# Royal & SunAlliance UK Pension Scheme 2002
# Summary Funding Statement

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Dear member,

**Summary Funding Statement**
**October 2022**

As a member of the Royal & SunAlliance UK Pension Scheme 2002 ("the Scheme") you are entitled to receive an update of the Scheme's funding level. Legislation requires that this information is made available to all Scheme members following completion of each Actuarial Valuation or following each Annual Funding Update.

No action is needed from you. This statement is for your information only and is provided to help you understand the way in which the Scheme's financial position is assessed. Should you wish to obtain more information or copies of the Scheme documents, you can contact us and we will be pleased to assist. Contact details are given at the end of this statement.

**The Trustee of the Royal & SunAlliance UK Pension Scheme 2002**


## How does the Scheme operate?

The Scheme is intended to provide members and their dependants with pensions and lump sums when they retire or die. RSA Insurance Group Limited ("the Employer") contributes to the Scheme, and their contributions, together with any contributions the members made, are invested. These contributions together with the investment returns are used to pay for members' benefits.

This money is held in a common fund, which means that there are no separate funds for each individual.

## How is the financial security of the Scheme assessed?

An in-depth assessment of the Scheme's financial situation is carried out at least every three years in a process known as an Actuarial Valuation. The most recent Actuarial Valuation was carried out as at 31 December 2019, the results of which are shown in this statement. The Actuarial Valuation is carried out by a qualified, independent professional known as the Scheme Actuary.

The Scheme Actuary also carries out annual checks on the financial security of the Scheme between full Actuarial Valuations. The results of these checks are shown in the Actuarial Report for the Scheme. The most recent Actuarial funding update was carried out as at 31 December 2021, and the results of that update are also shown in this statement.

The approach adopted for the Actuarial Valuation is agreed with the Employer and is set out in a document known as the Statement of Funding Principles.

The purpose of the Actuarial Valuation is to compare the Scheme's liabilities to the Scheme's assets on an ongoing basis.

- If the value of the assets is less than the value of the liabilities, the Scheme is said to have a "shortfall".
- If the value of the assets is more than the value of the liabilities, the Scheme is said to have a "surplus".

The Scheme's funding level is expressed as the percentage of the Scheme's assets relative to the value of the Scheme's liabilities.

The Actuarial Valuation also compares the Scheme's liabilities on a solvency basis to the value of the Scheme's assets.

The main purpose of the Actuarial Report is to shown an approximate update on the progress of the Scheme's ongoing funding level.

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### Jargon Buster

- ***Scheme liabilities*** are the estimated costs of providing the benefits for all members included in the Scheme.
- ***Scheme assets*** are the funds built up from monies invested, together with returns on the Scheme's investments.
- ***Ongoing basis*** for an Actuarial Valuation assumes that the Scheme will continue in the future and has no plans to wind up.
- ***Solvency basis*** for an Actuarial Valuation estimates the amount needed to fully secure all earned benefits from an insurance company if the Employer decided to wind up the Scheme.

## Ongoing Funding Position

An Annual Funding Update was carried out as at 31 December 2021 and the results of this update, together with the update completed as at 31 December 2020 are shown below. The results of the Actuarial Valuation as at 31 December 2019 is also shown below for comparative purposes.

| | 31 December 2019 | 31 December 2020 | 31 December 2021 |
|---|---|---|---|
| Scheme assets | £15,047,000 | £17,350,000 | £19,385,000 |
| Scheme liabilities | £19,075,000 | £22,900,000 | £23,429,000 |
| Surplus/(Shortfall) | (£4,028,00) | £5,550,000 | (£4,044,000) |
| Funding level | 79% | 76% | 83% |

## Change in Funding Level

Following the beginning of the recovery of financial markets from the impact of the coronavirus pandemic, you can see from the table that there has been an improvement in the funding level since 31 December 2020.

This has been mainly due to the contributions paid into the Scheme by the Employer, the Scheme assets performing more strongly than assumed over the tear and rising gilt yields which have resulted in a lower value being placed on the Scheme liabilities. This, however, has been partially offset by inflation being higher than assumed over the year.

