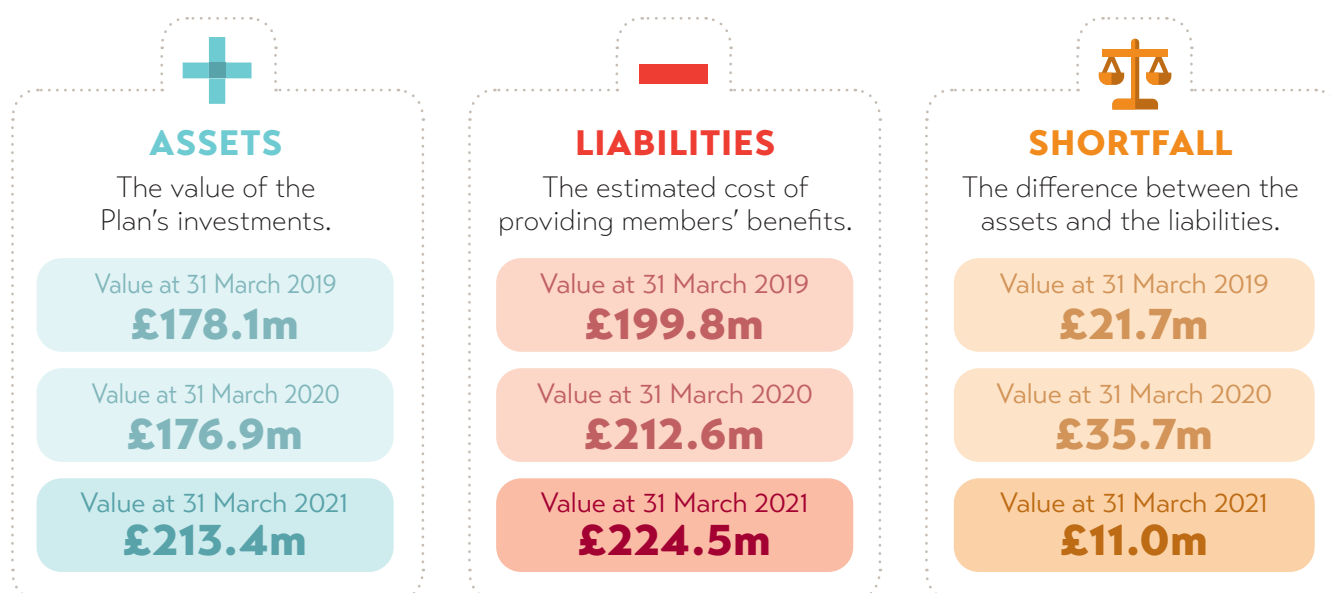
**The last full valuation was carried out on 31 March 2019. The next full valuation is due as at 31 March 2022, and is currently underway.**

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# KNOW THE FINANCES

## HOW IS THE PLAN DOING?

The Trustees must make sure the Plan has enough money to pay members' benefits both now and in the future, and so every three years a full valuation of the Plan is undertaken, with annual checks in between. These calculations are carried out by an Actuary appointed by the Trustees. Here is a summary of the funding positioning at the last valuation and how this compares with the annual updates.



## FUNDING LEVEL

The assets as a percentage of the liabilities

31 March 2019  
**89%**

31 March 2020  
**83%**

31 March 2021  
**95%**

As you can see, as at 31 March 2021 the Plan was estimated to have a shortfall with 95% of the money it needed to pay all benefits due now and in the future. As long as the employers continue to support the Plan, your benefits will be paid in full when they become due.

The increase in assets since the last valuation is primarily due to strong returns on assets above the expected return, and deficit contributions made by the employers. However, this was partially offset by the increase in the value of the liabilities primarily due to the fall in gilt yields over the period to 31 March 2021. The actuarial valuation as at 31 March 2022 is currently underway.

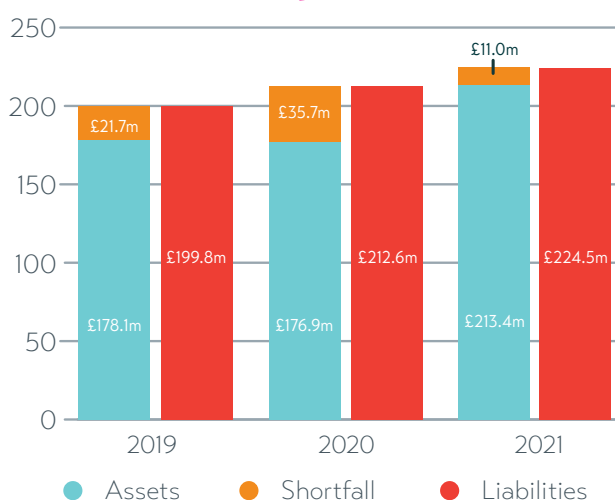
## YOUR DATA

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/)

## BE IN THE KNOW

MoneyHelper are here to listen and give you free, impartial money and pensions guidance that cuts through the jargon and complexity. Simply visit [www.moneyhelper.org.uk](http://www.moneyhelper.org.uk) for pension or financial guidance.

