Arts Council Retirement Plan (1994) Summary Funding Statement and Newsletter 2024

Welcome to your 2024 summary funding statement and newsletter for the Arts Council Retirement Plan (1994) ('the Plan'). This statement lets you know about the Plan's financial position and updates you on developments over the past year. A full valuation of the Plan is done every three years, with annual updates in intervening years. The most recent actuarial valuation was carried out at 31 March 2022.

This statement describes how the Plan's financial position has changed since the most recent actuarial valuation and subsequent annual updates, most recently included in the previous summary funding statement which was sent to you last year.

As Trustees, we are responsible for monitoring the Plan's financial health and reporting its financial position to members. Legislation requires trustees and employers to work together to maintain the financial health of their Plan, and we must issue the summary funding statement to all members.

We hope this summary funding statement helps you understand the financial arrangements that support your retirement benefits.

How does the Plan work?

The Plan delivers defined benefits as set out in the Plan rules. These benefits are based on your pensionable salary and how long you've been a member of the Plan.

The benefits are financed by contributions from the sponsoring employers and from the members, which are jointly paid into the Plan. Together with investment returns, this fund covers the payment of benefits to Plan members and/or their dependants now and for the future.

The sponsoring employers meet the Plan running costs.

Understanding your summary funding statement

What does this word mean?
Pensions have a language of their own – words which have a specific meaning, and which are used as 'shorthand' when talking about pensions. Here is an explanation of some of the words we use in this statement.

Assets
This is all the money building up in the Plan as investments, bank balances and any money owed to the Plan.

Funding level
This is the assets divided by the liabilities. If the value of the assets was equal to the liabilities, the funding level would be 100%.

Liabilities
This is everything the Plan owes now, and the expected value of benefits it will have to pay to members and their dependants in the future.

Scheme Actuary
A professional appointed by the Trustees who is responsible for assessing the financial sustainability of the Plan and providing actuarial advice.

Surplus
If the Plan has more assets than liabilities, it has a surplus.

Shortfall
If the Plan has more liabilities than assets, it has a shortfall.

Your summary funding statement

The Plan's financial position

At the date of the most recent formal actuarial valuation of the Plan, the Scheme Actuary found:

How has this changed?

The Plan's financial position is estimated at least once a year. The Scheme Actuary estimated:

	At 31 March 2022	At 31 March 2023	At 31 March 2024
The Plan had assets of	£232.4m	£211.1m	£232.1m
The amount the Plan needed to provide benefits was	£250.7m	£176.0m	£169.9m
This gave a shortfall/ surplus of	– £18.3m	+ £35.1m	+ £62.1m
This is the same as a funding level of	93%	120%	137%

The funding level has changed since 31 March 2022 because of a significant increase in bond yields, which has led to a material decrease in the value of the Plan's liabilities. The value of the Plan's assets have remained fairly stable over this time. Overall, this has led to a notable improvement in the funding level, with a surplus of £62.1m at 31 March 2024.

Recovery plan

The Trustees have agreed a recovery plan with the sponsoring employers who have agreed to pay additional contributions into the Plan each year until: **2034**

Payments to sponsoring employers

There have been no payments to the sponsoring employers out of Plan funds in the period since last year's summary funding statement.

What if the Plan started to wind up?

One of the periodic checks the Scheme Actuary carries out is the funding level of the Plan if it were wound up with no further contributions from the sponsoring employers. If at the last formal actuarial valuation the Plan was closed and the liability for all benefits up to that date were transferred to an insurance company, the Plan would have needed an additional £132.3m of assets to ensure benefits were paid in full. This is the Plan's full solvency position, and is equivalent to a solvency funding level of 64%. However, the position will have improved since 31 March 2022, as it has done for the financial position figures shown on the previous page.

We are required to estimate this figure to get a complete picture of the Plan's financial health. It does not mean that the sponsoring employers are thinking of closing the Plan.

If the Plan closed and the sponsoring employers couldn't pay enough to secure members' benefits in full, the Pension Protection Fund (PPF) might take over the Plan and pay compensation to members. The PPF is not intended to replicate each member's pension, but to ensure that members receive most of their pension. This is typically around 90% of the pension earned for most members under normal pension age, and 100% for most pensioners. However, any increases to pensions once a scheme is in the PPF are less generous than the increases that the Plan would have provided.

