

The Cromwell Hospital Retirement Benefits Plan (the Plan)

# Annual Funding Statement

The Trustees of the Cromwell Hospital Retirement Benefits Plan (the Plan) are responsible for looking after the Plan. Each year they are required by law to provide you with an 'Annual Funding Statement' which describes the level of funding that supports your pension.

## What is the purpose of this statement?

This statement:

- Summarises the Plan's ongoing funding position following completion of the latest valuation update as at 5 April 2024;
- Explains how the ongoing funding position has changed since the formal actuarial valuation as at 5 April 2023;
- Provides information on a proposed change to the Plan that impacts current active members; and
- Allows us to keep you informed of other matters relevant to the security of your benefits, including the expected funding impact of this proposed change.



"I am pleased to report that in the period since the last formal actuarial valuation in 2023, the funding level has increased significantly from 81% on 5 April 2023, to a funding level of 89% shown at the most recent valuation update as at 5 April 2024.

I am delighted that the funding deficit has reduced by almost half in the year since the 2023 formal actuarial valuation, from £7.1m to £4.0m. The improvement in the funding deficit is largely due to changes in market conditions along with the significant contributions paid by the Hospital to the Plan.

The Hospital remains committed to making good the remaining funding deficit and the time limited funding guarantee provided by Bupa Finance Plc continues to provide us with valuable additional security.

On a separate note, some of you will be aware from other pension communications that the Hospital has proposed to close the Plan to future accrual of benefits with effect from the end of 31 January 2025. Closing the Plan to future accrual is expected to have a minor impact on the Plan's ongoing funding position."

**Arthur Walford**  
Chair of the Trustees

## What was the Plan's funding position as at 5 April 2024?

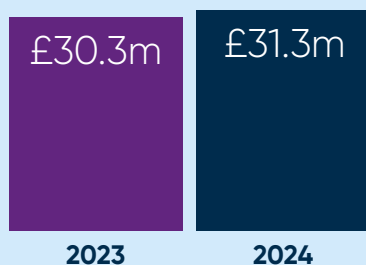
The shortfall was £4.0m.  
This meant that the funding level was 89%\*

*\*Calculated on an 'ongoing valuation' basis, which is defined in the jargon buster.*



The deficit decreased by £3.1m because the value of the liabilities decreased and the value of the assets increased over the year. The ongoing funding level increased from 81% to 89%.

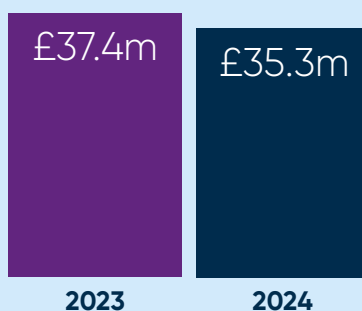
### Assets



The Plan's assets increased by £1.0m mainly as a result of:

- Contributions paid into the Plan by the Hospital, including deficit repair contributions, and contributions paid by active members.
- Higher than expected investment returns on the Plan's assets.
- This was partially offset by benefits paid to members of the Plan.

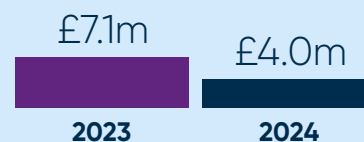
### Liabilities



The Plan's liabilities decreased by £2.1m mainly as a result of:

- An increase in the discount rate used to value the liabilities which has decreased the expected cost of providing the benefits in today's terms.
- Benefits paid to members of the Plan.

### Funding Deficit



The Plan remained in deficit as at 5 April 2024

The funding deficit decreased by £3.1m because the value of the liabilities decreased and the value of the assets increased over the year. The ongoing funding level increased from 81% to 89%.

