Summary Funding Statement for the period ended 31 December 2020

Introduction

The Trustees of the Standard Life Staff Pension Scheme (the Scheme) regularly write to you as members to give an update on the Scheme's funding position; this is also a legal requirement. This latest statement, which is known as the Summary Funding Statement, provides you with an indication of how the Scheme's funding position has developed during the period 1 January 2020 to 31 December 2020. This Statement provides you with a rolling illustration of the fluctuating funding position. This year's Statement includes the position of the most recent Full Actuarial Valuation as at 31 December 2019 as well as the updated position as at 31 December 2020 which has been derived by rolling forward the position at the last Full Actuarial Valuation as at 31 December 2019. The Trustees are required by law to conduct a Full Actuarial Valuation as at a date, every 3 years. The next Full Actuarial Valuation is scheduled to take place as at 31 December 2022.

Christopher Wheeler, BESTrustees plc
Chairman of the Trustees

How does the Scheme work?

Following closure of the Scheme to future Defined Benefit accrual, with effect from 16 April 2016, there are no future service contributions payable by the Company (or by employees) in respect of that section of the Scheme. However, the Company is still required to provide financial support and pay into the Scheme if the funding position would require this and also, where applicable, to meet ongoing Scheme running costs. This Summary Funding Statement only provides information on the Defined Benefit part of the Scheme - it does not cover any Defined Contribution benefits you might have. Information on any Defined Contribution benefits can be found on the Member Hub, at "Information on Scheme Investments" https://www.slsps.co.uk/slsps/information-on-scheme-investments.page

What is the funding position and how did it change during 2020?

At the Actuarial Valuation as at 31 December 2019, the Scheme's funding position (the value of the assets expressed as a % of the value of the liabilities) was 140%. This is an updated figure from last year's summary funding statement as the Trustees have now concluded the Full Actuarial Valuation as at 31 December 2019 with new member data and updated assumptions (see the next section for further details of the valuation process). Over 2020, the Scheme's funding position increased to 149% as at 31 December 2020. This further improvement in the funding position is largely due to positive investment performance and changes in market yields.

	Actuarial Valuation as at 31 December 2019	Actuarial Update as at 31 December 2020
Assets (A)	£4,614m	£5,246m
Liabilities (L)	£3,295m	£3,515m
Surplus or (Deficit) (A-L)	£1,319m	£1,731m
Funding level (A/L)	140%	149%

The figures in the table above allow for a Scheme expense reserve, which was set at £63m at the Valuation as at 31 December 2019 (and subsequent 31 December 2020 update). This is an estimate of the amount required to cover all future expenses of running the Scheme.

Trustee and Me

How do the Trustees know what the liabilities are and decide how much money is needed?

Every three years, the Scheme Actuary must carry out a full financial review of the Scheme - known as an Actuarial Valuation. The most recent completed valuation looked at the position as at 31 December 2019. The Scheme Actuary makes assumptions about the amount of each member's future pension payments and about how long each pension is likely to be in payment. They then sum up these future payments, using an appropriate discount rate, to estimate the value of the Scheme's benefits both now and in the future. This indicates how much money is needed to pay members' benefits. This amount is usually referred to as the Scheme's liabilities or technical provisions.

The Scheme Actuary then makes a calculation to assess any shortfall or surplus of the Scheme's assets over the liabilities; if a shortfall is identified, the Trustees and Company will agree what additional contributions are required to eliminate the shortfall. Since the Scheme closed to accrual on 16 April 2016, no more contributions are required to meet the cost of new benefit accruals. Any Company contributions due to the Scheme will be paid by Standard Life Employee Services Limited ("the Company").

As at 31 December 2019, the Scheme had a surplus (i.e. the assets exceeded the technical provisions), and so no regular contributions were required to be paid between then and the next scheduled Actuarial Valuation as at 31 December 2022.

