



# Bank of America UK Retirement Plan

## Annual Actuarial Report as at 31 December 2020

April 2021

# Annual funding update as at 31 December 2020

## Introduction

This is the annual actuarial report required by legislation.

Its purpose is to provide an approximate update of the assets and **technical provisions** of the Plan.

This update is intended to be used by the Trustee as the basis of the summary funding statement provided to members.

A copy of this report must be made available to the sponsor within seven days of receiving it and to members within two months of request.

Technical Provisions  
At 31 December 2020

Funding level

**111%**

Compared to

At 31 December 2018

Funding level

**108%**

Technical Provisions  
At 31 December 2020

Surplus

**£182M**

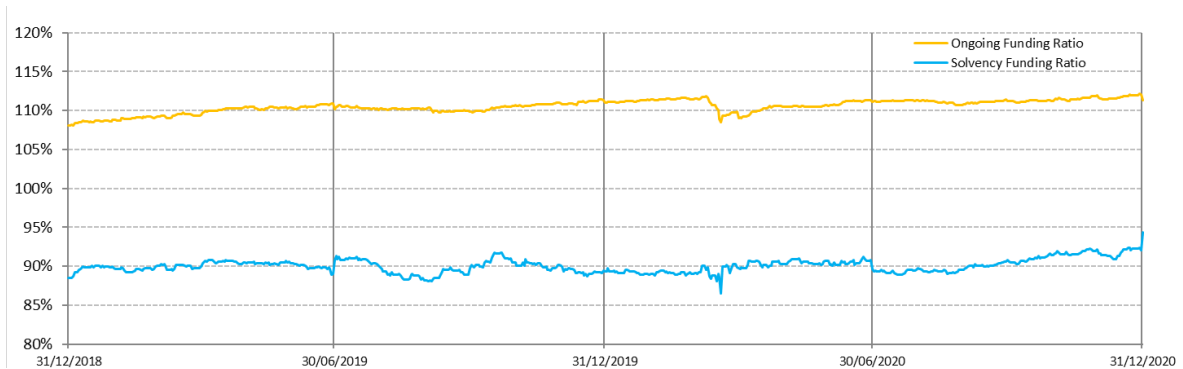
Compared to

At 31 December 2018

Surplus

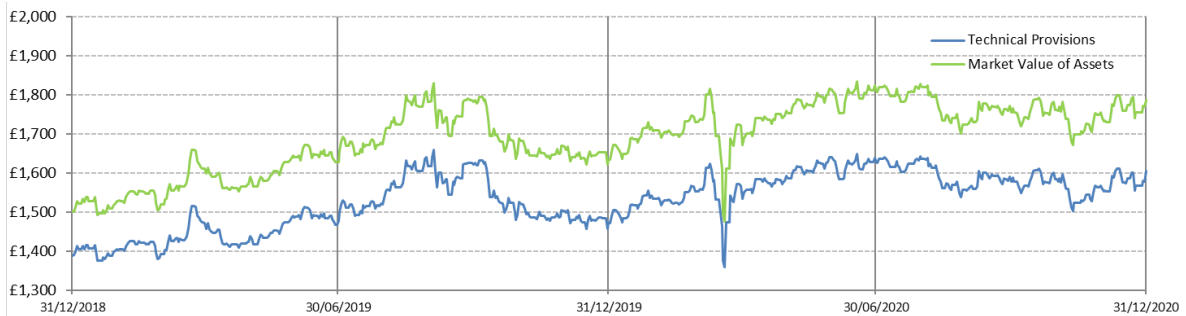
**£113M**

## Funding level change since the valuation at 31 December 2018



## Asset and liability changes since the valuation at 31 December 2018

Values in £1,000,000

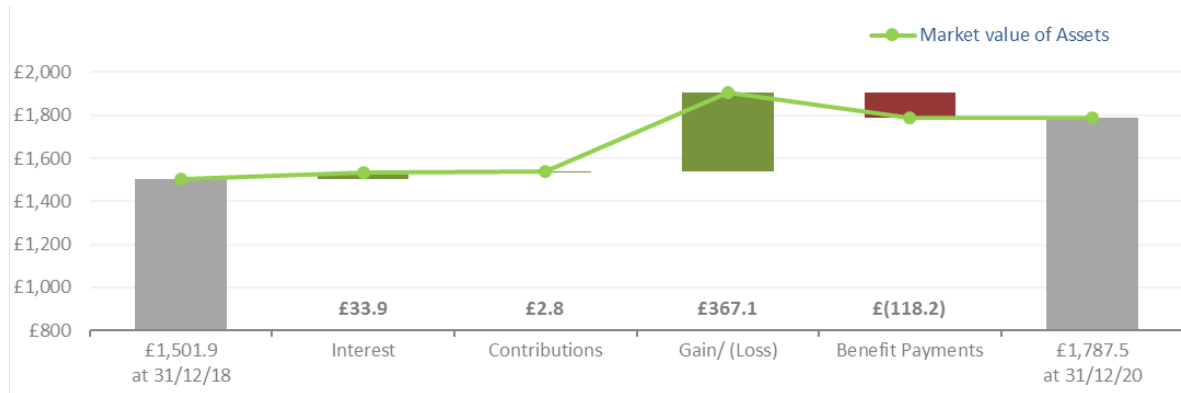


## Analysis

### Reasons for change since 31 December 2018

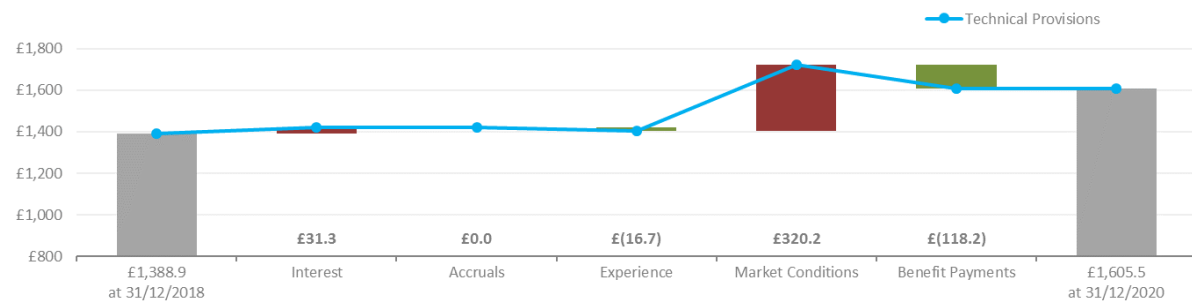
#### Asset attribution

Values in £1,000,000



#### Liability attribution

Values in £1,000,000



The funding position on the technical provisions basis has improved between 31 December 2018 and 31 December 2020. The main reasons for this are that:

- Returns on the Plan's assets over the period have been higher than assumed in the assumptions underlying the technical provisions at 31 December 2018.
