

NEC

Summary Funding Statement 2023

NEC Staff Pension Scheme (UK)



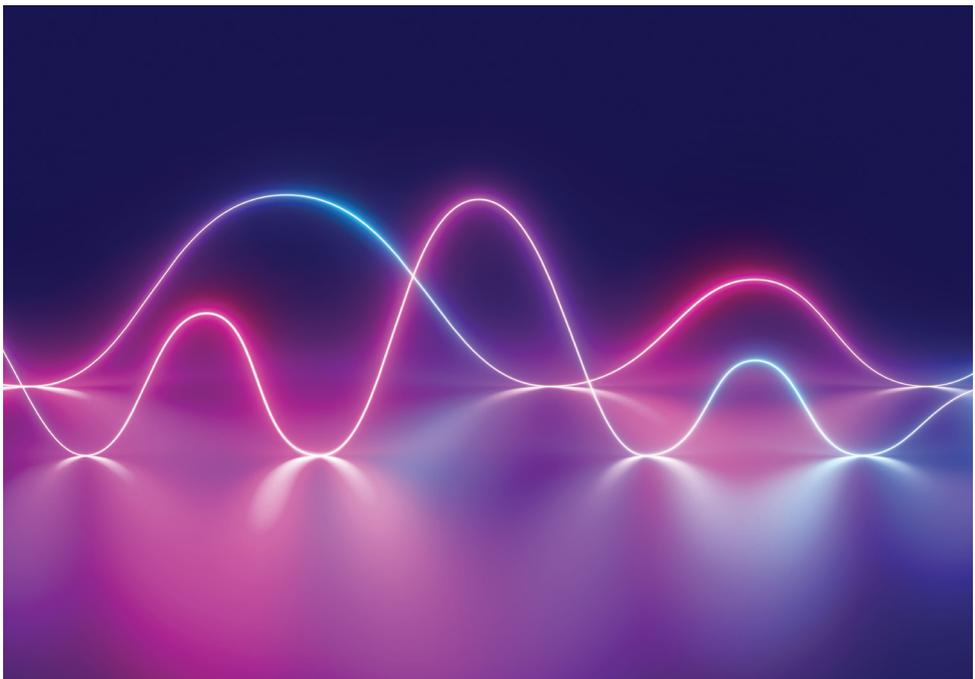
Summary Funding Statement 2023

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, references to “the Company” mean 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)



What is the impact of current financial market conditions on the Scheme?

You will have seen in the news that financial market conditions have been very volatile. We would therefore like to reassure you that the Scheme is being carefully managed to minimise any risks to your pension. As a member of a defined benefit (DB) pension scheme, you are not directly affected by the changes in the value of the Scheme's investments. The Scheme provides benefits based on salary and length of service rather than investment performance. This means that, while the value of the Scheme's investments may rise and fall over time, your Scheme benefits will be unaffected. The investment risk is borne by the Company and is carefully managed by the Trustees. Your benefits will continue to be paid on time and in full.

You will also be aware that in 2022 the rate of UK inflation reached its highest level for 40 years and although inflation has cooled, it has remained at higher-than-usual levels well into 2023. The extent to which your benefits are linked to inflation will depend on your service period and on whether or not you are currently retired. The majority of members' benefits provided by the Scheme are subject to inflationary increases, some of which are provided at the discretion of the Trustees, who must have regard to the affordability of any discretionary increases they may wish to award.

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.

The Scheme's funding position compares the actuary's 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".

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
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The value of the Scheme's assets was:	£257.4 million
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The Scheme therefore had a surplus of:	£15.0 million
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Between formal valuations, the actuary produces a shorter 'actuarial report' on the anniversary of the valuation date. The latest actuarial report as at 30 June 2023 showed that:

The value of the Scheme's liabilities was:	£150.8 million
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The value of the Scheme's assets was:	£144.1 million
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The Scheme therefore had a shortfall of:	£6.7 million
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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 had a **surplus** of £3.9 million as at 30 June 2022.

Between 30 June 2022 and 30 June 2023, the Scheme's financial position worsened slightly; as at 30 June 2023, there was an estimated **shortfall** of £6.7 million. The change in the Scheme's financial position over the period is due to the investment return on the Scheme's assets since 30 June 2022 being lower than assumed and inflation being higher than assumed. The lower investment return was primarily due to the investments we hold in bonds, which have reduced in value since 30 June 2022. The fall in asset values was substantially offset by an increase in long-term interest rates, which reduced the cost of providing pensions and hence the value placed on the Scheme's liabilities.

How much money is paid into the Scheme each year?

As outlined above, the Scheme had a **funding surplus** at the 30 June 2021 valuation date. Therefore, the Trustees and Company agreed, as part of the 30 June 2021 actuarial valuation, that no Company shortfall contributions to the Scheme would need to be paid.

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 and how long members will live. 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.

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

In what type of assets does the Scheme invest?

The Trustees' investment strategy is to proportion the Scheme's assets by asset class as shown in the table below. The actual distribution of assets will vary over time due to changes in financial markets. The current Strategic Asset Class Allocation is as follows:



● Company shares (equities)	10%
● UK government bonds (including LDI) and cash	45%
● Corporate bonds and other credit	45%

LDI: Liability Driven Investment ("LDI") strategies are used to help 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.

What would happen if the Company's support of the Scheme or ability to meet any shortfall 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 also 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 were to be unable

to pay the difference, you would be unlikely to receive the full benefits you were expecting. The Pension Protection Fund (PPF) exists to help members in this situation. 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 were to be wound up and go into the PPF, the pension you would receive from the PPF may 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 providing ongoing financial 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.



