

## ICL GROUP PENSION PLAN (the Plan)

### MEMBER UPDATE – INCLUDING SUMMARY FUNDING STATEMENT AT 31<sup>ST</sup> MARCH 2020

As you know from previous years, we send you a Summary Funding Statement to keep you up to date on the development of the Plan's finances. The statement provides you with an update of the funding position as at 31<sup>st</sup> March 2020.

This statement is for information purposes only. It does not require you to take any action.

#### Summary of funding position since previous Summary Funding Statement

The table below summarises the development in the funding position on an ongoing basis (excluding members' Additional Voluntary Contributions ("AVCs" or "ASCs")) and the Defined Contribution ("DC") Section.

Date	Assets	Liabilities	Deficit	Funding Level
31 <sup>st</sup> March 2018*	£4,624m	£5,314m	£690m	87%
31 <sup>st</sup> March 2019	£4,652m	£5,334m	£682m	87%
31 <sup>st</sup> March 2020	£4,552m	£5,229m	£677m	87%

\*A formal actuarial valuation was carried out as at 31<sup>st</sup> March 2018. At other dates the funding position was estimated in the annual update that is carried out in years between formal valuations.

We have provided a brief explanation of the reasons for the change in funding level below.

#### Change in the funding position from 31<sup>st</sup> March 2018 to 31<sup>st</sup> March 2019

The main reasons for the improvement in the deficit over the year to 31<sup>st</sup> March 2019 was because return seeking assets performed well relative to the liabilities and the deficiency contributions paid by the Company. This improvement has been partly offset by the impact of reducing interest rates and increasing inflation expectations.

#### Change in the funding position from 31<sup>st</sup> March 2019 to 31<sup>st</sup> March 2020

Over the year the deficit reduced by £5m. The reduction in the deficit over the year to 31<sup>st</sup> March 2020 was principally because of the impact of changes in market conditions and the deficiency contributions paid by the Company. This improvement has been partly offset by falls in the value of some of the assets held.

#### Funding agreement following 31<sup>st</sup> March 2018 valuation

The Company made deficit contributions of £26.73m in the year to 31<sup>st</sup> March 2019 and £30.00m in the year to 31<sup>st</sup> March 2020 (under the terms of the 31<sup>st</sup> March 2018 valuation as set out below).

In respect of the remaining shortfall at 31<sup>st</sup> March 2018, the Company and Trustee have agreed the Company will pay the following contributions to the Plan:

Year ending 31 <sup>st</sup> March 2019	£26.73m	Year ending 31 <sup>st</sup> March 2026	£44.66m
Year ending 31 <sup>st</sup> March 2020	£30.00m	Year ending 31 <sup>st</sup> March 2027	£46.18m
Year ending 31 <sup>st</sup> March 2021	£31.02m	Year ending 31 <sup>st</sup> March 2028	£47.75m
Year ending 31 <sup>st</sup> March 2022	£32.07m	Year ending 31 <sup>st</sup> March 2029	£49.37m
Year ending 31 <sup>st</sup> March 2023	£40.40m	Year ending 31 <sup>st</sup> March 2030	£51.05m
Year ending 31 <sup>st</sup> March 2024	£41.77m	Year ending 31 <sup>st</sup> March 2031	£52.79m
Year ending 31 <sup>st</sup> March 2025	£43.19m	Year ending 31 <sup>st</sup> March 2032	£54.58m

The balance of the funding shortfall is expected to be met by investment returns on the Plan's assets and, under the assumptions made within the valuation, it is anticipated that the shortfall will be removed by 28<sup>th</sup> February 2028. The Company also meets the costs of Pension Protection Fund (PPF - see below) and other levies in full.

### **The Plan's financial health were it to be wound up**

If the Plan had discontinued as at 31<sup>st</sup> March 2018 and benefits had been secured with an insurance company, the Plan Actuary has estimated that the additional amount needed to ensure that all members' benefits could have been paid in full was £1.8bn. This figure is an estimate and does not represent the actual amount that would need to be paid to any specific insurer to secure the benefits. This information is shown for illustrative purposes only.

