

The Sir Robert McAlpine Limited

Staff Pension and Life Assurance Scheme

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DEFINED BENEFIT SCHEME SUMMARY FUNDING STATEMENT

Dear Member

Your annual Scheme Summary Funding Statement follows below.

The Trustees manage the Pension Scheme in the interest of the Members and independently of the Employer, although its views are taken into account. The Scheme ceased accruing future benefits from 1st December 2017 and all Active Members became Deferred.

The process to select three Member Nominated Trustees took place at the end of 2023. From the 12 names nominated by the Members, Andrew Bolt and Gill Bush were re-selected as Trustees, but following Mike Anderson's decision not to seek re-selection, a new Trustee was sought. Of the remaining 10 names put forward, three were interviewed and the Trustees are pleased to announce that Joe Duddy was appointed as a Trustee with effect from 1st March 2024.

2021 Valuation

The 2021 Valuation was completed and submitted to the Pensions Regulator ("tPR") in 2023.

The Actuary carried out the three-yearly valuation of the Scheme as at 31st October 2021 and calculated a deficit of £151.2m, which represented a funding level of 78%. As part of the valuation process, a calculation is required to determine the financial position if the Scheme were to be wound up by transferring the pension obligations to an insurance company. It was estimated that there would be a deficit of £299.8m on winding up. Please note that the deficit on winding up is theoretical and its disclosure is a legal requirement, as it is our intention to maintain the Scheme as a going concern and there is no view to winding it up.

The next full actuarial valuation will be carried out with an effective date no later than 31st October 2024.

Recovery Plan

Based on the 2021 Actuarial Valuation, the Trustees and Employer negotiated a Recovery Plan which was formally agreed and signed in July 2023 and then filed with tPR. This Plan remains in place until the 2024 Actuarial Valuation is finalised and submitted, and a new Recovery Plan is then implemented.

The details of this Recovery Plan are as follows. The Employer agreed to make an initial, one-off contribution of £35.0m payable by 31st July 2023. This was paid by the due date. No further contributions are payable until July 2025, when it will resume at £6.35m per annum increasing to £15.1m per annum by 2029. A final payment is due at the end of May 2030, by which time the Recovery Plan estimates that the deficit will be eliminated. In addition, the Employer also agreed to pay £1.25m per annum to cover Scheme costs.

The Employer continues to provide £28m of security which the Scheme can access if the Employer fails to maintain its contributions. There is also a Distribution Sharing Mechanism, which means beyond a certain value and up to a set cap, distributions made by any of the Employers to the shareholders will require an equal sum to be paid into the Scheme.

Updated Actuarial Review

The 2023 Actuarial Review (31st October 2023) showed the Scheme's deficit to have fallen to £70.1m, which represents 82% of the funding level. For 2023, changes in yields and inflation have significantly reduced the liabilities and although this was partly offset by falls in asset values (since a high proportion of the liabilities are hedged), the net effect was a material reduction in the deficit. Also, a dividend matching payment of £21m was paid and, per the Recovery Plan as noted above, the Employer made the £35m contribution.

Assets and Investments

The portfolio of assets (including hedging) is structured in order to protect the Scheme against significant market movements and to provide sufficient investment income as and when the liabilities crystallise.

Asset values have fallen from £528.5m to £320.0m, but much of this reduction relates to hedging which is offset by the fall in liabilities.

Impact of Recent Economic Volatility

The long-term effects of the Covid-19 pandemic and its aftermath, the war in Ukraine and the economic turmoil in 2022 continue to impact the Scheme but are being closely monitored and managed. Being a defined benefit scheme where benefits are based upon salary (while being a Member of the Defined Benefit Section of the Scheme) and length of service, such market volatility does not affect your pension calculation.

Pension Protection

The fact that there remains a shortfall at the last Valuation has not affected the pensions paid by the Scheme. All retired Members still receive the full amount of their pensions.

However, if the Scheme were to be wound up, the amount of the pension built up may not be paid in full because the cost of securing your benefits with an insurance company may exceed the assets that the Trustees hold to provide your benefits on an ongoing basis. Such a situation is not anticipated and even though funding may temporarily be below target, benefits will continue to be fully paid.

The Government has set up the Pension Protection Fund (“PPF”) to pay benefits to Members if the Employer becomes insolvent and the Scheme is also wound-up. Under these circumstances, the PPF might be able to take over the Scheme, but payments may be less than the benefits you had built up in the Scheme.

Further information and guidance is available on the PPF website at: www.pensionprotectionfund.org.uk

Or you can write to the Pension Protection Fund at:

12 Dingwall Road
Croydon
Surrey CR0 2NA

Additional Information

We must tell you if the Employer has taken any money out of the Scheme in the last 12 months or if tPR has used any of its powers to modify the Scheme, give directions on the Valuation or impose a Schedule of Contributions. We can confirm that none of these has occurred.

Data Protection Act Fair Processing Notice

As Trustees of the Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme, we act as data controllers of your personal data for the purpose of the Data Protection Act 1998.

As data controllers, the Trustees and Scheme Actuary have a duty to keep your data safe. We take all reasonable steps to ensure that this is the case but if you have any questions about how your information is used or kept secure, please contact the Trustees at the above address. Where relevant, we will pass your questions on to the Scheme Actuary on your behalf.

Contact Details

If you have any questions or require further information on the Scheme, please email k.pearson@srm.com.

Each year (subject to actuarial valuation timings) the Trustees will send you a Summary Funding Statement, like this one, so if you change address, please let us know so that we can update our records.

Additional formal documents available on request include:

Annual Report and Accounts of the Scheme - shows the Scheme's annual income and expenditure.

Statement of Investment Principles - explains how the Trustees invest the assets.

Actuarial Report - contains details of the actuary's check on the latest Scheme funding position.

Schedule of Contributions – agreed contributions to be made by the Employer as part of the Recovery Plan.

Issued for and on behalf of the Trustees of The Sir Robert McAlpine Limited Staff Pension and Life Assurance Scheme.