As part of the 5 April 2023 actuarial valuation, the Trustees' assessed that the contributions required from the Hospital to fund ongoing accrual of benefits would be 25.4% of Pensionable Salaries per annum. The change in contributions took effect from June 2024. Active members are currently contributing 7% of Pensionable Salaries. The Hospital has proposed to close the Plan to future accrual with effect from the end of 31 January 2025. This means that current employees would stop building up benefits in the Plan at that date and would instead be offered membership in the Cromwell Hospital Retirement Savings Scheme, a Defined Contribution ('DC') scheme, from 1 February 2025 onwards. Active Plan members have been made aware of the proposed changes. If the closure goes ahead, no further company or employer contributions in respect of future accrual would be paid to the Plan but the Company would continue to pay contributions to address the funding shortfall.

**As part of the 5 April 2023 actuarial valuation, the Hospital agreed to significantly increase the annual amount it pays each year to address the funding shortfall. The Hospital agreed to contribute £1,000,000 per annum from June 2024.**

# Is there anything else I need to know?

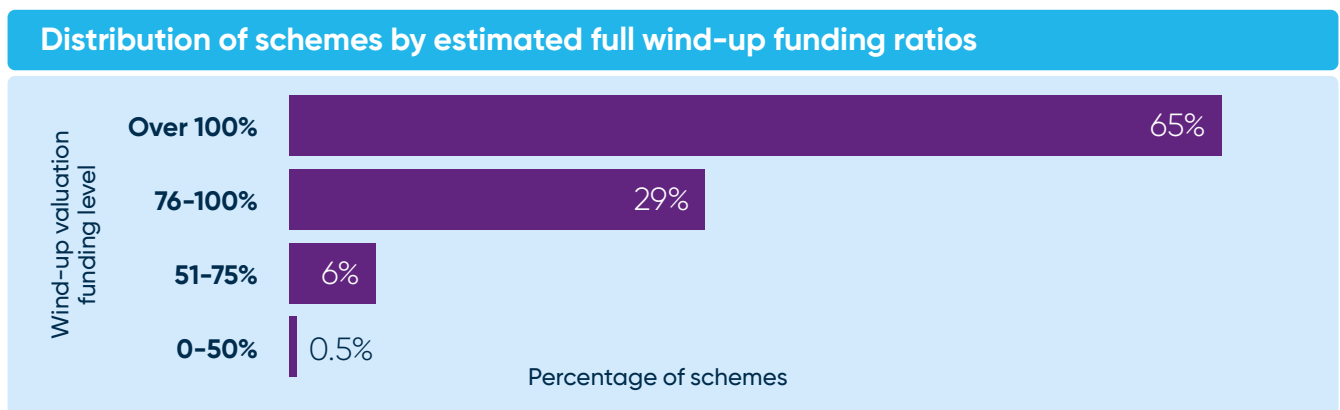
## Snap-shot

**An actuarial valuation is a snap-shot of the assets and liabilities at a given date.** In practice, the values of the assets and liabilities of the Plan are continually moving. It is important to remember the Trustees monitor investment performance frequently, and make changes as required. Additionally, the Hospital continues to provide strong support to the Plan. The Hospital's proposal to close the Plan to future accrual is an example of a change proposed to increase the security of your benefits. By closing the Plan to future accrual, the Hospital believes it will help to reduce the Plan's exposure to future risks and volatility.

## Wind-up valuation

**The Trustees are required to provide you with an indication of what the funding position would be if the Hospital had to close the Plan and secure the benefits with an insurance company.** This is known as the wind-up valuation. The valuation level varies as it depends on economic conditions at the time, but if the Plan had wound up on 5 April 2023, the financial position would have been assets of £30.3m and wind-up liabilities of £46.0m. That gave a shortfall of £15.7m and a wind-up valuation funding level of 66%. Please note that this wind-up valuation information is explained in accordance with regulatory requirements; the Hospital has no plans to wind-up the Plan. Improvements in the funding position of a scheme (as experienced on this Plan between the 2023 formal actuarial valuation date and the 2024 valuation update date) will often be mirrored by improvements in its wind-up position.