### **How the Plan operates**

#### **How is my pension paid for?**

The Company pays contributions to the Plan so that the Plan can pay pensions to members when they retire. The money held to pay defined benefit members' pensions is held in a common fund for the benefit of all members. It is not held in separate funds for each individual.

#### **How is the amount the Plan needs worked out?**

The Trustee obtains regular valuations of the benefits earned by members. Using this information, the Trustee comes to an agreement with the Company on future contributions.

### **Pension Protection Fund**

The Government has established the Pension Protection Fund (PPF) to pay compensation to members of defined benefit pension schemes when the employer becomes insolvent and when there are not enough assets in the pension scheme.

In this situation the PPF may take over the pension scheme's assets and provide benefits to the scheme's members. However, the benefits provided by the PPF would in almost all cases be lower than the pensions that members would have received from the scheme.

### **The importance of the Company's support**

The Trustee's objective is to have enough money in the Plan to pay pensions now and in the future. This objective relies on the Company's continuing support because:

- The Company has agreed to meet the annual premiums payable to the PPF;
- The funding level can fluctuate and, when there is a funding shortfall, the Company will usually need to pay higher pension contributions; and
- The target funding level may turn out not to be enough so the Company will need to put in more money.

### **What would happen if the Plan were to be wound up?**

If the Plan winds up, it is possible that you might not get the full amount of pension you have built up, even if the Plan is fully funded under its funding plan. However, whilst the Plan remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full.

If the Plan were to start to wind up, the Company would be required to pay enough into the Plan to enable the members' benefits to be completely secured with an insurance company. It might be, however, that the Company would not be able to pay this full amount, in which case the PPF might take over the Plan and pay benefits to members.

Further information and guidance is available on the Pension Protection Fund's website at <https://www.ppf.co.uk/> or you can email [information@ppf.co.uk](mailto:information@ppf.co.uk). Please note the Pension Protection Fund are not currently accepting documents by post due to the COVID-19 outbreak.

### **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, the Trustee's funding plan assumes that the Company will continue in business and support the Plan.

### What is the Plan invested in?

The Trustee invests the assets of the Defined Benefit section of the Plan in a Common Investment Fund (CIF) which also includes the assets of another Fujitsu pension scheme. Under such an arrangement the two pension schemes remain separate and independent entities, but each holds units in the CIF, which combines the assets of both schemes. The CIF employs specialist investment managers to invest in assets targeting a specified allocation.

The Trustee and Company agreed to further refinements to the Plan's benchmark investment strategy during 2020. As at 30<sup>th</sup> November 2020, the Plan's benchmark investment strategy is to invest 3% of the assets in infrastructure equities, 3.9% in property, 38% in investment grade credit, 22.5% in liability driven investments and 32.6% in other fixed income assets. The liability driven investments ensure that the assets and the liabilities have similar sensitivities to changes in interest rates and inflation expectations so that the impact of changes (both positive and negative) in interest rates and inflation on the shortfall should be substantially reduced.

If you would like more information on the Plan's investments, a detailed description of the investment policy can be found in a separate document produced by the CIF Trustee entitled "Investment Policy Implementation Document", which can be accessed by visiting the Member Self Service website <https://fujitsu.pensiondetails.co.uk>.

### Payment to the Company and involvement of the Pensions Regulator

It is a legal requirement that this summary funding statement should inform members whether any payment has been made to the Company since the last summary funding statement. There has not been any payment to the Company out of the Plan's funds since the last statement.

It is also a legal requirement to inform members whether the Plan has been modified or if any directions or schedule of contributions have been imposed on the Plan by the Pensions Regulator. There has not been any such involvement from the Pensions Regulator with the Plan.

### Impact of the COVID-19 pandemic

#### Plan funding position and investment strategy

Despite the negative news around the impact of COVID-19 on the economy, the Plan's funding position remains on track to meet its funding targets. The Plan's Trustee is continually looking at the risks present in the Plan and considering whether there is scope to reduce these further without adversely impacting its ability to meet its funding targets. Examples of this include selling all of the Plan's remaining equity assets to purchase assets that are less volatile but have similar return characteristics, and looking at insurance based solutions to remove further risks such as longevity.

#### New administration processes

The COVID-19 pandemic has led to the Plan's administrators reviewing a number of processes to help members and give you a more efficient and streamlined service.

