

Concord plc Retirement Benefits Scheme

Statement of the Scheme's financial health

As Trustee to the Concord plc Retirement Benefits Scheme ("the Scheme"), one of BESTrustees' responsibilities is to update you on matters relating to the Scheme at least once a year, including updating you on the financial health of the Scheme.

The main purpose of this year's statement is to provide you with the results of the Scheme's approximate funding update as at 5 April 2020 and to outline how the Scheme has responded to the coronavirus pandemic.

Results of the latest funding assessment

The full actuarial valuation of the Scheme is carried out by the Scheme's actuary once every three years. Its purpose is to perform a thorough check on the Scheme's financial health and the last such valuation was in 2018.

The Trustee has recently received the Scheme Actuary's annual update of the funding position as at 5 April 2020. As you will be aware, investment markets have been particularly volatile over recent months due to the impact of the coronavirus pandemic. The impact of these difficult market conditions on the Scheme is that the value placed on your pension has increased (the amount of money the Trustee aims to hold in order to pay pensions and other benefits). On the other hand, the value of the Scheme's assets has fallen (the amount of money it actually holds at the moment, which it invests in various ways). The difference between these two amounts, the Scheme deficit, has increased to £26 million, compared to £20.2 million in 2018.

The table below summarises the results of the 5 April 2018 valuation, alongside the approximate funding updates as at 5 April 2019 and 5 April 2020.

| | Valuation as at 5 April 2018 | Funding update as at 5 April 2019 | Funding update as at 5 April 2020 |
|--|---------------------------------|---|---|
| Value of the Scheme's: | | | |
| • assets | £33.5 million | £34.2 million | £33.3 million |
| • liabilities (pensions and other benefits) | £53.7 million | £56.2 million | £59.3 million |
| Shortfall | £20.2 million | £22.0 million | £26.0 million |
| Funding level (ratio of assets/liabilities) | 62% | 61% | 56% |

Contributions agreed to meet the 2018 deficit

During the 2018 valuation discussions, the Trustee and Concord Limited (“ the Company”) agreed to pay two forms of contributions to the Scheme:

- **Core contributions** which are fixed in amount and payable in monthly instalments. The contributions are based on a fixed proportion of the Company’s projected future net cash flow, based on expectations at the date of agreeing the contribution schedule. The core contribution over 2020 will be approximately £248,000.
- **Cash flow sharing contributions** which are payable on an annual basis in addition to core contributions. The contributions are contingent on the actual net cash flow of the Company at the end of each preceding calendar year and can be zero in a given year.

Based on the 2018 actuarial valuation agreement and its underlying assumptions, the Scheme is expected to be fully funded with no deficit by April 2047.

The Trustee continues to closely monitor developments which might impact on the Scheme’s financial health and the Company’s ability to provide future financial support. This includes closely monitoring the impact of coronavirus on the Company. The Company has been affected by the disruption caused by the pandemic, including reduced orders, limited closures, social distancing of staff and placing some staff on furlough. The businesses do however continue to operate and new customer orders continue to be received. It is too early to tell the long-term implications of the pandemic on the Company but the trustee is working closely with the Company to manage any impact on the Scheme.

The Trustee also reviews, on a regular basis, whether any additional Company contributions could be paid to the Scheme in order to further improve the Scheme’s financial health. The first annual check of the Company’s ability to pay cash flow sharing contributions took place earlier this year. The Company had a positive year over 2019 making greater profits than forecast. However, due to the nature of the businesses, there was no increase in the Company’s net cashflow over the year meaning there was no cash available to pay an additional contribution. The Trustee will continue to monitor this.

The importance of the Company’s support

The success of the current funding plan and the ability of the Scheme to be able to provide benefits in full are reliant on the Company being able to continue to support the Scheme.

This is because:

- The funding level can fluctuate, and when there is a funding shortfall (as is currently the case), the Company will need to make contributions to the Scheme.
- The target funding level may turn out to be insufficient and if this were the case then the Company will need to make additional contributions.

It should be noted that the current contribution schedule extends until 2047 and is reliant on the Company being able to make the agreed contributions throughout the period. As you will be aware, the difficulties of the current economic environment have been exacerbated by the coronavirus pandemic and there are new challenges for the Company, in addition to the challenges that already existed in the Company’s industry. The Trustee understands this and is in regular contact with the Company in order to monitor this position.

How has the Scheme responded to the coronavirus pandemic?

The Trustee and their providers have implemented business continuity plans, and are currently working from home but continuing to operate in a very similar way to usual. This includes regular Trustee updates and meetings via conference call to assess and analyse the risks facing the Scheme and the Scheme's funding position.

Furthermore, the Trustee has worked with the Scheme's administration team to ensure that business continuity plans are implemented and the Scheme continues to operate in the same way on a day-to-day basis. The administration team has been set up to work from home where necessary and systems are in place to ensure that you continue to receive your benefits on time, and any questions you have can be answered (although please note that response times may be longer than usual).