It should also be noted that a sizeable minority of pension schemes have a significant shortfall when measured on a wind-up valuation basis. This is illustrated by the following chart based on information published by The Pension Protection Fund as at March 2023. The data behind this chart has been gathered from pension schemes who have had actuarial valuations carried out over the previous few years, like our Plan. The chart illustrates the distribution of pension schemes closed to new members, like our Plan, on a wind-up valuation basis:



In real terms, this shortfall in the Plan on a wind-up valuation basis means it would have been able to pay out, on average, 66% of members' benefits from existing assets. The wind-up valuation funding level is expected to improve by the time it is next formally reviewed, (as part of the 5 April 2026 valuation).

While the Plan's winding-up funding level is below that quoted for many other pension schemes, this funding level is based on assets held by the Plan at the last triennial valuation date, 5 April 2023. In practice, additional funds would be due from the Hospital and from Bupa Finance Plc (while the guarantee is in place). In the unlikely event of the Plan actually winding-up, the Hospital would be legally required to finance the shortfall. As noted above, there are currently no plans to wind-up.

If the Hospital was unable to finance this shortfall and pay the cost of buying members' benefits in full from an insurance company, any guarantees in force at that time from Bupa Finance Plc would be called upon. Should a shortfall still exist, the Trustees can call upon the Pension Protection Fund (PPF). The PPF was set up by the Government in 2005 as a 'lifeboat' fund to help members of schemes where there are insufficient assets to provide a certain level of pension benefits.

Although the level of benefits provided by the PPF are lower than those that would be provided by the Plan, it does act as a 'safety net' for pension schemes where the sponsoring employer and its guarantor (if any) becomes insolvent. Visit the PPF website for further details at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

## Payments to employers

One further point that the law requires us to tell you, and we are happy to confirm, is that there have been no payments to the Hospital out of the Plan during the past year.

## Jargon buster

**Actuarial valuation:** An in-depth review of the Plan's financial health carried out by the Plan Actuary every three years.

**Assets:** The value of the Plan's investments which includes contributions paid into the Plan, together with returns on the investments.

**Assumption:** An estimate (such as life expectancy) used in calculating the liabilities.

**Discount rate:** An estimated rate of return on investments used to calculate how much needs to be invested now to meet future benefit payments.

**Funding position:** The proportion of assets to liabilities. A fully funded scheme would have an equal amount of assets and liabilities (i.e. a funding level of 100%).

**Liabilities:** The current cost of providing all members' benefits (including pensions in payment and pensions to members who have already left active membership of the Plan).

**Ongoing funding / Ongoing valuation:** An actuarial valuation method for calculating the value of the estimated liabilities which assumes that the Plan will continue into the future until all benefits are paid to members.

**Ongoing accrual:** The benefits being accrued by active members.

**Wind-up valuation:** An estimate of the cost of buying guaranteed pension policies with an insurance company.

## How XPS uses your information

**XPS Group administer the Plan and provide the Trustee with actuarial consulting advice.**

To provide these services, they need to share your personal information. The XPS Group Privacy Notice sets out how they obtain, use, store and dispose of your personal data and is available at:

[www.xpsgroup.com/legal-regulatory/privacy-policy](http://www.xpsgroup.com/legal-regulatory/privacy-policy)

The relevant notice for our Plan is labelled '*Combined scheme actuary and actuarial consulting services*'.

## Keeping in touch

The Trustees are required to hold up to date information to help them contact you when benefits are due to be paid or to provide you with information about the Plan.

- **Moving house?** Please tell us your new address.
- **Do you need a new Expression of Wish form?** If your circumstances change – for example if you get married – let us know who you would like benefits to be paid to by updating your Expression of Wish form.

More information about the Cromwell Hospital Retirement Benefits Plan:

**Statement of Investment Principles** <https://tinyurl.com/czdkystx>  
**Implementation Statement** <https://tinyurl.com/mptymhsp>

The Cromwell Hospital pension team contact details are shown below.

## Contact the Plan's administrators

**Email:**  
cromwell.admin@xpsplc.com

**Telephone:**  
+44 (0) 28 9694 4535  
(Robert Williams)

**Write to:**  
XPS Group, 1st Floor, Flax House,  
83 91 Adelaide Street, Belfast, BT2 8FE