The contributions into the Scheme included the additional advanced contribution of £325,000, agreed as part of the RSA transaction in 2021, which was communicated to you last year.

It is important to remember that the funding level has been calculated using very prudent assumptions and represents the position at 31 December 2021. Due to changes in financial conditions, the Scheme's funding position is estimated to have improved since 31 December 2021.

The Trustee of the Scheme ("the Trustee") and the Employer will continue to monitor the funding level on a regular basis in order to ensure that the Scheme's funding remains on track over the long-term.

## Eliminating the Shortfall

The Employer has agreed a 'Recovery Plan' with the Trustee to eliminate the deficit by paying contributions of £325,000 each year up until 31 December 2025. The Company is also required to make contributions to meet the costs of administering the Scheme.

Details of the contributions payable into the Scheme and details of how expenses are paid is contained in a document called the Schedule of Contributions. We can provide a copy if requested.

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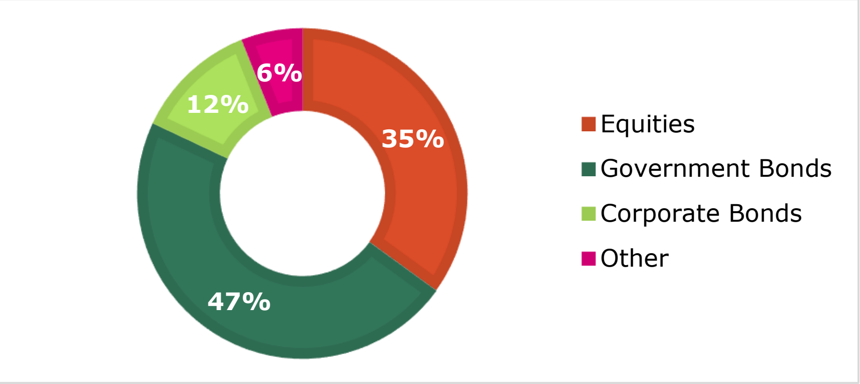
## Financial Support for the Scheme

As you can see, the Company provides significant financial support to the Scheme. This is necessary as:

- The funding level can fluctuate, for a number of reasons, including changes in financial conditions such as inflation or changes in experience, such as members living longer than anticipated;
- The Scheme may experience poorer than expected investment returns;
- When there is a funding shortfall, the Employer is usually required to put more money into the Scheme;
- The target funding level may turn out not to be enough so the Employer will need to put in more money; and
- The Employer is paying the future expenses of running the Scheme.

## How are the Scheme's assets invested?

The Trustee's policy is to invest in a wide range of assets. The diagram below shows the main types of assets and the proportion of Scheme funds invested in each:




The Trustee agreed the Statement of Investment Principles in September 2020 which sets out the strategy for investing the Scheme's assets.

## What would happen if the Scheme had to wind up?

Although the Scheme is not in the process of winding up (meaning closed down completely), we are required by legislation to advise you what would happen in these circumstances.

The estimated amount needed to pay all members' benefits in full, if the Scheme had started winding up on 31 December 2019 and benefits were bought through an insurance policy, was £20,614,000 compared to the estimated ongoing basis of £17,075,000.

It is important to noted that for the ongoing funding position  we assess the position of the Scheme using prudent assumptions. For the 2019 actuarial valuation and the 2020 and 2021 updates, the Scheme liabilities were assessed using a basis similar to the 'solvency basis' (i.e. the assumptions used to value the liabilities reflected the estimated cost of securing members' benefits in full with an insurance company who are obliged to take a very cautious view of the future and need to make a profit).

The reason that the full solvency cost is greater than the ongoing cost is due to differences in the assume timing of undertaking this insurance company 'buy out'. Calculating the liabilities using this approach does not implt that the Company or Trustee is thinking of winding-up the Scheme.

If the Employer became insolvent and there were insufficient monies available to pay the Scheme the amount required to secure the benefits with an insurance company, the Pension Protection Fund ("PPF") might be able to take over the Scheme and pay compensation to members.

