Summary Funding Statement 2020

Introduction

This statement explains the funding that supported the benefits in the GSL Section of the G4S Pension Scheme as at 5 April 2020 and other dates.

Every three years, the Scheme's actuary (a financial expert who specialises in estimating how pension funds might develop in future) carries out a formal check on the Scheme's finances, called a 'valuation'. He produces less formal 'updates' of the financial position in the years between formal valuations. Last year's statement set out the results of the annual update at 5 April 2019. This year's statement sets out the results of the latest annual update at 5 April 2020, together with a more recent approximate update at 28 February 2021.

Understanding Scheme funding

The GSL Section is set up as a shared fund of money and your benefits are paid out of this fund. There is no separate account for you unless you have paid Additional Voluntary Contributions (AVCs) or have another defined contribution account such as in respect of a transfer-in or an "Augmentation Account". The Trustee is responsible for agreeing a 'funding plan' with G4S plc (referred to in this statement as "G4S" or the "Company"), aiming to make sure there is enough money in the GSL Section to pay for pensions now and in the future. This amount is known as the 'funding target' (the official name for it in the regulations is the 'technical provisions').

To work out the funding target, the Scheme's actuary looks at the benefits the GSL Section is currently paying, and estimates how the cost of the benefits might change in future. He uses assumptions (which have been agreed by the Trustee) about things like how long people will live after they retire and how much the cost of living will rise. Then, the actuary looks at the GSL Section's assets – the money the GSL Section has built up from contributions and investment returns. The actuary compares the value of the assets at the valuation date with the funding target.

If the assets are worth more than 100% of the funding target, the GSL Section has a surplus. If the assets are worth less than 100% of the funding target, the GSL Section has a shortfall.

How well funded was the GSL Section?

The table below shows the results of the latest annual update at 5 April 2020, together with a more recent approximate update at 28 February 2021. We have also shown the results of the previous annual update at 5 April 2019 and the most recent formal valuation at 5 April 2018, which were reported to you in last year's statement. There are a number of different ways to measure a pension scheme's funding. These figures have been produced on an 'ongoing' basis, which assumes the Scheme will carry on as now with the support of the Company.

	Approximate update	**Latest annual update**	**Previous annual update**	**Valuation**
Date	28 February 2021	5 April 2020	5 April 2019	5 April 2018
Funding level	**123%**	**118%**	**121%**	**125%**
Funding target	£290 million	£305 million	£288 million	£269 million
Value of the assets	£357 million	£361 million	£348 million	£335 million
Overall position	Surplus of £67 million	Surplus of £56 million	Surplus of £60 million	Surplus of £66 million

Summary Funding Statement 2020

The actuary arrived at the figures at 5 April 2019, 5 April 2020 and 28 February 2021 by 'rolling forward' the results of the April 2018 valuation and making allowances for changes in investment market conditions since the date of the valuation. This is not as thorough as a formal valuation – for example, it allows for changes in members' benefits in an approximate way – but it still gives a useful guide to changes in the funding position.

How did the position change over the year to 5 April 2020?

The estimated funding position worsened slightly between 5 April 2019 (the effective date of the last summary funding statement) and 5 April 2020, but the Section remained comfortably in surplus. This was mainly due to a fall in long-term interest rates, which acted to increase the GSL Section's funding target. However, the impact of this was largely offset by positive investment returns on the GSL Section's assets due to the hedging in place.

What has happened since 5 April 2020?

The funding position has improved since 5 April 2020, as global financial markets recovered from the initial shock caused by the coronavirus pandemic. Our actuary has estimated that by 28 February 2021 the funding level had improved to around 123% with a surplus of around £67 million, i.e. similar to the position at the 2018 valuation.

The above figures take no account of the changes to the funding target recently agreed with Allied Universal. Further details are included in the letter that accompanied this statement.

Next update

The Trustee continues to monitor the funding position of the GSL Section on a regular basis. The next formal valuation is due as at 5 April 2021, and the results will be reported to members once the valuation has been completed.

