Staff Pension Scheme of Nottingham Building Society ("the Scheme")

Summary Funding Statement – October 2022

The Trustees recently finalised the Scheme's actuarial report as at 31 March 2022. The purpose of this Summary Funding Statement is to provide you with the results of the actuarial report alongside reminding you of the results of the 31 March 2020 valuation.

The Trustees look after the Scheme on behalf of its members. The Scheme is a defined benefit arrangement which means that members earn benefits according to a defined formula (the details of which are set out in the Scheme Rules and summarised in the members' booklet). The assets of the Scheme are held in a communal fund which is used to pay pensions and other benefits.

Summary of the scheme funding position

Every three years a funding valuation is carried out by an actuary to compare the value of the Scheme's assets with the amount required to pay all future benefits. The results of this actuarial valuation are also used to determine the level of future contributions payable by Nottingham Building Society (the Society).

In order to establish the amount of money required it is necessary to make a number of assumptions. For example, assumptions are needed for future investment returns and members' life expectancies. The results of the funding valuation are sensitive to the assumptions made and therefore we receive results using several different sets of assumptions.

The latest actuarial valuation of the Scheme was carried out as at 31 March 2020. This was an unusual time in investment markets with bond yields and other asset values being depressed, which increased the value placed on the Scheme's liabilities and reduced the value placed on some of the Scheme's assets. Over the following year, investment markets rebounded and the Scheme's funding position improved accordingly, as set out below.

The actuarial valuation showed that at 31 March 2020 the Scheme had assets of £55.3 million and liabilities of £64.2 million. Accordingly, there was a deficit of £8.9 million in the fund, meaning that the Scheme was 86 per cent funded according to the Trustees' funding target. This compares to the previous actuarial valuation at 31 March 2017 which showed a deficit of £9.1 million and a funding level of 85 per cent. Although the Society paid £4.5 million to the Scheme between 31 March 2017 and 31 March 2020, the impact of this was offset by falling bond yields which led to an increase in the value placed on the Scheme's liabilities and resulted in a similar deficit at 31 March 2020.

As a result of the 2020 actuarial valuation the Society agreed to continue to pay contributions of £1.5m a year on a monthly basis to address the deficit revealed by the valuation. Based on the funding position at 31 March 2020, these contributions were expected to eliminate the shortfall by 30 November 2024. The contributions exclude administration expenses and the annual Pension protection Fund (PPF) levy, which will continue to be met separately by the Society.

There have not been any payments to the Society out of Scheme funds since the last Summary Funding Statement was issued to members.

How has the financial position of the Scheme changed since 31 March 2020?

Actuarial valuations are carried out every 3 years and therefore the next full valuation will be carried out at 31 March 2023. However, legislation requires that a less detailed check, known as an actuarial report, is carried out in the years between these valuations in order to monitor the funding position of the Scheme. Accordingly actuarial reports were prepared as at 31 March 2021 and 31 March 2022.

The results of the actuarial valuation as at 31 March 2020 and the actuarial reports as at 31 March 2021 and 31 March 2022 are shown in the table below:

	Actuarial Valuation at 31 March 2020	Actuarial Report at 31 March 2021	Actuarial Report at 31 March 2022
Assets	£55.3m	£60.3m	£59.8m
Amount assessed as needed to provide benefits ("Liabilities")	£64.2m	£59.9m	£57.5m
Surplus/(Deficit)	(£8.9m)	£0.4m	£2.3m
Funding Level	86%	101%	104%

The funding deficit is forecast to have improved since the actuarial valuation as at 31 March 2020. This is mainly as a result of an increase in bond yields over the period which decreased the value placed on the Scheme's liabilities. The position was further improved by the deficit contributions paid into the Scheme by the Society.

Note that the asset and liability figures shown above exclude members' Additional Voluntary Contributions and annuity policies held in the Scheme as these have a neutral impact on the Scheme's valuation.

Pension schemes are long-term investments and we would expect to see the assets and liabilities fluctuate over time. This is a known consequence of the Scheme's investment strategy and the way in which pension scheme liabilities are measured. The Trustees monitor the funding position on a regular basis to consider whether any action should be taken.

How secure is my pension?

The Society pays contributions to the Scheme so that pensions and other benefits can be paid in accordance with the rules of the Scheme. These contributions are held in a common investment fund. As members retire their benefits are paid from this fund. The Society is paying the agreed contributions to the Scheme and as long as this continues we anticipate that we will continue to be able to pay benefits in full now and in the future.

Legislation states that solvent companies must continue to pay contributions to ensure that pension schemes can pay all future benefits in full. The Pensions Regulator has powers to prevent a solvent company avoiding this responsibility. In addition, the Government has established the Pension Protection Fund to pay benefits to members of pension schemes where the sponsoring company has become insolvent leaving a scheme with insufficient assets.

Further information and guidance about the Pension Protection Fund is available at www.pensionprotectionfund.org.uk.

Like all pension schemes, this Scheme contains no absolute guarantees. The Scheme promises to pay you your pension, but there are risks and it is not certain that the Scheme will be able to meet the promises in full. However, there have been improvements in member protection, and the Trustees' funding plan aims to ensure there is enough money in the Scheme to pay pensions in full now and in the future.

If the Scheme winds up you might not get the full amount of pension you have built up even if the Scheme is fully funded under the funding plan. The extent to which the Scheme can secure with an insurance company the pension rights which have built up if it were to close down is known as its *solvency position*. These costs are usually estimated by an actuary rather than obtaining definitive quotations from an insurance company.

An estimate of the solvency position was included in the actuarial valuation as at 31 March 2020 when the Scheme was estimated to have 69 per cent of the money needed to secure the accrued benefits of all members in full.

This is an improvement compared to the position at 31 March 2017 when the Scheme was estimated to be 62 per cent funded on a solvency basis.

Please note though that this solvency position is not unusual for UK pension schemes and does not mean that the Society is considering winding-up the scheme.

Where can I get more information?

If you have any other questions, or would like any more information, please contact us.

If you are thinking of leaving the Scheme for any reason you should consult a professional adviser, such as an independent financial adviser, before taking any action.

Please keep us up to date with your current address. If you wish to inform us of a change of address or any other changes in your personal circumstances then this should be advised to:

Address: Nottingham Building Society Pensions Team
Barnett Waddingham LLP
Pinnacle
67 Albion Street
LEEDS
LS1 5AA

Call: 0333 11 11 222

E-mail: NottinghamBS@barnett-waddingham.co.uk

A list of more detailed documents which provide further information is shown below. Further information is available at https://www.thenottingham.com/staffpensionscheme. If you want us to send you any of these documents, please let us know.

- The *Statement of Funding Principles*. This explains how we (the Trustees) plan to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.
- The *Statement of Investment Principles*. This explains how the assets of the Scheme are invested.
- The *Implementation statement*. This explains sets out how the Trustees' policies on voting rights and engagement activities have been followed.
- The Sc*hedule of Contributions*. This shows how much money is being paid into the Scheme by the Society.
- The *Recovery Plan*. This sets out how the Scheme's funding shortfall if being made up.
- The latest *Annual Report and Accounts*, which shows the Scheme's income and expenditure in the year to 31 March 2021.
- The *Members' Booklet* (you should have been given a copy when you joined the Scheme, but we can let you have another copy).
- The *Actuary's Scheme Funding Report* following the actuarial valuation as at 31 March 2020.
- The *Actuary's Actuarial Reports* following his update of the Scheme's situation as at 31 March 2021 and 31 March 2022.