- The Plan's overall experience over the period in respect of transfer values, salary increases, pension increases, and other membership movements has been favourable from a funding perspective.

The improvements in the funding position have been partly offset by the significant decrease in gilt yields, and by a change in the assumed difference between future RPI inflation and CPI inflation, which have increased the liabilities.

## Solvency Funding Level

For the purpose of the updated solvency liabilities as at 31 December 2020, I have updated the key financial assumptions to reflect changes in the bulk annuity market since 31 December 2018.

### Solvency funding

At 31 December 2020

Funding Level

94%

Compared to

At 31 December 2018

Funding level

89%

### Solvency funding

At 31 December 2020

Deficit

(£107M)

Compared to

At 31 December 2018

Deficit

(£198M)

## Summary of Results

	31 December 2020	31 December 2019	31 December 2018
<b>Value of technical provisions (£M)</b>	1,605.5	1,473.2	1,388.9
<b>Market value of assets (*unaudited) (£M)</b>	1,787.5*	1,635.0*	1,501.9
<b>Funding surplus (deficit) (£M)</b>	182.0	161.8	113.0
<b>Funding ratio</b>	111%	111%	108%
<b>Solvency liability (£M)</b>	1,912.9	1,865.5	1,721.9
<b>Solvency assets (*unaudited) (£M)</b>	1,805.8	1,666.8*	1,524.4
<b>Solvency deficit (£M)</b>	(107.1)	(198.7)	(197.5)
<b>Solvency ratio</b>	94%	89%	89%

## Background information

### Membership Data

The calculations for this update have been based on membership data supplied by Capita at 31 December 2020. Where full up-to-date data was not available, I have used appropriate approximations or adjustments to the data from the previous valuation, as described below. This data has also been summarised in Appendix 1.

