QinetiQ Pension Scheme

2021 Summary Funding Statement

This Statement helps you understand more about the Scheme's finances. In particular, it confirms that the Scheme is ahead of its funding plan.

You'll find details of the financial position of the Scheme as at 30 June 2021 and a comparison with the financial position for each of the previous two years.

Working out the funding position

For a defined benefit scheme like the QinetiQ Pension Scheme, a single fund exists for the benefit of all its members. The Trustee agrees a funding plan with the Company to ensure there is sufficient money to pay for pensions now and in the future. An actuarial valuation is carried out every three years to determine how much is needed to cover the benefits earned by members.

Before the valuation results are calculated, a number of assumptions are agreed between QinetiQ and the Trustee on economic conditions, investment returns, inflation, life expectancy, etc. The valuation compares the Scheme's assets with the present value of its liabilities (i.e. benefits payable) calculated using the agreed assumptions. Whenever the value of the Scheme falls short of the corresponding value of the liabilities, the Scheme has a funding deficit. Conversely if the assets exceed the liabilities, the Scheme has a funding surplus.

The last valuation results

The actuarial valuation of the Scheme as at 30 June 2020 disclosed a funding surplus of £176.5 million.

Following discussions between the Trustee and the Company, it was agreed that QinetiQ will make payments to the Scheme as follows:

- The cost of any augmentations to benefits;
- Contributions for members of the 2013 Defined Contribution (DC) Section as required under the rules until the end of March 2021 when accrual of DC benefits switched to the Mercer Master Trust (MMT);
- Asset Backed Funding arrangements at the agreed amount of £2.8 million per annum (as at June 2020) increasing by the Consumer Price Index; and
- Pension Protection Fund levies to the extent that they exceed £1 million over the period covered by the Schedule of Contributions.

The Pensions Regulator has powers to direct matters affecting the funding of the Scheme in certain circumstances. No such directions have ever been made in relation to the Scheme.

No payments have been made to the Company out of Scheme funds.

Changes in the funding position since the previous statement

The table below summarises the updated funding position at June 2019, June 2020 and June 2021:

	June 2019	June 2020	June 2021
Assets	**£2,118m**	**£2,383m**	**£2,288m**
Liabilities	**£1,990m**	**£2,206m**	**£2,091m**
Surplus	**£128m**	**£177m**	**£197m**
Funding level (% of assets / liabilities)	**106%**	**108%**	**109%**
Solvency level (estimate of funding level if the Trustee was required to buy insurance policies immediately to pay the liabilities)	**80%**	**84%**	**86%**

Since the valuation at 30 June 2020 the Scheme's technical provisions funding level has improved and the surplus has increased by around £21 million. The increase in surplus is primarily due to the strong returns on growth assets. This was slightly offset by the effect of buying a bulk annuity policy from Legal & General to cover pensions arising from recent retirements.

What if the Scheme had to wind up?

Although there are no plans to wind up the Scheme, we are required by law to let you know the Scheme's financial position if this were to happen.

On wind up, the Trustee would probably secure all members' benefits with an insurer. The comparison of the cost of securing benefits with an insurer is the 'buy out' or 'solvency' level. The estimated solvency level at June 2021 was 86%. This means that the amount needed, in addition to the Scheme assets, to secure all benefits as at June 2021 with an insurance company was approximately £388 million.

In 2017 the estimated solvency level was 68% and, as you would expect, the Trustee is very pleased with the progress made since then, which is largely due to the strong asset returns relative to the cost of annuities over the period.

Why does the funding plan not call for full solvency at all times?

The full solvency position assumes that members' benefits will be secured by buying insurance policies. Once the insurer has collected the premium, it is not able to seek additional premiums if its pricing turns out to be too optimistic and so it includes significant margins against future adverse experience. For as long as the Scheme **is** able to seek further contributions from the Company in the event of adverse experience, it is appropriate to include margins that are prudent but not as large as the margins in the corresponding insurance premiums.

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The Pension Protection Fund (PPF)

As a member you may worry about the security of your pension. The PPF was set up in April 2005 to protect your pension benefits. It has been set up as a type of 'compensation scheme' where an annual levy must be paid by all defined benefit schemes (including this Scheme). The PPF will pay a limited amount of compensation to members if an employer becomes insolvent and its scheme has insufficient money to pay a specified fraction of members' benefits. However, any payments will generally be less than the full amounts due. Further information can be found on the PPF website at **www.ppf.co.uk** or email **information@ppf.co.uk**

COVID-19

COVID-19 has caused disruption to economic activity and in turn, the valuation of Scheme's assets and liabilities. The Trustee is working with their advisers and the Company to ensure the continued smooth running of the Scheme and its investments.

What should I do with this information?

It is intended that you use this information to monitor the funding level of the Scheme from year to year so you can decide whether your benefits are sufficiently secure. Any member considering transferring their benefits to another registered scheme is now obliged to seek independent financial advice before deciding to do so. For a list of independent financial advisers go to **register.fca.org.uk**

What next?

The next formal actuarial valuation of the Scheme is due at 30 June 2023.

Where can I get further information?

If you have any other questions on the actuarial valuation, or would like further information about the Scheme, please email the administration team at **QinetiQ@buck.com**

Pension scams

Pension scams are on the increase – don't let a scammer enjoy your retirement.

Here are four simple steps to protect yourself from pension scams:

1. Reject unexpected offers;
2. Check who you're dealing with;
3. Don't be rushed or pressured; and
4. Get impartial information and advice.

To find out how to protect your pension, visit: **www.fca.org.uk/scamsmart**