Pension scams

The Trustee would like to draw your attention to the continued growth in "pension scam" cases being publicised by the Pensions Regulator, and to ensure that you are aware of the dangers associated with them.

Under current UK legislation the earliest age from which members of an occupational pension plan can draw their pension is 55 (with few exceptions). There has been a significant increase in the number of cases where members have been offered the opportunity to access their pension savings prior to age 55. Often these alternative arrangements are presented as pension 'loans', but ultimately they end up leaving individuals with a very high administration fee and a tax bill from Her Majesty's Revenue and Customs ("HMRC") which can be more than half the value of their pension fund.

The Trustee would urge you to be particularly vigilant if you receive such an approach, or indeed any unsolicited approach regarding your pension, and would suggest that you read the further information provided by the Pensions Regulator on its website by accessing the web-link below.

www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx

If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action.

Keeping the Scheme informed about you

It is important that the Scheme's administrators know how to contact you. Please use the contact details at the end of this Statement to let them know if you move or if there is any change in your status.

Further information about the Scheme

There are a number of documents available to you about the Scheme. If you would like a copy of any of these documents, or if you have a question about the Scheme or the information in this statement, please contact the Scheme's administrators at the address shown below. The available documents are as follows:

- *Schedule of Contributions*: This shows how much money is currently being paid into the Scheme by Concord Limited.

- *Formal Actuarial Valuation Report:* This contains details of the Actuary's check of the Scheme's financial security as at 5 April 2018 (and contains the Trustee's Statement of Funding Principles).
- *Annual Actuarial Report:* This contains details of the Actuary's most recent estimate of the Scheme's financial security as at 5 April 2020.
- *Annual Scheme Report and Accounts:* This shows the Scheme's income and expenditure over the year.
- *Statement of Investment Principles:* This explains how the Trustee invests the money paid into the Scheme.

You will also find overleaf a Q&A section that addresses some of the questions you may have about the Scheme's financial health and what the figures included in this statement mean.

Contact details

Please remember to advise the Scheme's administrators if you change address.

Concord plc Retirement Benefits Scheme
PO Box 545
Redhill
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T: 0113 390 7164

E: Concord@willistowerswatson.com

I hope that you have found this statement interesting and informative.

Best regards,

Bob Hymas (for BESTrustees Limited)

Trustee of the Concord plc Retirement Benefits Scheme

June 2020

Frequently asked questions

How is my pension paid for?

The Company pays contributions to the Scheme. In the past, active members of the Scheme also paid contributions based on a percentage of salary. All of these contributions are held in a common fund, not in separate funds for each individual member.

The contributions are invested by the Trustee with the help of professional advisers. The money built up in the Scheme through the contributions and investments are used to provide members' benefits.

What does 'winding up' mean?

Winding-up means that the Scheme would be discontinued. In this circumstance benefits would either be provided from the Scheme, run as a closed scheme, or would be secured and paid through an insurance company. This could happen if the Company went out of business or decided to discontinue the Scheme.

If this did happen, provided there are sufficient assets, the Company would have to pay enough money to the Scheme to secure all the benefits built up by members with an insurance company.

What would happen if the Scheme were wound-up and there was not enough money to pay for all my benefits?

If the Company were unable to pay sufficient money into the Scheme and became insolvent, the Trustee may apply to join the Pension Protection Fund (PPF).

The Government has set up the PPF to pay benefits to members of schemes that wind-up where the scheme and the company do not have enough money to cover the cost of securing all members' benefits with an insurer.

The pension paid from the PPF might be less than the full benefit that the member has earned, depending on their age and when their benefits were earned.

Further information is available on the PPF website at www.ppf.co.uk. Or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA

Explaining pensions

Actuary: The qualified, independent professional appointed by the Trustee who is responsible for examining the Scheme's finances and assessing the Scheme's financial health.

Actuarial valuation: An in-depth look at the Scheme's finances, carried out at least every three years by the Actuary.

Scheme's liability value: The estimated cost of providing the benefits earned to date by all the current members and those who have left the Scheme, together with the pension benefits already in payment.

Scheme's asset value: The amount of money invested and held by the Scheme.

Shortfall: If the liability value is greater than the asset value, the Scheme is said to have a shortfall or deficit.

How is the Scheme invested?

As at 5 April 2020, the Scheme was invested approximately as follows:

| | |
|-------------------------|------|
| Diversified Growth Fund | 50% |
| Government bonds | 31% |
| Corporate bonds | 19% |
| Total | 100% |

The Trustee regularly reviews the Scheme's investment strategy, taking advice as appropriate.

Can I transfer the value of my benefits to another arrangement before I retire?

This option is currently available to members. However, if you are thinking of transferring your pension benefits to another arrangement, you should speak to an independent financial adviser (IFA) before taking any action to help ensure you do not lose out. The amount available for transfer may not provide a comparable level of benefit elsewhere.