The following approximations have been made in relation to the data used:

- For the insured pensions in payment for members of the former SNC and SGH schemes who retired before 1 April 1997, I have increased the elements of their pensions in payment as at 31 December 2018 with the relevant fixed increases.
- For Blackrock members, increases in pensionable salary are subject to a cap linked to RPI inflation. I have taken a prudent approach by assuming that previous increases to pensionable salary have been in line with the cap.

I have carried out some general checks to satisfy myself that:

- The information used for this update is sensible compared with the information used for the valuation at 31 December 2018.
- The results of this update can be traced from the results of the valuation as at 31 December 2018.

However, the results in my report rely entirely on the accuracy of the information supplied or the reasonableness of the approximations made. If you believe the data used may be incomplete or inaccurate, please let me know.

### Method

The funding update is consistent with the technical provisions calculations for the formal actuarial valuation as at 31 December 2018. The assumptions used have been modified only insofar as is necessary to maintain consistency with the Statement of Funding Principles (SFP), reflecting the change in the effective date and in relevant market conditions.

It does not reflect any changes to assumptions which would be made if a full actuarial valuation were to be carried out to reflect, for example, changes to the covenant of the sponsoring employer, investment strategy or economic outlook.

This update is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.

### Making decisions

You should not rely on this update when making any decision about scheme funding or the investment strategy, without first talking to me.

## Assets

For the technical provisions, I have used a market value of £1,787.5M as at 31 December 2020 which has been derived as:

- The value of the Plan's invested assets (excluding AVCs and DC investments, which are invested separately) which was £1,379.3M.
- The value of the cash held within the Plan's bank balance in respect of final salary liabilities which was £13.8M at 31 December 2020.
- The value of bulk annuities purchased by the Trustee to match certain pensions in payment. These were valued at £394.4M at 31 December 2020 and I have included this in the value of the assets and liabilities for the purposes of this update.

There is a slight mismatch between the insured assets and liabilities, as the insured asset does not reflect:

- The 2019 discretionary pension increase.
- The cost of GMP equalisation.

However, as the mismatch is small in the context of the valuation, we have taken a pragmatic approach and assigned the same value to the insured assets and the insured liabilities in this respect.

## Project Osprey

The members affected by Project Osprey are entitled to deferred benefits rather than active benefits. However, it was agreed that their benefits would be augmented annually where necessary to retain a salary linkage. Further, it was agreed that these augmentations would be viewed as pre-funded by continuing to value these members as active members for funding purposes.

As a result, Project Osprey does not impact the funding position of the Plan as affected members are assumed to retain a full salary linkage for the purpose of this update. However, in Appendix 1, I have shown the data for members affected by Project Osprey and who are still employed by the Bank as a separate category of member.

## Glossary

**Funding level/ratio** is the ratio of the value of assets to the value of liabilities.

**Surplus / Deficit** displays the value of assets less the value of the liabilities. If the liability value is greater than the value of assets, then the difference is called a deficit.

**Technical Provisions** represent the funding target for a scheme agreed as part of the actuarial valuation.

**Interest** reflects assets and liabilities increasing at the interest rate used to value the liabilities.

**Contributions / Accruals** shows the expected increase in assets and liabilities due to employer contributions and new benefit accruals, respectively.

**Gain** shows the actual increase in assets due to actual returns achieved on the assets differing from assumed interest.

**Experience** reflects the impact of salary increases, deferred revaluations, pension increases, transfer values and other membership movements being different to expected.

**Market Conditions** shows the increase in the liabilities arising from the changes in the actuarial valuation basis.

## Appendix 1: Membership Data

### Final Salary Active Employees

The average service data shown is calculated as Pensionable Service in the Plan. This has been based on final salary accrual only which ceased on 30 June 2004.