Further information and guidance is available on the PPF's website at www.ppf.co.uk. You can also email information@ppf.co.uk or call 0345 600 2541, from 9.00am to 5.30pm, Monday to Friday.

Statements about the Pensions Regulator's involvement with the Plan

Legislation requires us to tell you certain information about the Pensions Regulator's involvement in the Plan.

We confirm that the Pensions Regulator has made no modifications to or directions on the Plan since the last summary funding statement was provided.

More information and Plan news

Please read on to find an introduction from your Trustee Chair, as well as further information and the latest updates from the Trustees.

For more information or any feedback

We hope you find this summary funding statement and newsletter informative. Please feel free to share any feedback you may have, or anything else you'd like to see included in future updates.

For any questions regarding the Plan, or for copies of Plan documents, contact the administrators.

Keeping the Trustees informed

So that we can continue to send you information about your pension, please remember to let us know if your address changes. If you're an active member, you just need to let your employer know about your change of address. If you're an active or deferred member, please contact the Plan administrators.

Please also remember to keep your expression of wish nominations up to date, particularly if your circumstances change. You can contact the Plan administrators or HR services at your employer for a form.

Address:
Arts Council Retirement Plan Administrators
Hymans Robertson
20 Waterloo Street
Glasgow G2 6DB

Phone: 0141 566 7777

Email: artscouncil@hymans.co.uk

Keeping you informed about your pension

Chris Daykin
Chair of Trustees

A warm welcome to the latest edition of your pension newsletter. Over the last year, we have seen lots of projects progress which we will update you on as you read through this newsletter.

Changes in Trustees

This will be my last newsletter as I will be retiring at the end of January 2025. The Trustees have undertaken an extensive selection exercise and are in the processing of appointing a new trustee chair from January 2025. We will introduce you to your new Chair early next year.

The Trustee nominated by active members of the Plan – Mumtaz Ali – recently came to the end of another three-year term of appointment. We are pleased to announce that following an election process (involving all active members of the Plan), the Trustees have welcomed Mumtaz for another term as a member-nominated Trustee, effective from 1 May 2024. The term for the Trustee nominated by pensioner members of the Plan will be ending in 2025 and we will be looking for nominations early next year.

In July 2024, Rebecca Nelson resigned from the Trustee Board on leaving Arts Council of Wales, having served almost 5 years a trustee. We thank Rebecca Nelson for her service and wish her well for the future. Her successor at ACW, Lorna Virgo, was appointed as a Trustee in October 2024, continuing the tradition of having a senior finance representative from all three main sponsoring employers of the Plan on the board of Trustees.

Improvement in funding levels

As indicated above, recent increases in interest rates and yields have significantly improved the Plan's funding position, assisted by performance on our portfolio of investments. The latest funding report to the Trustees shows that the Plan has a healthy surplus.

One participating employer (Crafts Council) has recently exited the Plan upon the retirement of their last remaining scheme member. Crafts Council have paid the necessary expenses to close off their membership and this will not impact the security of the Plan.

The three largest sponsoring employers continue to strongly support the right of all permanent employees to be a member of the Plan. This strong employer covenant enables the Trustees to focus on achieving positive outcomes for the Plan.

Pension increases

Most pensions in payment were increased by 6.7% in April 2024, fully in line with the annual rise in the Consumer Price Inflation (CPI) Index to September 2023, which is the same as the basis used by most public sector plans for determining pension increases. This includes elements of the pension where CPI increases are not guaranteed or where under legislation they are subject to a cap (of 5% or 2.5% per annum). These are discretionary pension increases which were approved by both the Trustee Board and Arts Council England as the Principal Employer.

New tax allowances for 2024

On 6 April 2024, the Lifetime Allowance (LTA) was abolished. The LTA was the maximum amount you could build up in your pension over your lifetime without paying extra tax. This has been replaced by two new allowances. The Lump Sum Allowance (LSA) applies a limit of £268,275 on the amount of tax-free cash you can access from your pensions. The Lump Sum and Death Benefit Allowance (LSDBA) applies a limit of £1,073,100 on the amount of tax-free cash that can be paid in your lifetime and on death.