The Company's support

If the GSL Section had a shortfall at the valuation date, the Trustee and the Company would have had to agree a 'recovery plan' to clear the shortfall. Because the GSL Section had a surplus, no such recovery plan was required. However, the Company continues to pay contributions towards the cost of benefits building up since the valuation date for those Plans where members are continuing to accrue benefits and the running costs of the GSL Section.

The Trustee also agreed a further package of measures with the Company including:

- A parent company guarantee, which provided for G4S to guarantee any sums due to the Scheme from any of the other participating employers, both now and in the future; and
- Various other protections under the terms of a Deed of Undertaking agreed with G4S.

The financial support provided by G4S (including the further package of measures described above) has changed as a result of the takeover of G4S by Allied Universal. Please refer to the letter that accompanied this statement for further details.

What if the Scheme started to wind up?

The Scheme will continue to pay benefits in full as long as it continues, even if there is a shortfall. However, as part of the valuation the actuary must also look at the 'full solvency' position, which assumes the Scheme started to wind up at the valuation date (though this does **not** mean the Company is thinking of ending the Scheme).

To work out this funding level, the actuary must decide whether the GSL Section had enough money at the valuation date to buy insurance policies to provide members' benefits in full. As a general rule, securing the benefits in full through insurance policies would cost more than providing them gradually over time.

If our Scheme had started winding up at 5 April 2018, the actuary estimated that the full solvency funding level for the GSL Section would have been around 87% and the shortfall £50 million. In this situation, the participating employers would be liable to make up the shortfall in full. In the event that the Scheme was unable to recover the full amount (either directly from the participating employers or under the terms of the guarantee from G4S plc described above) then members' benefits would be restricted.

If this was the case:

- Benefits corresponding to those covered by the Pension Protection Fund (the PPF – see below) would be met first – either through the PPF or, if there were sufficient funds, by securing these benefits with an insurance company.
- Any remaining assets would be used to secure part of the remaining benefits with an insurance company.

The Pensions Regulator and Pension Protection Fund

The Pensions Regulator's powers allow it to intervene in the running of the Scheme if it believes this is in members' best interests. For example, it can give directions about working out its funding target or impose contribution rates on it. To date, it has not needed to use its powers in this way.

The Regulator says that this statement must also tell you if there have been any payments to the Company out of Scheme funds since the last statement. There have not, and this would be an unusual thing to happen.

You can find out more about the Pensions Regulator and its powers by looking on its website, **www.thepensionsregulator.gov.uk**

The Pension Protection Fund will pay compensation to members of defined-benefit pension schemes if their employer is insolvent and unable to meet the cost of the benefits. The level of compensation is broadly 100% of the benefits earned in the scheme for pensioners over normal retirement age and 90% of benefits up to a cap for all other members. Pension increases granted on benefits are generally lower than applied in the member's original scheme. In particular, benefits earned before 6 April 1997 would not be given any pension increases within the PPF. You can find out more about the Pension Protection Fund on its website: **www.pensionprotectionfund.org.uk**

Any questions?

If you have any questions about the Scheme or your benefits, please contact the administrators, Capita, using the contact details below:

Tel: 0345 120 0900
Email: g4spensions@capita.co.uk

Please remember to let us know if your address changes. You can also ask to see the Scheme's formal documents, including:

- the statement of funding principles for the GSL Section, which includes the funding plan;
- the statement of investment principles, which says how the assets are invested;
- the latest Scheme annual report and accounts; and
- the latest reports from the actuary.

By law, no-one involved in the Scheme can give you advice about your pension arrangements. If you are thinking about changing your pension arrangements, you may want to obtain independent financial advice. The following organisations can provide more information:

- The Unbiased website (**www.unbiased.co.uk**) can provide contact details for advisers, including independent financial advisers, in your area. The site does not recommend advisers, it merely provides contact details.
- You can check whether any adviser you are thinking of using is registered with the Financial Conduct Authority at **www.fca.org.uk**.

- The Money and Pensions Service (**www.moneyandpensionsservice.org.uk**) is the new body which combines the Pensions Advisory Service, the Money Advice Service and Pension Wise. It provides advice on all money matters including pensions and finding an independent financial adviser.