Summary Funding Statement for the period ended 31 December 2018

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 2018 to 31 December 2018. We have also provided you with a three-year rolling illustration of the fluctuating funding position going back to 31 December 2016. This includes the position at the last Full Actuarial Valuation as at 31 December 2016.

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. There is no requirement to provide a similar statement for Defined Contribution benefits; however, those benefits have their own statutory reporting requirements which are addressed separately.

What is the funding position and how did it change during 2018?

At the Actuarial Valuation as at 31 December 2016, the Scheme's funding position (its ability to pay benefits on an ongoing basis) was 117%. The Actuarial Report as at 31 December 2017 showed that the Scheme's funding position had increased to 121%. The latest Actuarial Report as at 31 December 2018 reports that the Scheme's funding position has now increased to 122%. The increase in funding position over the year to 31 December 2018 is partly due to investment returns outperforming the increase in the value of the liabilities. In addition, a significant number of transfer values were paid from the Scheme over the year and this has also helped to improve the funding position.

	Actuarial Valuation as at 31 December 2016	Actuarial Report as at 31 December 2017	Actuarial Report as at 31 December 2018
Assets	£4,931m	£4,521m	£4,244m
Estimated amount required to provide benefits	£4,215m	£3,731m	£3,469m
Surplus/(Deficit)	£716m	£790m	£775m
Funding level	117%	121%	122%
The figures in the table above allow for Scheme expense reserve, which was £47m as at 31 December 2016, 2017 & 2018.			

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 valuation looked at the position as at 31 December 2016. 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. He then sums 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. The Scheme Actuary will also calculate the contributions required to meet the cost of future benefits accruing in the Scheme. However, since the Scheme closed to accrual on 16 April 2016, there won't be any contributions required to meet the cost of future benefit accrual. Any employer contributions due to the Scheme will be paid by Standard Life Employee Services Limited, Standard Life Investments Limited and SL Capital Partners LLP ("the Company").

As at 31 December 2016, 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 Actuarial Valuation as at 31 December 2019. The Trustees will begin the preparatory work for the 2019 Valuation in the latter part of this year.

The Trustees are 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 standard market volatilities and to provide 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, which are based on the assumptions used in the previous full Actuarial Valuation but updated for market conditions. The current Actuarial Report (as at 31 December 2018) reflects the 2016 Actuarial Valuation assumptions.

What Employer contributions were paid into the Scheme?

Over the year 1 January 2018 to 31 December 2018, 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 any participating employer out of the Scheme funds during the period and there are no proposals for any such refund.

The contributions paid into the Scheme are invested by Aberdeen Standard Investments (ASI) Limited on behalf of the Scheme in a strategy similar to the Global Absolute Return Strategy (GARS). The Trustees have given ASI 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 and future 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 2018, 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 including the contributions payable to the Scheme as agreed with the Company.

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 Actuarial Valuation as at 31 December 2016 that an additional £290m would be required to buy insurance policies and so that on this "buy-out" basis the Scheme was 94% funded. These figures reflect only the guaranteed benefits being secured (i.e. excludes discretionary benefits). If the discretionary benefits were also to be secured, the estimated shortfall increases to £1,404m as at 31 December 2016, which represents a funding level of 78%.

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 2016.

Additional documents available

Additional documents which provide more information on the Scheme can be found on the Pensions 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@aonhewitt.com**

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Standard Life

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