Summary Funding Statement 2021

& general notice to members

NEC Staff Pension Scheme (UK)

Summary Funding Statement 2021

What is a Summary Funding Statement and why is it needed?

The Trustees are required to send you an annual statement that provides a summary of the financial position of the NEC Staff Pension Scheme (UK) ('the Scheme').

In this document, Company means NEC Europe Ltd, as the Scheme's Principal Employer, and the other Participating Employers in the Scheme:

- NEC (UK) Ltd
- NEC Capital (UK) plc
- NEC Display Solutions UK Ltd
- Telecom Modus Ltd
- Renesas Electronics Europe (GMBH)

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 as at 30 June 2021 and was finalised in late March 2022.

The Scheme's funding position compares the estimate of the expected cost of providing the benefits built up by members of the Scheme, known as the Scheme's 'liabilities', against the value of the Scheme's assets. If the value of the Scheme's assets exceeds the value of its liabilities, there is said to be a 'surplus'. Conversely, if the value of the Scheme's liabilities exceeds the value of its assets, there is said to be a 'shortfall'.

Between formal valuations, the actuary produces a shorter 'actuarial report' on the anniversary of the valuation date. The next actuarial report is due as at 30 June 2022, so we will be writing to you again later in the year to inform you of the results of that assessment.

What is the Scheme's financial position?

The actuarial valuation as at 30 June 2021 showed that:

The value of the Scheme's liabilities was:	£242.4 million
The value of the Scheme's assets was:	£257.4 million
The Scheme therefore had a surplus of:	£15 million

To calculate the value of the liabilities, 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 for the Company to pay contributions into the Scheme to remove any shortfall that has appeared.

We are required to tell you whether the Pensions Regulator has used its 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 2021. As part of the valuation, the Trustees and the Company agreed the method and assumptions to be adopted. Therefore, the Regulator did not have to use these powers.

How has the Scheme's funding position changed since the last Summary Funding Statement?

When we last sent you a Summary Funding Statement, we reported that the Scheme was estimated to have a surplus of £13.4 million as at 30 June 2020.

As at the 30 June 2021 actuarial valuation date, the Scheme's surplus had increased to £15 million, as shown on the right. The slight improvement in the Scheme's position over the year was predominantly the result of positive investment returns achieved on the Scheme's growth assets. This improvement was partially offset by minor increases in various liability reserves agreed as part of the 30 June 2021 actuarial valuation.

We are required to inform you whether a payment has been made to the Company, as permitted under the Pensions Act 1995, since we last sent you a Summary Funding Statement. This typically arises when there is a recognised surplus within the pension scheme. We can confirm that no such payment has been made.

How much money is paid into the Scheme each year?

As outlined on page 3, the Scheme currently has a funding surplus. Therefore, the Trustees and the Company agreed, as part of the 30 June 2021 actuarial valuation, that no further Company shortfall contributions to the Scheme will need to be paid.

The Trustees remain confident that the Scheme, with the ongoing support of the Company, will continue to have sufficient assets to meet its obligations as they fall due.

What type of assets does the Scheme invest in?

The Scheme's assets are held entirely separately from the Company.

The Trustees' investment strategy is to proportion the Scheme's assets by asset class as shown in the chart below. The actual distribution of assets will vary over time due to changes in financial markets.

The Strategic Asset Class Allocation as at the 30 June 2021 actuarial valuation was:

Equities	7.5%
Gilts (including LDI)	32.5%
Corporate bonds and other credit	50.0%
Other	10.0%

LDI: Liability-Driven Investment (LDI) strategies are used so as to broadly match the interest rate and inflation sensitivities of the Scheme's liabilities with the Scheme's assets, with the aim of reducing the volatility of the Scheme's funding level.

Other: The Scheme's 'Other' allocation is made up of an investment in a diversified growth fund that targets an absolute return above cash. This aims to provide 'equity-like' returns over the longer term but with lower volatility.

What would happen if the Company's support of the Scheme or ability to meet any deficit in the Scheme suddenly stopped?

Our aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends on the Company carrying on in business and continuing to support the Scheme.

If the Company goes out of business or decides to withdraw support for the Scheme, it is expected to pay the Scheme enough money to secure all the benefits built up by members with an insurance company. The comparison of the value of the Scheme's assets to the cost of buying the benefits with an insurance company is known as the 'solvency position'.

The actuarial valuation as at 30 June 2021 looked at the estimated solvency position of the Scheme. At 30 June 2021, the Scheme's assets were estimated to have been sufficient to secure, on average, 94% of members' benefits with an insurance company.