These changes may affect how much you can save in your pension and your plans for retirement. Please get in touch with the Plan administrators if you think you are impacted by these changes. In particular, you should let us know if you think you previously had 'enhanced protection' as the guidelines around this have also changed and may impact your savings decisions.

Guaranteed Minimum Pensions

You may be aware of a case in the High Court involving the Lloyds Bank pension schemes, which related to scheme members who were contracted out of the State Earnings-Related Pension Scheme and therefore accruing a guaranteed minimum pension (GMP) in their pension scheme between 1990 and 1997. The state scheme, and the GMPs that were provided in its place, were unequal between men and women because both were linked to what was then state pension age (60 for women and 65 for men). This meant that men and women received different overall benefits from their pension scheme.

The High Court decided that, where pension scheme members accrued GMPs between 1990 and 1997, their overall benefit for this period must be made equal between men and women.

The Trustees have been considering the impact of this case on your Plan with their professional advisers. The Plan has spent a couple of years trying hard to reconcile our GMP records with HMRC records. As a result of this, some members' records will be adjusted in line with the HMRC records. This process of GMP 'reconciliation' is now largely complete. In most cases the difference that it will make in members' benefits is very small indeed. The calculations for equalising GMPs are complicated, and over the next year the Trustees expect to be able to put in place equalised and reconciled pensions, which will impact directly on pensions in payment. For the most part the adjustments will be small.

