NEC

Summary Funding Statement 2015

and important information

NEC Staff Pension Scheme (UK)

Summary Funding Statement 2015

What is a funding statement and why is it needed?

The Trustees are required to send you an annual statement that provides a summary of the Scheme's financial position – you may remember that we sent you a similar statement last year.

How is the Scheme's funding position measured?

The Scheme's funding position is measured by a complex actuarial valuation that is carried out at least every three years by the Scheme's appointed independent actuary. The last completed actuarial valuation took place on 30 June 2012. The Scheme is currently processing the 30 June 2015 actuarial valuation.

What were the results of the 30 June 2012 actuarial valuation?

The actuarial valuation at 30 June 2012 showed that:

- The value of the Scheme's liabilities was: £148.3 million
- The Scheme's assets were: £121.2 million
- The Scheme had a shortfall of: £27.1 million

To calculate the amount of the shortfall, assumptions have to be made about what will happen in the future, for example, the rate at which the Scheme's assets will grow. If the assumptions do not all turn out to be exactly in line with what happens in future, it may be necessary to change the level of contributions to the Scheme or the period over which the shortfall is paid off.

The Pensions Regulator has legal powers to make any directions following a valuation as to:

- The method or assumptions used to calculate the liabilities or the length and structure of the recovery plan
- The contributions that should be paid under the schedule of contributions

The last valuation was as at 30 June 2012 and as part of the valuation the Trustees and Company agreed the method and assumptions to be adopted and the contributions to be paid. The Regulator did not have to use these powers.

In the period between valuations, the actuary checks the Scheme's funding position regularly. In last year's funding statement, we reported that the Scheme's funding position had improved since 30 June 2012, with a shortfall between its assets and liabilities at 30 June 2014 of £10.8 million, equivalent to a funding level of 93%.

How is the shortfall going to be paid off?

Following the actuarial valuation as at 30 June 2012 and the actuarial report as at 30 June 2013, the Trustees agreed with the Company a plan to clear the 30 June 2013 shortfall of £14.2 million by 31 March 2017. At November 2015, the Company had paid £7.8 million of contributions since July 2013 and is expected to pay another £4.9 million between now and 31 March 2017.

How has the Scheme's funding position changed since 30 June 2014?

Since 30 June 2014, the funding position has deteriorated, with the shortfall at 30 June 2015 estimated to be £26.9 million, equivalent to a funding level of 86%.
The deterioration since 30 June 2014 was caused by unfavourable aspects of Scheme experience, primarily a significant fall in gilt yields (i.e. long term interest rates) over the period, which has increased the value placed on the Scheme's liabilities. This has been offset to some extent by the increases in the value of the Scheme's investments as well as Company contributions which have been paid into the Scheme as part of the plan to clear the shortfall.

Is this change in funding position unusual?

It is important to remember that pension schemes are long term investments. Investment market conditions, which affect the value of both the Scheme's assets and liabilities, change on a daily basis. Fluctuations in the Scheme's funding position from year to year are therefore common, in particular in the recent uncertain economic climate. At present, most pension schemes have a funding shortfall.

What would happen if the Scheme suddenly had to be stopped?

The actuarial valuation also looked at the situation if the Scheme was to be discontinued and members' benefits secured with an insurance company.
At 30 June 2012, the Scheme's assets would have been sufficient to secure, on average, 60% of members' benefits with an insurance company. This situation is typical of the majority of UK pension schemes.
The Trustees are required by regulation to disclose this information to you. We currently consider it unlikely that the Scheme will be discontinued.

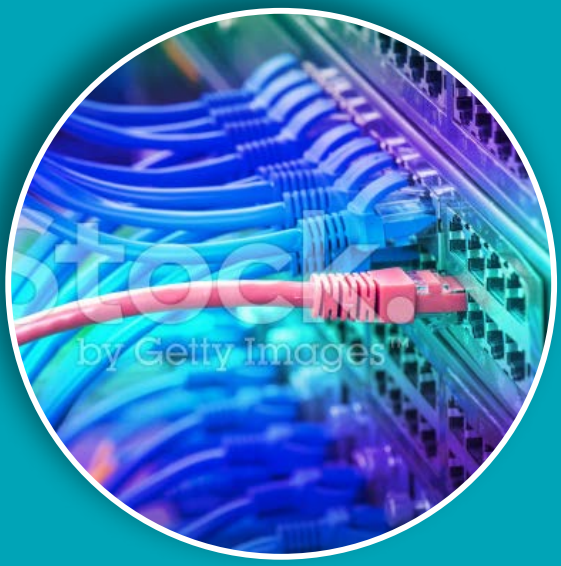
How important is the Company's support of the Scheme?