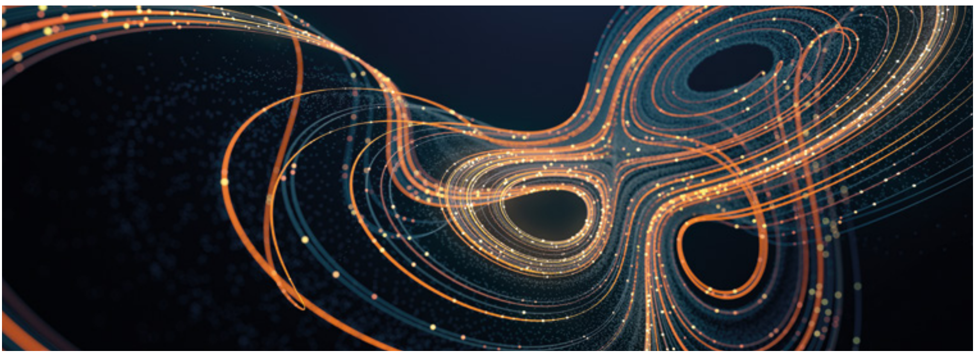
This situation is typical of the majority of UK pension schemes. The Trustees are required by regulation to disclose this information to you.

If the Scheme winds up without enough money to buy all the members' benefits with an insurance company then the Company is required to make up the difference; in this context NEC Corporation may also be required to contribute. If the Company is unable to pay the difference, you are unlikely to receive the full benefits you were expecting. To help members in this situation, the Government set up the Pension Protection Fund (PPF). The PPF pays a legally defined level of benefits to members of eligible UK pension schemes in certain situations where the scheme does not have enough money to cover the cost of buying this level of benefits for members with an insurance company and the company is insolvent and so cannot provide extra finance.

If the Scheme wound up and went into the PPF, the pension you would receive from the PPF might be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits were earned.

The fact that we have shown the solvency position does not mean that the Company is thinking of winding up the Scheme or is in financial difficulty. It is just another piece of information we are required by law to provide and which we hope will help you understand the financial security of your benefits.
NEC Corporation, NEC Europe Ltd and the participating Employers are committed to ongoing support for the Scheme and meeting their commitments to members. We currently consider it unlikely that the Scheme will be discontinued.

Further information and guidance is available on the PPF website at **www.ppf.co.uk**.



Can I leave the Scheme before I am due to retire?

Your pension benefits may be left in the Scheme to be paid at retirement or transferred to another pension arrangement prior to retirement.

If you are thinking of transferring your benefits out of the Scheme for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action. If your transfer value is above £30,000 and you wish to proceed with transferring your benefits outside of the Scheme, you are required by law to demonstrate that you have taken financial advice. The law prevents us (and the Scheme administrator) from providing you with financial advice.

On page 11 of this document, you will find additional information about pension scams that you should read if you are considering transferring out of the Scheme

Where can I get more information?

You can contact either:

- Mercer (the Scheme administrator), Westgate House, 52 Westgate, Chichester, West Sussex PO19 3HF, or

- The Trustees Office, Athene, Odyssey Business Park, West End Road, South Ruislip HA4 6QE

Additional documents available on request:

Statement of Funding Principles

This explains how the Trustees aim to fund the Scheme and provide accrued benefits to the members.

Statement of Investment Principles

This explains how the Trustees invest the Scheme's assets and any money paid into the Scheme.

Schedule of Contributions

The current schedule sets out the Company's contributions in respect of shortfall contributions, administration and other costs. Each Schedule of Contributions includes a certificate from the actuary confirming the contributions are sufficient to meet the requirements set out by law.

Annual Report and Accounts of the NEC Staff Pension Scheme (UK)

This shows the Scheme's income and expenditure in the relevant year plus the auditor's report to the Trustees.

Formal Actuarial Valuation Report as at 30 June 2021

This contains the details of the actuary's in-depth check of the Scheme's financial situation as at 30 June 2021.

Noticeboard

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 Lifetime Allowance 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 £1,073,100 and the Government has announced it will remain at this level until April 2026. (It had previously been expected to increase in line with Consumer Price Index (CPI) inflation.)

Annual Allowance

The Annual Allowance is a limit to the total amount of contributions that can be paid into defined contribution pension schemes and the total amount of benefits that you can build up in defined benefit pension schemes each year, for tax relief purposes. The standard Annual Allowance is currently capped at £40,000, although a lower limit of £4,000 may apply if your earnings are in excess of £200,000 a year (and you therefore become subject to the tapered Annual Allowance), or if you have accessed any defined contribution pension savings through a drawdown arrangement (which would trigger the Money Purchase Annual Allowance). The Annual Allowance applies across all of the schemes you belong to – it's not a 'per scheme' limit and includes all of the contributions that you or your employer pay or anyone else who pays on your behalf. In addition, there is a Money Purchase Annual Allowance of £4,000 (introduced in April 2017) which may apply if you have accessed any defined contribution pension savings through a drawdown arrangement.
If you believe that you may be impacted by a reduced Annual Allowance, it is recommended that you take financial advice to understand your personal circumstances.

If you exceed the Annual Allowance in a year, you won't receive tax relief on any contributions you paid that exceed the limit and you will be faced with an Annual Allowance charge.

GMP EQUALISATION

The Trustees will be writing to some individual members later in the year regarding something called 'GMP equalisation'.