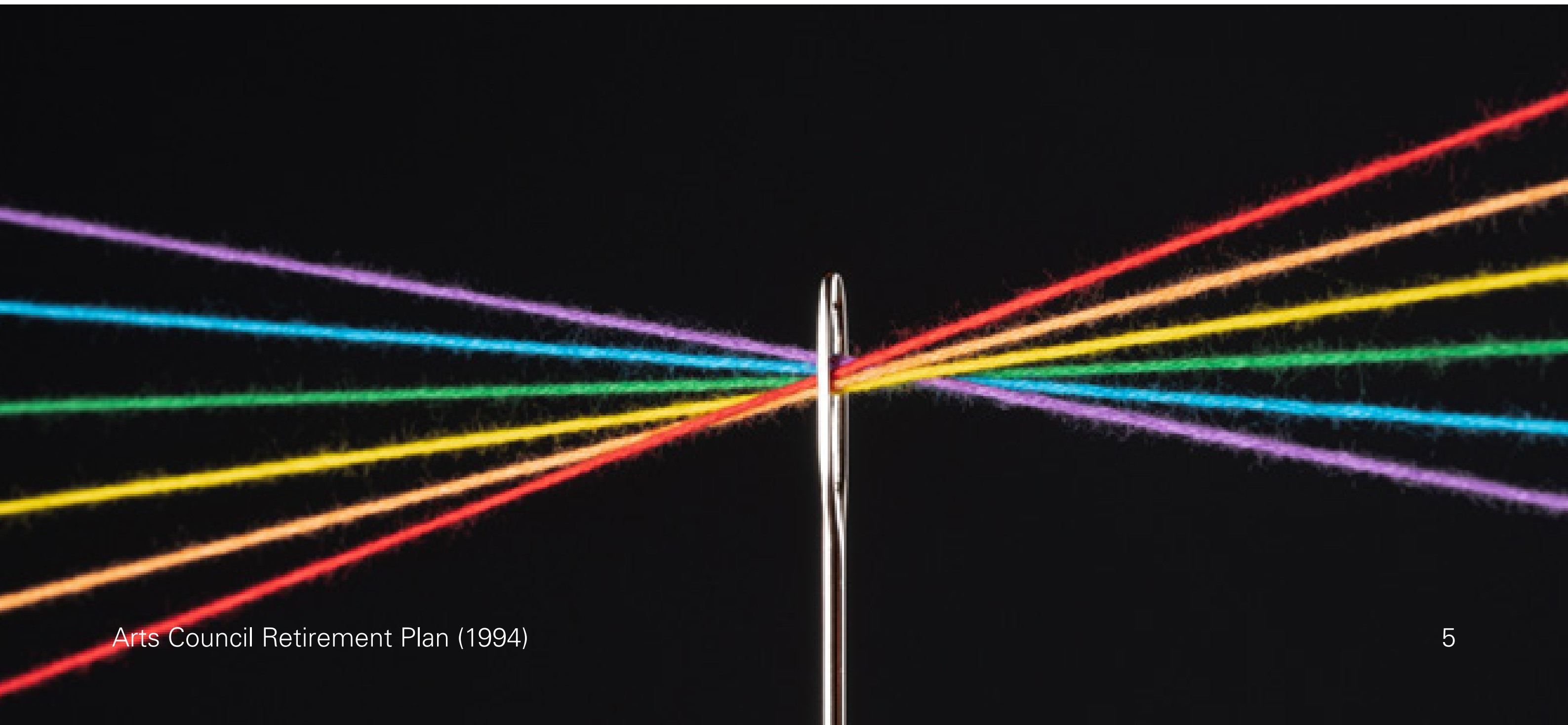
Diversity, equity and inclusion

Many organisations have been carrying out diversity, equity and inclusion reviews and making changes as a result. The Trustees have also carried such an exercise and found that, although the Plan is compliant with legislative requirements, there are a number of small aspects of the Plan rules which do not feel equitable between different members.

An example of this is benefit differences that depend on when the member married or remarried as well as who qualifies as a nominated partner. Benefits payable to dependent children have also not been updated for many years and do not reflect the ages at which children can often be in education and dependent on their parents. This has now been updated to age 23, as long as the child remains in full-time education or vocational training.

A number of suggested changes were identified and the Trustees have now implemented these changes, having agreed these with the sponsoring employers. These will not have a material effect on the Plan's finances but will modernise a few aspects of the Plan rules which might be regarded as unfair or archaic in today's world.

An updated member booklet will be issued later this year to reflect these changes.



How is the Plan invested?

The Trustees aim to invest the Plan's assets in a responsible and financially effective manner to ensure that the benefits promised to members are paid. The Trustees have always sought to invest prudently in order to balance reasonable returns against the risk of different types of investment and to take into account the very long-tailed nature of the Plan's liabilities. Even without any new members, running off the pension payments in respect of existing members would take more than 80 years. Since the Plan is still open, with new members continuing to join and benefits still building up for all active members, our investment horizon is very long-term.

Given the longevity of the Plan, the Trustees have continued to develop the Plan's investment strategy with a particular focus on environmental, social and governance (ESG) factors. Over the last few years, the Trustees have been considering the investments which will protect the Plan against the financial risks of climate change, including investments which are expected to contribute in a positive way to the climate transition.

Details of the investment strategy and the approach to responsible investment are in the Statement of Investment Principles, which is publicly available:
https://www.artscouncil.org.uk/jobs-and-careers/benefits/arts-council-retirement-plan

In 2024, the Trustees were once again successfully admitted by the Financial Reporting Council (FRC) to be a signatory of the UK Stewardship Code. Most signatories are medium to large financial entities and the Plan is one of the smallest. It shows a remarkable achievement that the Plan has continued to meet the high standards set by the UK Stewardship Code and is reflective of the Trustees' commitment to stewardship and responsible investment. We will strive to remain a signatory by making incremental improvements to our stewardship of assets.

The assets were broadly invested as shown in the chart below as at 31 March 2024.

- LGIM Equities 33%
- Storebrand Global ESG Plus 12%
- Baillie Gifford Diversified Growth 6%
- IFM Infrastructure 12%
- Federal Hermes Property 8%
- Quinbrook Net Zero Power Fund 3%
- IFM Net Zero Infrastructure Fund 1%
- LGIM Over 5 Year Index-Linked Gilts 17%
- LGIM Corporate Bonds – Over 15 Year 8%

What is the membership of the Plan?

At **31 March 2024**, the Plan had **2,631** members.

Active members 798	Deferred members 1,334	Pensioners 499
A member of the Plan who is at present accruing benefits earned from current service.	A member who has left the Plan but has not yet retired.	A member who has retired and is receiving their pension benefits.