This includes more information and communications being hosted on the Plan's Member Self Service website. If you haven't already registered for this service, please visit <https://fujitsu.pensiondetails.co.uk>.

We have also introduced a new procedure to help support those who need to inform us of the death of a member. We understand that this is a difficult time for people in these sad circumstances, so we want to help as much as possible. In future, a member of the Pensions Department will arrange a video call, or if this is not possible a telephone call, with the person who has informed us of a member's death, to take them through the information and documentation that is required to help the Plan Trustee determine to whom benefits should be payable.

### **Increase in pension 'scams'**

A pensions 'scam' is an attempt to persuade a member of a pension scheme to access their pension savings in a way that is not in their best interests.

Examples of scams include attempts to persuade members of company pension schemes (both defined benefit and defined contribution) to move their pension savings into an inappropriate investment, release funds in a way that would result in an unexpected tax charge – or, in the worst case, to move their funds into a fraudulent scheme. This could result in members losing all their pension savings.

Moving funds out of one pension scheme and into another is called a 'transfer'.

Scammers are continuing to find new ways to target pension pots of all sizes particularly following the onset of the COVID-19 pandemic, as many people are experiencing financial difficulty and looking for new sources of income, making them more susceptible to scams. Insofar as they are able, the Plan administrators make thorough checks on all transfers in accordance with the guidance set out by the Pensions Regulator. However such checks cannot guarantee that all aspects of the transfer are legitimate and it should be borne in mind that the primary responsibility for ensuring the legitimacy of the transfer lies with the member requesting a transfer.

As such we strongly recommend that any member seeking a transfer consult an appropriately qualified financial adviser who is authorised by the Financial Conduct Authority (FCA). Please note that if you are considering transferring defined benefits pension savings with a value of £30,000 or more, then there is a legal requirement to take independent financial advice from an adviser authorised by the FCA.

The FCA's "ScamSmart" website - <https://www.fca.org.uk/scamsmart> - has lots of information on how to identify potential pension scams. The website also has a tool which you can use to check the validity of any pensions opportunity you may be considering. You can find an independent financial adviser in a number of ways, including via the FCA's website and [www.unbiased.co.uk](http://www.unbiased.co.uk).

### **Brexit – pensioners living in the European Economic Area**

Despite a deal having been reached between the UK and the EU, some banks in the UK are still deciding to close accounts for customers living in countries within the European Economic Area (EEA) who hold UK bank accounts.

If the Pension Department's records show that you currently live in the EEA then you will have recently received a communication from them explaining that your UK accounts could be closed based on our current understanding and guidance from the Financial Conduct Authority (FCA). Please check with your UK banking provider if this change affects you.

Please contact the Pension Department using the details on page 5 if you have any questions regarding this.

### **Queries**

If you have any queries, please contact the Pension Department using the contact details below. Whilst the COVID-19 restrictions are in place, we recommend that you contact the team either by telephoning or via email using the contact information shown on page 5, as postal communications will unfortunately be subject to delays during this time.

Please help us to keep in touch with you by telling us if you change address.

Yours sincerely

David Sillitoe  
Chairman – ICL Pension Trust Limited  
21<sup>st</sup> January 2021

### Where can I get more information?

Additional information is available from the Plan's Member Self Service website (please remember you need to register if you haven't already): <https://fujitsu.pensiondetails.co.uk>

Additional information:

- Statement of Investment Principles – This explains how the Trustee invests the money paid into the Plan
- Investment Policy Implementation Document – This provides a detailed description of the Plan's investment policy
- Schedule of Contributions – This shows how much money is being paid into the Plan
- Annual Report and Accounts – This shows the Plan's income and expenditure in the years up to 31<sup>st</sup> March 2020
- 2018 Actuarial Valuation Report
- Member Booklets

If you have any other questions, or would like any more information, please contact the Pension Department at:

Telephone: **+44 (0)208 052 5156** *Please note new Telephone No*

Email: [group.pensions@uk.fujitsu.com](mailto:group.pensions@uk.fujitsu.com)

*Important: If you are thinking of leaving the Plan for any reason, you may wish to consult an independent financial advisor before taking any action.*