What is GMP equalisation

Between 1978 and 1997, company pension schemes had the option to 'contract out' of part of the state pension scheme. In the NEC Staff Pension Scheme (UK) the SPP, MPP & SMPP plans were 'contracted out' and members of these plans may be affected. Members who were ONLY in the GPP are not affected and will not receive letters.

For members in these plans the employee and employer were allowed to pay a reduced ('contracted out') rate of National Insurance contributions and in return the pension scheme had to commit to pay a pension element similar to what the worker would have built up from the state earnings-related pension scheme (SERPS).

The commitment was called a Guaranteed Minimum Pension or GMP for short. This is a relatively small element within a pension.

Back then the state pension age for men was 65 and 60 women which meant that some members may have earned higher or lower GMP benefits as a result of their sex.

In 1990 a landmark court verdict was handed down which said that having unequal rights in a company pension scheme amounted to sex discrimination. Schemes equalised the main aspects, such as retirement ages but it was unclear whether the law required changes around GMPs.

Following a court judgement in October 2018 (reported in the press as the 'Lloyds Bank case'), there is now guidance available to help pension schemes put this right and provide equal benefits to males and females. The way they do this is through 'GMP equalisation'.

What is your Scheme doing?

All members of the Scheme who were in pensionable service between 17 May 1990 and 5 April 1997 and who were in the SPP, MPP or SMPP plans in that period will have their benefits reviewed and may see changes due to GMP equalisation.

Work has already started on this exercise which is both complex and time consuming, and therefore the Scheme has chosen to look at this exercise in various cohorts. It is intended that the process for the first cohort (Pensioners in Payment as at 1st July 2021) be completed in the last quarter of 2022.

The review may, but not always, result in an increase to pensions, albeit most will be relatively minor, and may also result in a back payment to cover the period since an individual's pension started. No pensions in payment will be reduced.

Members who have become Pensioners in Payment since 1st July 2021 will be reviewed shortly afterwards. Deferred members will have any adjustments made prior to receiving their pensions.

Members do not need to take any action as the Scheme will write to those members who have been reviewed with their results once the review has been completed and will adjust ongoing pension payments and pay any adjustment accordingly.

Independent financial advice

Your pension savings are extremely valuable and you should certainly take time to check your position from time to time and not make any decisions without taking financial advice. This will be particularly important if you are nearing retirement or considering transferring your pension.

All members who have a transfer value above £30,000 are required by law to take financial advice if they wish to proceed with a transfer value.

Professional investment advisers who are able to provide advice in relation to pension transfers must be regulated by the Financial Conduct Authority (FCA).

All FCA-regulated financial advisers are required to clearly explain to clients the scope and limitations of their advice. Some advisers limit their advice to just pensions, while others will also advise on wider financial products and services. Some advisers are linked to providers and will only advise on a limited range of options from that provider and are not obligated to consider wider options; fully independent advisers have an obligation to make recommendations 'based on a comprehensive and fair analysis of the market'.

The Trustees cannot offer an opinion on the type of advice that will be in your best interests. To ensure that you make an educated decision before transferring out of the Scheme, you should therefore make sure that you understand the scope of the advice with which you are being provided, and the adviser must make it clear whether they are advising on a limited range of funds or considering the whole of the market.

Financial advice paid for by NEC

The Scheme's sponsor, NEC, has made available the option for deferred members who are over age 55 to speak to an FCA-regulated financial adviser, HUB Pension Consulting, to obtain impartial and unbiased advice about their retirement options. The service provided by HUB Pension Consulting will be paid for on two occasions by NEC and will enable deferred members to make decisions that best suits their individual circumstances. HUB Pension Consulting was selected to provide this service by NEC in consultation with the Trustees.

Each deferred member will receive a communication from NEC as they approach their 55th and 60th birthday providing more details about this service. If you receive this communication, or indeed speak to HUB Pension Consulting, you are under no obligation to act on the information or the recommendations you receive. If you decide to do nothing, then your pension will remain in the Scheme.

HUB Pension Consulting advise solely on pensions rather than all financial products and services in the market. They do, however, consider all market options with regard to pensions and are not tied to options from a particular company.

National Fraud Initiative

The Scheme participates in a data verification exercise operated by the Audit Commission. This exercise aims to help the Scheme detect and prevent fraud. For this initiative we will provide details of pensioners and deferred members to the Audit Commission, who will compare them to national government data. This will ensure, for example, that no pensions are being paid to deceased members or those who are no longer entitled to benefits from the 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.

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 payments 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.

Members should treat with caution any unsolicited approaches and/or plans offering unrealistic investment returns.

You can see more about this on the Scheme website: **necstaffpensionschemeuk.info**

(GDPR)

The Trustees hold and process personal data about Scheme members and beneficiaries in order to run the Scheme. In doing so, we comply with relevant data protection legislation.

Website

The Scheme has a website for all deferred and pensioner members, where you can find out more about how the Scheme works, get the latest news affecting UK pensions, and find contact details if you need to speak to someone about your benefits.

The website address is:
necstaffpensionschemeuk.info

The website doesn't hold any personal member data or details about individual benefits. If you have a specific query about your benefits, please contact the Scheme administrator.

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