### The Plan's financial position



These valuations are only a snapshot in time, and as market conditions change, it's perfectly normal for the funding level to fluctuate over time. If the funding level is 100% or more, that means there was enough money to pay the benefits as and when they are due to be paid.

As at 31 March 2019, the Plan had a funding level of 89% and so the Trustees agreed a recovery plan with the employers which included a commitment to pay additional contributions to remove the shortfall.

The sponsoring employers 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. Most employers have already paid their recovery plan contributions in full. A copy of the recovery plan is available upon request from the Plan Administrator.

## PROTECTING YOUR BENEFITS

As part of the valuation, the Actuary also works out how much money the Plan would need if the employers could no longer support it, the Plan were to be wound up and the Trustees secured members' benefits by buying an insurance policy.

Securing benefits in this way is expensive. The estimated cost to ensure that all members' benefits could be paid in full if the Plan wound up on 31 March 2019 was £342.0m, resulting in a shortfall of £163.9m compared with the value of the assets on the same date. If there is 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 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](http://www.ppf.co.uk).

Please note that the inclusion of this information does not imply that the employers or the Trustees are thinking of winding-up the Plan. It is simply required to form part of our report.

## THE LEGAL BIT

Legally, we have to confirm that the employers have not taken any surplus payments out of the Plan in the last 12 months and that there has been no intervention from The Pensions Regulator to use its powers to modify the Plan, or to impose a direction, or a schedule of contributions.

# KNOW THE LATEST NEWS

## Welcome

Welcome to your 2022 Summary Funding Statement. In the last year the Trustee Board has remained unchanged in composition. Mark Harrison was re-elected as the member-nominated Trustee representing pensioners for a further three-year term.

## The Plan is financially strong

Following considerable volatility of equity markets since the start of the Covid-19 pandemic in March 2019, returns up to 31 March 2022 on most asset classes in our well-diversified portfolio were strong. A rise in long-term interest rates in the first part of 2022 led to a fall in the value of bonds, but, more significantly, brought down the overall amount of our liabilities. Provisional results as at 31 March 2022 showed a strong funding position. However, we are awaiting the results of the formal actuarial valuation as at that date, which will be completed later in the year.

Creative Scotland made an additional contribution in March 2022 to pay off all their outstanding deficit contributions arising from the previous actuarial valuation. Arts Council England and Arts Council Wales had already done this. Discussions are under way with one of our smaller participating employers, Crafts Council, since their sole remaining active member has retired.

## Looking at Environmental, Social and Governance factors

The trustees have continued to develop the Plan's investment strategy to pay more regard to environmental, social and governance (ESG) factors. In meetings with our investment managers we have held them to account on how they are embedding ESG factors into their selection of investments and in the stewardship of assets in their fund portfolios.

We are expanding our monitoring of the investment managers' ESG scores, climate risks and stewardship practices on behalf of the Plan, by commissioning a report from our consultants to help focus our engagement with the managers. We are investigating the possibility of investing in infrastructure specifically oriented towards renewable energy and net zero transition. These steps take us a long way towards achieving our vision of a responsibly invested portfolio.

## Your pension is well-protected

Pensions in payment were increased in April 2022 in line with prior movements in the Consumer Price Index. Whilst inflation has gone much higher recently, this will be considered in relation to the increases we implement in April 2023.

The Plan offers excellent final salary benefits, with CPI indexation, something which is now only seen in the best public sector schemes. The high level of contributions by employers is indicative of the generous scale of the benefits.

The main participating employers continue strongly to support the right of all permanent employees to be a member of the Arts Council Retirement Plan. This enables the trustees to plan for continuity and to focus on achieving good risk-adjusted returns in the long term whilst maintaining a strong funding level for the Plan.

We hope that members continue to recognise and value the quality of benefits and security offered by the Plan.

## Chris Daykin

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

## ADMINISTRATORS

For any questions regarding the Plan, or for copies of Plan documents, contact the administrators.

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