Further information and guidance can be obtained from the PPF's website at www.pensionprotectionfund.org.uk. You can also write to the PPF at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

## Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, our funding plan assumes that the Employer will continue in business and continue to support the Scheme.

## Payments from the Scheme

The Trustee is required to confirm to you whether there have been any payments to the Employer out of the Scheme's assets in the previous 12 months. There have been no such payments.

## Changes to the Scheme

The Trustee is also required to confirm to you that the Pensions Regulator has not given any directions in relation to the funding of the Scheme or imposed a Schedule of Contributions on the Scheme. There have been no such impositions.

## Increase in the Minimum Pension Age

The Government has recently confirmed plans to increase the statutory minimum pension age from 55 to 57 from 2028, alongside planned increases in the State Pension Age (SPA) to 67. From then on, the current government's intention is that minimum pension age will remain ten years below SPA. The SPA has been increasing since December 2018. Anyone born between 6 October 1954 and 5 April 1960 will reach their SPA on their 66th birthday. Anyone born after 5 April 1960 will have an SPA of 67 or higher as the Government plans to further increase the SPA in the future and has already introduced proposals to increase the SPA to 68. You can confirm your State Pension Age and obtain a forecast of your State Pension at: https://www.gov.uk/check-state-pension.

## Internal Dispute Resolution Procedure

In the event that you have a complaint, you should first raise this with the Trustee through the Scheme's Internal Dispute Resolution Procedure ("IDRP"). A copy of the IDRP can be obtained by contacting the Trustee.

## Pension Scams

It is worth highlighting that there remain individuals who would seek to take advantage of members of defined benefit schemes such as this one. Notably, the Pensions Regulator has flagged an increase in pension scams where members are encouraged to transfer their benefits elsewhere through promises of high returns and low risk but, in reality, members are being scammed and can be left with nothing.

There are 4 simple steps to help protect yourself from pension scams:

1. Reject unexpected offers like a free pension reviews or cold calls about pensions.
2. Check who you are dealing with by checking the Financial Services Register and beware of companies that are pretending to be regulated companies by adopting a similar sounding name. You can find the register at: https://register.fca.org.uk/s/.
3. Don't be rushed or pressured, this is a common tactic used by scammers.
4. Get impartial information or advice. Money Helper provides free impartial information and guidance - https://www.moneyhelper.org.uk/en or find an independent financial adviser and information about how to find an independent financial adviser is on the Money Helper website.

For more information on how to avoid scams and useful resources, visit www.fca.org.uk/scamsmart**.** From 30 November 2021, new regulations were introduced to help combat pension scams. The Scheme's transfer procedures have been updated to comply with the changes.

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## Additional Documents Available on Request

A list of more detailed documents which provide further information is included below. If you would like to view any of these documents, please let us know.

- The ***Statement of Funding Principles***. This sets out the Scheme's funding plan.
- The **Recovery Plan**. This explains how the funding shortfall is being made up.
- The **Schedule of Contributions**. This shows how much money is being paid into the Scheme.
- The ***Statement of Investment Principles***. This explains how the Trustee invests the Scheme's assets.
- The ***Annual Report and Accounts of the Scheme***. This shows the Scheme's income and expenditure and is prepared for each Scheme year ending 31 December. The most recent is for the year ending 31 December 2021].
- The ***Actuarial Valuation Report*** following the Scheme Actuary's review of the Scheme's funding position as at 31 December 2019.
- The ***Actuarial Report***. These are the annual updates on the Scheme's funding position as at 31 December each year, the most recent being as at 31 December 2021.
- The ***Scheme Booklet***. You should have been given a copy when you joined the Scheme.

**WHERE CAN I GET MORE INFORMATION?**

If you have any questions about this statement, would like a copy of any of the Scheme documentation listed, or have any general queries about your Scheme benefits, please contact Deloitte:

**In writing:** Royal & SunAlliance UK Pension Scheme 2002, c/o Deloitte Total Reward and Benefits Limited, 27+45 Great Victoria Street, Belfast, BT2 7SL.

**By telephone:** 02890 195 632

**By email:** ukdtrbrsa@deloitte.co.uk

**IMPORTANT:** If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor ("IFA"), before taking action.