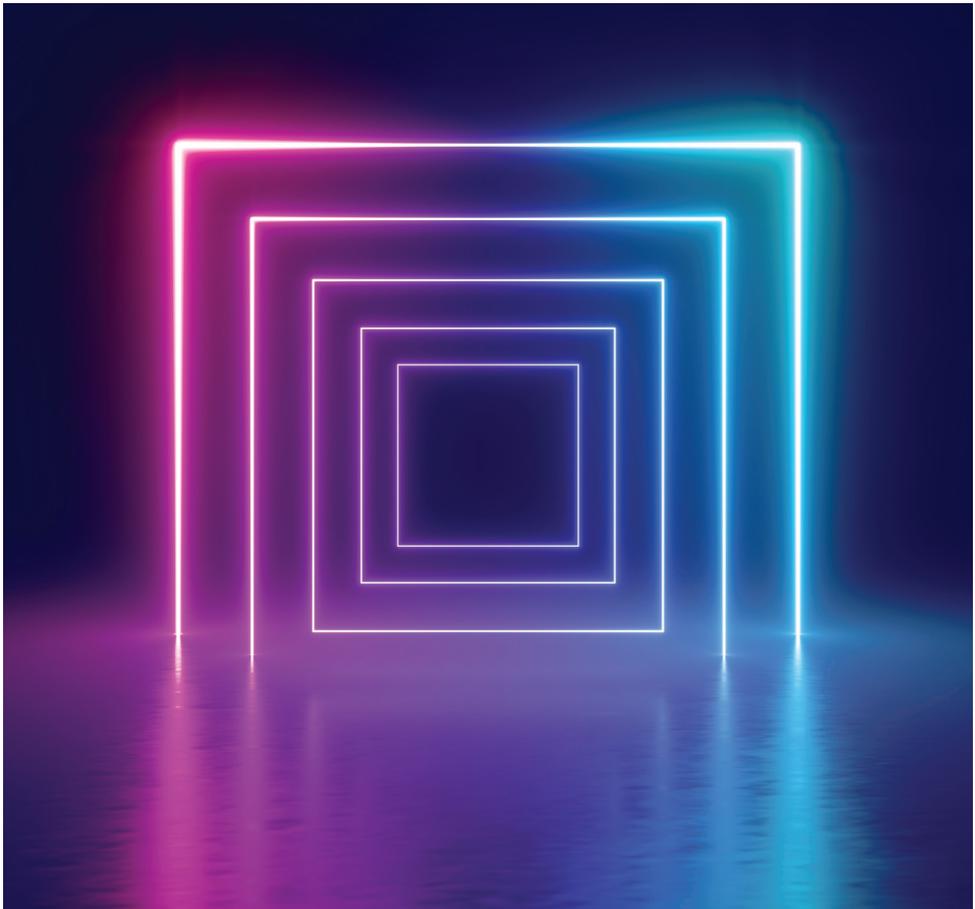
Additional information required for compliance purposes

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.

We are also 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; and
- the contributions that should be paid under the schedule of contributions.

As part of the last actuarial valuation as at 30 June 2021, the Trustees and Company agreed the method and assumptions to be adopted. Therefore, the Regulator did not have to use these powers.



Where do I get further information?

You can obtain further information through contacting either:

The Trustees Office

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

Mercer (the administrator)

Maclaren House, Talbot Road, Stretford, Manchester, M32 0FP

You can also contact Mercer via the portal at www.contact.mercer.com



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 existing assets and any future money paid into the Scheme. This document is available online here:

Statement of Investment Principles
NEC Staff Pension Scheme (UK)
(necstaffpensionschemeuk.info)

Schedule of Contributions

The current schedule sets out the contributions that the Company has committed to paying to the Scheme (e.g. 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 assessment of the Scheme's financial situation as at 30 June 2021.

Actuarial Report as at 30 June 2023

This contains the details of the actuary's approximate update of the Scheme's financial situation as at 30 June 2023.

Noticeboard

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 can 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, 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 regards to pensions and are not tied to options from a particular company.

Guaranteed Minimum Pension (GMP) Equalisation

The benefits for Pension Scheme Members who were contracted out of the State Earnings Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997, included a GMP element. For this Scheme this included members who were in the SPP, MPP or SMPP sections (or GPP members who transferred in a GMP benefit from another Scheme). GMP is broadly equivalent to the SERPS pension given up by contracting out.

Previous Legislation meant that members received a different GMP depending on their gender. Recent court judgements however have clarified that pension schemes now need to make sure that everyone gets the same amount of pension, whatever their gender. The recalculating of pensions to remove historic differences related to GMP is called 'GMP equalisation' and only applies to GMP built up after 17 May 1990 until 5 April 1997.

The Trustees of the Scheme undertook this 'equalisation' project, working with advisors (ISIO Services Ltd), to resolve the issue. The first phase of this project, involving all pensioners in payment was completed by October 2023.

The benefits of Deferred members will be equalised as and when Members start to take their benefits as Pensioners.



National Fraud Initiative

The Pension 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.

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:

<http://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.

To comply with the General Data Protection Regulation (GDPR), the Trustees of the scheme will periodically conduct a data cleanse exercise to ensure that the data they hold is accurate and up-to-date. **The Pensioners (members of the scheme who are receiving a pension) will receive a communication shortly, requesting them to confirm the details held in the records.** It is highly recommended that the pensioners respond to this communication to ensure that they continue to receive important information and the correct pensions. **A similar exercise will be conducted for Deferred members (members who are not yet receiving a pension) in due course.**

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 this site does not hold any personal information about scheme members neither does it provide or hold valuations or statement of members benefits.