Scheme information

Who are the Trustees?

The Trustees are responsible for the efficient and effective running of your Plan. The Trustees that make up the Plan's board are:

Chris Daykin	Chair (Independent Trustee)
Ian Stevenson	Employer nominated Trustee (Creative Scotland)
Navees Rahman	Employer nominated Trustee (Arts Council England)
Lorna Virgo	Employer nominated Trustee (Arts Council of Wales)
Mark Harrison	Pensioner Member nominated Trustee
Mumtaz Ali	Active Member nominated Trustee

Who are the Plan's professional advisers?

The Trustees delegate some of their day-to-day responsibilities to professionals and take advice from experts when making decisions. The Trustees' advisers are:

Scheme Actuary	Bill Barnes, Hymans Robertson LLP
Independent auditor	Crowe U.K. LLP
Administrators	Hymans Robertson LLP
Investment managers	Baillie Gifford and Company Federated Hermes Investment Management IFM Investors Legal & General Assurance (Pension Management) Limited Quinbrook Infrastructure Partners (GP3) Limited Storebrand Asset Management AS
Investment advisers	Hymans Robertson LLP
Additional voluntary contribution providers	Aegon Scottish Equitable plc
Legal advisers	Sacker and Partners LLP
Covenant advisers	Evelyn Partners LLP

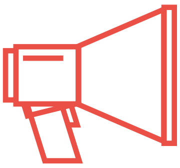
Thinking of leaving the Plan?

If you are thinking of leaving the Plan for any reason, we recommend that you take financial advice first. For a list of independent financial advisers local to you, go to www.unbiased.co.uk.

Data controllers

The Trustees and the Scheme Actuary use your personal data to administer the Plan. Each acts as a data controller. Your personal data will be processed fairly and lawfully, in accordance with the principles of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 solely in connection with the scheme. Details of how we use your personal data can be found in the privacy notice, upon request from the Plan administrator or on the Plan website: https://www.artscouncil.org.uk/jobs-and-careers/benefits/arts-council-retirement-plan

If you have any queries about your personal data, please contact the Plan administrators using the details on page 3.



Pension scams: a warning

Some savers have been tricked into handing over their savings to scammers. The scammers succeed by convincing pension scheme members to try to gain early access to their savings (before age 55) or by transferring their pension account to attractive-sounding overseas investment opportunities.

How to spot a scam:

- Beware of cold callers, emails or offers of a ‘free pension review’ or ‘one-off opportunity’ to make investment with ‘guaranteed returns’.
- A promise of large investment returns if you agree to transfer money overseas is another indicator of scam tactics.
- Any paperwork which requires immediate signature, or advice to place all savings in a large single investment is likely to be unscrupulous (in general, financial advisers suggest diversification of your assets).
- Be cautious when informed of a ‘legal loophole’ which allows you to get ‘cash back’ from your pension.

If it seems too good to be true – it probably is!

The consequences of a scam can be disastrous. You could end up losing all of your pension savings, and in some cases you might get a tax bill on your pension pot of up to 55% for accessing funds early.

Pensions checklist

Every year it’s worth asking yourself a few questions which might have an impact on your pension arrangements.

Ask yourself	What to do?
Might you exceed the annual allowance? This is the maximum you or someone else (such as your employer) can contribute to all your pensions in one year, without incurring a tax charge. Might you exceed the new lump sum tax allowances explained on page 4? Do you think you have ‘enhanced protection’ in relation to the LTA?	Contact Hymans Robertson for a factsheet at artscouncil@hymans.co.uk and consider seeking independent financial advice. You can find independent financial advisers local to you at www.unbiased.co.uk. If you think you’re affected, then you should contact Hymans Robertson.
Have you notified us of your wishes regarding payment of benefits in the event of your early death?	Contact Hymans Robertson at artscouncil@hymans.co.uk and provide an updated expression of wish form.
Are you getting close to retirement and considering your options? If so, you should also consider whether or not your investment choices remain suitable.	You should seek independent financial advice and contact Hymans at artscouncil@hymans.co.uk if you want information, for example a transfer value or a retirement quotation. You can find independent financial advisers local to you at www.unbiased.co.uk.