RNIB

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RNIB Retirement Benefits Scheme
Grimaldi Building,
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24 October 2023

Dear Member,

RNIB Retirement Benefits Scheme (“the Scheme”) Summary Funding Statement

Introduction: why you should read this letter

The Summary Funding Statement is a way of letting you know our Scheme’s financial position. This letter relates only to the 'defined benefit' (final salary) part of the Scheme where the Scheme Trustees are responsible for the investment of your contributions. It does not relate to the ‘defined contribution’ part of the Scheme. This statement reports the results of the Scheme's actuarial valuation at 31 March 2023 together with how the funding position has changed since the previous approximate update provided by the actuary at 31 March 2022.

As Trustees, we are responsible for monitoring the Scheme’s financial health and reporting its financial position to members. The Pensions Act 2004 introduced some new requirements for trustees and employers working together to maintain the financial health of their scheme.

Some terms explained.

Here is an explanation of some of the technical pensions terms used in a Summary Funding Statement:

The Scheme's investments, bank balances and amounts of money owed to it are its **assets**. Everything the Scheme owes now and into the future – that is, the benefits it is due to pay, plus fees and running costs – are its **liabilities**.

Schemes undergo a regular financial "health-check" called a **valuation**, in respect of benefits which are based on a member's pensionable service and final pensionable salary, known as defined benefits or final salary benefits. The valuation is based on these benefits only and does not look at benefits which will be calculated at the point they are drawn based on the value of a member's invested 'pot', known as defined contribution or money purchase benefits.

When the valuation is performed, the assets are divided by the liabilities to find the **funding level** – which is normally shown as a percentage. So, if the assets and liabilities were equal, the Scheme's funding level would be 100 per cent.

If the Scheme does not currently have enough assets to meet its liabilities, it has a **deficit**. If it has more than enough assets to meet the liabilities, it has a **surplus**.

Winding up (where the Scheme ceases to exist) is a process where a scheme's trustees liquidate the scheme's assets and secure the liabilities of the scheme members, usually with an insurance company, and the scheme ceases to exist. This process is different to closing a scheme to new members or future accrual; here the scheme continues but with a different benefit structure.

Comparing assets and liabilities

The Scheme's liabilities are mainly benefits due in the future, and the values of the various different assets we hold to meet the benefit liabilities change day by day. So, to carry out the valuation, the actuary has to make assumptions about how things might change for the Scheme and for the economy as a whole. These include:

- how long members will live after they retire, which is the length of time the Scheme must pay them a pension.
- what investment growth will be in the future, which affects how the Scheme's assets grow?
- what the rate of inflation will be in the future, which is a factor that influences how much pay rises and what pension increases will be.

The valuation results tell us the amount of assets the Scheme needs in order to cover the benefits members have already earned. Once we have this information, we can draw up an action plan for funding the Scheme in future. This includes agreeing the schedule of contributions with RNIB and dealing with any deficit the valuation may have shown.

The Defined Benefits section of the Scheme closed on 31 March 2019; therefore, members no longer accrue new benefits in this section going forwards and member contributions are no longer needed to fund these benefits.

Looking at different situations

In an “ongoing” valuation, the actuary assumes that the Scheme will continue in its present form. This includes the cost of paying benefits now and in the future. The costs can be spread over future years and the actuary can allow for investment growth. The ongoing valuation is the basis used for the figures in the Summary Funding Statement.

In a “discontinuance” valuation, the actuary works out what the Scheme’s liabilities would be if the Scheme were to be wound up on the valuation date. In accordance with legislation, the actuary has to estimate the cost of buying insurance policies to provide the benefits. This is called the “full solvency” position. The amount needed for full solvency is likely to be much larger than the assets of the Scheme. This is partly because insurance companies have to invest in “low risk” assets, which are likely to give low returns. Also, insurance companies’ prices include their costs and profits. Even if a Scheme is fully funded on an ongoing basis, the discontinuance funding level is likely to be less than 100 per cent.

Just to reassure you, it is important to note that RNIB has no intention of winding up the Scheme, but this information is required by law to be included in this statement.

Actuarial valuation as at 31 March 2023

The table below shows the results of the formal 31 March 2023 actuarial valuation.

Narrative	31 March 2023 £m
Scheme assets	£185.8 million
Scheme liabilities	£185.6 million
Surplus/(Deficit)	**£0.2 million**
Funding level	100%

Your last statement provided an approximate update at 31 March 2022 and showed a funding level of 102% at that date. The Scheme’s assets were £285.8 million and the Scheme’s liabilities were £279.0 million. This approximate update was based on the results of the 31 March 2020 valuation rolled forward to 31 March 2022.

The funding level fell between 31 March 2022 and 31 March 2023 because of investment returns that led to a fall in the value of the Scheme's assets. The very significant fall in assets was almost entirely offset by an equivalent fall in the Scheme's liabilities over the same period, because of changes in financial market conditions and recent Scheme experience reflected in the actuarial valuation as at 31 March 2023,

If the Scheme had been discontinued at the most recent valuation date (31 March 2023), the deficit would have been £42.9 million, equal to a funding level of 81%. An updated discontinuance funding level will be calculated at the next formal actuarial valuation (31 March 2026). We need to work out this figure to understand the Scheme's financial health, but again, **it is important to note that RNIB has no intention of winding up the Scheme, but this information is required by law to be included in this statement.**

RNIB's contributions

Given the Scheme was in surplus as at 31 March 2023, no deficit contributions are required from RNIB at this time. As part of the 2023 valuation agreement, the Trustees and RNIB agreed that a funding test will be carried out on 31 March each year from 31 March 2024 to 31 March 2026. If a funding test reveals a deficit, then RNIB would be required to pay additional contributions of £208,333 per month for a subsequent 12-month period, or until the deficit is cleared, if earlier.

Contributions to meet the Scheme's expenses, its death in service insurance premiums and Pension Protection Fund and other statutory levies will continue to be paid by RNIB.

We are pleased to report that the Pensions Regulator has not needed to use any of his powers to give directions on the calculation of technical provisions or a recovery plan period, impose a schedule of contributions, or modify the benefits that will accrue in the future under the Scheme.

Looking to the future

The Scheme's next formal actuarial valuation is due as at 31 March 2026. However, the Trustees continue to monitor the funding position between formal actuarial valuations.

Winding up

Should the Scheme start to wind up (come to an end), then even if it is fully funded under our funding plan, you might not get the full amount of pension you have built up. In this situation, RNIB has to pay enough for the Scheme to secure members' benefits with an insurance company if it can. In the event of RNIB's insolvency and the Scheme being less than fully funded at that time, the

Pension Protection Fund would pay compensation up to specified levels (although these are less than full Scheme benefits in some areas).

Once again, it must be stressed that RNIB has no intention of winding up the Scheme, this information is included as it is a statutory requirement.

Payment to RNIB

There have been no payments to RNIB out of Scheme funds since we last wrote to you reporting the Scheme's funding position at 31 March 2022.

Yours sincerely

Andrew Evans
Chairman of the Trustees of the RNIB Retirement Benefits Scheme

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Document ends.
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