The Company has confirmed to the Trustee Directors that it currently has no intention of discontinuing the Scheme and that it is committed to paying extra contributions when necessary to fund the shortfall. However, it is important to remember that the Scheme relies on the Company's continuing support.

We are required to inform you whether a payment has been made to the employer, as permitted under the Pensions Act 1995, since we last sent you a summary funding statement. We can confirm that no such payment has been made.

Where do I get further information?

You can obtain further information by contacting either Mercer (the Scheme Administrators) Westgate House, 52 Westgate, Chichester, West Sussex, PO19 3HF or the Trustees' Office, Athene, Odyssey Business Park, West End Road, South Ruislip HA4 6QE.



Member-Nominated Trustee appointed

Following the expiry of his term of office as a Member-Nominated Trustee (**MNT**), Ian Toombs was appointed Company Nominated Trustee (**CNT**). The end of his term of office as **MNT** gave rise to a vacancy and members were invited to make nominations to fill that vacancy in May 2015.

Only one nomination was received, which meant there was no requirement for an election. Alan Berck-May (a deferred member, previously of Renesas (Electronics) Germany GmbH was therefore duly appointed MNT with effect from 1 July 2015.

National Fraud Initiative

The Scheme participates in a data verification exercise operated by the Audit Commission. This exercise is intended to assist in the prevention and detection of fraud. For this initiative, we will provide details of pensioners and deferred members so that they can be compared to national government data. This will ensure for example that no pensions are being paid to persons who are deceased or no longer entitled to benefits from this scheme. The processing of data by the Commission in a data verification exercise is carried out under its powers in Part 2A of the Audit Commission Act 1998. This does not require the consent of the individuals concerned. You therefore do not need to take any action in this respect.

Independent Financial Advice

Your pension savings are extremely valuable and you should check your position from time to time. It is also advisible to take independent financial advice before making decisions.
This will be particularly important if you are nearing retirement or considering transferring your pension.

Website

The Scheme has a website for all deferred and pensioner members.
This website can be used to gain general information about the Scheme, pensions news and Scheme contact details:
http://necstaffpensionschemeuk.info
Please note that the website does not hold any personal information about Scheme members, neither does it provide or hold valuations or statements of members' benefits.

What is a pension scam?

Pension scams can be given a number of labels, including:

- **Pension loans**
- **Early pension release**
- **Pension selling**
- **Cashing in your pension**
- **Pension liberation**

A pension scam is when you agree to transfer your pension savings to an arrangement that will allow you to access your funds before you reach the age of 55, or as cash in larger quantities than are currently allowed under the law. In rare cases – such as terminal illness – it is possible to access your pension pot before the age of 55. However, for most people, promises of early cash are false and members will probably lose most, if not all, of their savings.

Lifetime Allowance (LTA)

You can save as much as you like towards your retirement benefits but there is a limit on the amount of tax relief you can get. The LTA is the maximum value of the retirement benefits you can build up over your life that benefits from tax relief. This includes the value of benefits that you currently have or may have in the future in any other pension arrangements as well as those in the NEC Staff Pension Scheme (UK). If you build up retirement benefits worth more than the lifetime allowance you'll pay a tax charge on the excess. The lifetime allowance is currently £1.25 million.

Annual Allowance

The current annual allowance for tax relief on pension savings in a registered pension scheme is £40,000. This includes contributions made by anyone else into your pension, such as your employer. If your pension savings exceed this amount you may have to pay a tax charge and give details of this on a Self-Assessment tax return.

Trustees Office, Athene, Odyssey Business Park,
West End Road, South Ruislip, Middlesex HA4 6QE.