The Trustees are currently targeting a funding model known as "self-sufficiency". This means that the Trustees are committed to holding an appropriate buffer above the technical provisions for security against longevity risk, hedging risk and market volatility. This buffer also provides the Trustees with the opportunity to grant discretionary pension increases. This target is expected to be achieved by excess investment returns since no company contributions are payable whilst the Scheme is in surplus.

Under certain circumstances and within certain parameters, the Trustees have sole discretion over setting discretionary pension increases to pensions in payment within the calculation of the liabilities. The discretionary increases under any other circumstance will require the consent of the Company.

Between Valuations, the Scheme Actuary prepares annual Actuarial Reports and Actuarial Updates, which are based on the assumptions used in the previous full Actuarial Valuation but updated for market conditions. The current estimate of the funding position as at 31 December 2020 reflects the 2019 Actuarial Valuation assumptions.

What Company contributions were paid into the Scheme?

Over the year 1 January 2020 to 31 December 2020, as the Scheme was in surplus and closed to future accrual, no contributions were required to be paid. This is in line with the Schedule of Contributions in force during the year. There was no payment to the Company out of the Scheme funds during the period and there are no proposals for any such refund.

The Scheme's assets are invested by Standard Life Investments Limited ("SLIL") on behalf of the Trustees in a strategy which primarily aims to match the liabilities of the scheme with gilts. The Trustees have given SLIL the objective of increasing the value of the investments at a rate of 1.5% above the growth in liabilities each year, subject to acceptable levels of risk. The combination of past contributions plus investment income and growth is intended to be sufficient to pay the promised benefits. These investments are held in a common fund; separate funds are not allocated to you as an individual.

During the year to 31 December 2020, business as usual Scheme expenses, pension industry levies, and other fees for the Defined Benefit part of the Scheme were all met by the Scheme as there were sufficient excess funds available for this purpose in addition to the estimated amount of assets required to provide members' benefits.

What is meant by “the IAS 19 Funding Position” and is it relevant?

You may have seen reference in Standard Life Aberdeen’s group accounts to the “IAS 19 Funding Position”. This is an accounting measure by which Standard Life Aberdeen is required to express its pension Scheme liabilities in the accounts. It is not the same as the prudent basis upon which the Trustees’ funding strategy is based.

What happens if the Scheme cannot continue?

Please note that there is no intention to wind up the Scheme but we are required by the Pensions Act 2004 to give you this information.

The current financial position assumes that the Scheme will continue with the ability to call on the Company’s support if necessary. There are strict rules which prohibit the Company from withdrawing its financial support of the Scheme whilst it can afford to do so. In the event that the Company was no longer able to support the Scheme because it had become insolvent, the Trustees would have to consider two options:

1. Continuing the Scheme without the Company’s support

No new contributions would be paid, but pensions would continue to be paid.

2. Winding up the Scheme

If the Scheme were to start to wind up, the participating employers would by law be required to pay enough into the Scheme to enable members’ benefits to be completely secured with an insurance company. As these policies have guarantees, they are more expensive than providing benefits from the Scheme. The Scheme Actuary estimated in the latest Full Actuarial Valuation as at 31 December 2019 that the Scheme had a surplus of £574m if the Trustees were required to buy insurance policies and so that on this “buy-out” basis, the Scheme was 114% funded.

The Scheme Actuary has stated that, in his opinion, the funding position was such that the Pension Protection Fund would not have been required to assume responsibility for the Scheme had it wound-up as at 31 December 2019.

Additional documents available

Additional documents which provide more information on the Scheme can be found on the Member Communication Hub - **www.slsps.co.uk**. This statement and previous versions of the Summary Funding Statement are also available on the Hub.

Trustee and Me

How can I get more information?

You can ask for copies of the Actuarial Report and the Statement of Funding Principles or the most recent Actuarial Valuation or the annual scheme accounts by writing to:

Mr Stephen Davidson,
Secretary to the Trustees of the Standard Life Staff Pension Scheme
Aon
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

or by e-mail to: **standardlifetrusteesecretarialmailbox@aon.com**

Issued for and on behalf of the Trustees
June 2021

Standard Life

SLSPS_SFS 0621
SCOZ0621716460-001