

# Northern Bank Pension Scheme

## Summary Funding Statement (as at 31 December 2022) from the Scheme's Trustee

As a member entitled to benefits from the Northern Bank Pension Scheme ("the Scheme"), we are writing to give you an update of the Scheme's funding position as at 31 December 2022. The Scheme's Trustee is required to provide a statement like this once a year, to give you updated information about the Scheme.

### Valuing the Scheme

A formal valuation of the Scheme was carried out on 31 December 2021 and this Summary Funding Statement gives you an update of the Scheme's progress to 31 December 2022 (subsequent developments are not reflected in the figures). This showed that the funding position of the Scheme at 31 December 2022 was as follows:

Scheme assets	£886 million
Assets needed to provide benefits	£861 million
Surplus assets	£25 million

As the Scheme was in surplus at the 2021 formal valuation, there is no requirement for any shortfall contributions to be paid by the Bank.

### Change in funding position

The above figures continue to show the Scheme in surplus, with a funding level of 103%, at 31 December 2022. For comparison purposes, the corresponding funding level at the formal valuation date of 31 December 2021, was 105%.

When the Trustee works out how much money they need to set aside now to meet accrued pensions in future (i.e. the Scheme liabilities), they assume that the Scheme's assets will generate an investment return in future. This assumed investment return is linked to the yield on a government bond, and is also set cautiously.

During 2022, the yield on government bonds rose substantially, meaning that the amount of money the Scheme needs to hold now (i.e. the Scheme liabilities) is a lot lower than it was at the start of 2022. However, the Scheme holds a sizeable proportion of assets which are also impacted by the change in gilt yields. As gilt yields rose substantially over 2022, which meant that the price of government bonds fell, so too did the value of the Scheme's assets. The Scheme's hedging strategy meant that the value of the Scheme's liabilities and the value of the Scheme's hedging assets fell by a similar proportion, which would have meant that the Scheme's funding level would have been maintained.

However, in addition to the fall in the value of hedging assets, other asset values fell including corporate bonds, equities and property assets that the Scheme was invested in during 2022. This meant that the value of assets fell further than the value of the Scheme's liabilities thereby reducing both the Scheme's funding level and surplus.

The next formal funding valuation of the Scheme is due at 31 December 2024 with a further annual actuarial update due as at 31 December 2023. In the meantime, the Trustee continues to monitor the funding position of the Scheme on an informal basis (as discussed below).

### Solvency position

As part of the formal valuation, an estimate was made of the additional money that the Bank would be required to pay into the Scheme to secure members' benefits with an insurance company. This might be required if, for example, the Scheme were to be wound up. The Trustee is required by law to provide you with this information - it does not mean that there is any intention of winding up the Scheme.

If the Scheme had been wound up on 31 December 2022, it is estimated that an additional £65 million would have been needed to ensure that all members' benefits could have been paid in full. At the previous assessment on 31 December 2021, this figure was £145 million. This reduction in the solvency deficit is as a result of the combined impact of increased gilt yields and the reduced cost of insurance policies.

### Payments to the Bank

There have not been any payments to employers from the Scheme's assets since we sent you the last Summary Funding Statement (again, the Trustee is required by law to provide you with this information).

### The Pensions Regulator's powers

The Pensions Regulator can change the Scheme, give directions about working out liabilities or impose a schedule of contributions to be paid to the Scheme. The Trustee is pleased to say that the Pensions Regulator has not needed to use its powers in this way for the Scheme.

## Where can I obtain more information?

If you have any other questions, or would like any more information, please contact:

Scheme Secretary  
Northern Bank Pension Trust Limited  
c/o WTW  
Watson House  
London Rd  
Reigate  
RH2 9PQ  
E-mail: [Northern.Bank.PS@wtwco.com](mailto:Northern.Bank.PS@wtwco.com)  
Website: [www.northernbankpensionscheme.co.uk](http://www.northernbankpensionscheme.co.uk)