		Number	Average age	Total Pensionable Earnings (£000 p.a.)	Average Pensionable Earnings (£ p.a.)	Average service (years)
<b>Men</b>	<b>2020</b>	<b>16</b>	<b>55</b>	<b>3,331</b>	<b>208,214</b>	<b>12</b>
	2018	21	52	4,251	202,427	12
<b>Women</b>	<b>2020</b>	<b>11</b>	<b>55</b>	<b>1,210</b>	<b>110,002</b>	<b>10</b>
	2018	13	53	1,440	110,738	10
<b>Total</b>	<b>2020</b>	<b>27</b>	<b>55</b>	<b>4,541</b>	<b>168,202</b>	<b>11</b>
	2018	34	52	5,691	167,369	11

### Final Salary Osprey Employees

The average service data shown is calculated as Pensionable Service in the Plan. This has been based on final salary accrual only which ceased on 30 June 2004.

		Number	Average age	Total Plan Salaries (£000 p.a.)	Average Plan Salaries (£ p.a.)	Average service (years)
<b>Men</b>	<b>2020</b>	<b>33</b>	<b>56</b>	<b>4,294</b>	<b>130,130</b>	<b>12</b>
	2018	35	54	4,325	123,565	12
<b>Women</b>	<b>2020</b>	<b>7</b>	<b>54</b>	<b>614</b>	<b>87,678</b>	<b>11</b>
	2018	11	53	1,044	94,894	11
<b>Total</b>	<b>2020</b>	<b>40</b>	<b>55</b>	<b>4,908</b>	<b>122,701</b>	<b>12</b>
	2018	46	54	5,369	116,709	12

### Final Salary BlackRock Employees

The average service data shown is calculated as Pensionable Service in the Plan. This has been based on final salary accrual only which ceased on 30 June 2004.

Plan Salary data shown for BlackRock Employees is subject to certain limits which have been allowed for in these figures.

		Number	Average age	Total Plan Salaries (£000 p.a.)	Average Plan Salaries (£ p.a.)	Average service (years)
<b>Men</b>	<b>2020</b>	<b>7</b>	<b>60</b>	<b>1,133</b>	<b>161,803</b>	<b>9</b>
	2018	11	56	1,764	160,353	10
<b>Women</b>	<b>2020</b>	<b>12</b>	<b>56</b>	<b>1,689</b>	<b>140,713</b>	<b>10</b>
	2018	15	54	1,952	130,124	12
<b>Total</b>	<b>2020</b>	<b>19</b>	<b>58</b>	<b>2,821</b>	<b>148,483</b>	<b>10</b>
	2018	26	55	3,716	142,913	11

**Deferred Pensioners**

The deferred pension amounts shown below are at date of exit from the Plan.

		Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
<b>Men</b>	<b>2020</b>	<b>1,575</b>	<b>55</b>	<b>11,611</b>	<b>7,372</b>
	<i>2018</i>	<i>1,754</i>	<i>54</i>	<i>13,386</i>	<i>7,632</i>
<b>Women</b>	<b>2020</b>	<b>1,322</b>	<b>55</b>	<b>5,568</b>	<b>4,212</b>
	<i>2018</i>	<i>1,411</i>	<i>53</i>	<i>6,114</i>	<i>4,333</i>
<b>Total</b>	<b>2020</b>	<b>2,897</b>	<b>55</b>	<b>17,179</b>	<b>5,930</b>
	<i>2018</i>	<i>3,165</i>	<i>53</i>	<i>19,500</i>	<i>6,161</i>

**Pensioners**

		Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
<b>Men</b>	<b>2020</b>	<b>609</b>	<b>70</b>	<b>12,443</b>	<b>20,433</b>
	<i>2018</i>	<i>551</i>	<i>70</i>	<i>11,478</i>	<i>20,831</i>
<b>Women</b>	<b>2020</b>	<b>392</b>	<b>69</b>	<b>3,449</b>	<b>8,799</b>
	<i>2018</i>	<i>329</i>	<i>68</i>	<i>2,988</i>	<i>9,081</i>
<b>Dependants</b>	<b>2020</b>	<b>112</b>	<b>71</b>	<b>1,743</b>	<b>15,566</b>
	<i>2018</i>	<i>118</i>	<i>71</i>	<i>1,447</i>	<i>12,264</i>
<b>Total</b>	<b>2020</b>	<b>1,113</b>	<b>70</b>	<b>17,636</b>	<b>15,845</b>
	<i>2018</i>	<i>998</i>	<i>69</i>	<i>15,912</i>	<i>15,944</i>

In addition to the above pensioners, there were 17 children at 31 December 2020 with pensions in payment totalling £79,034 p.a.



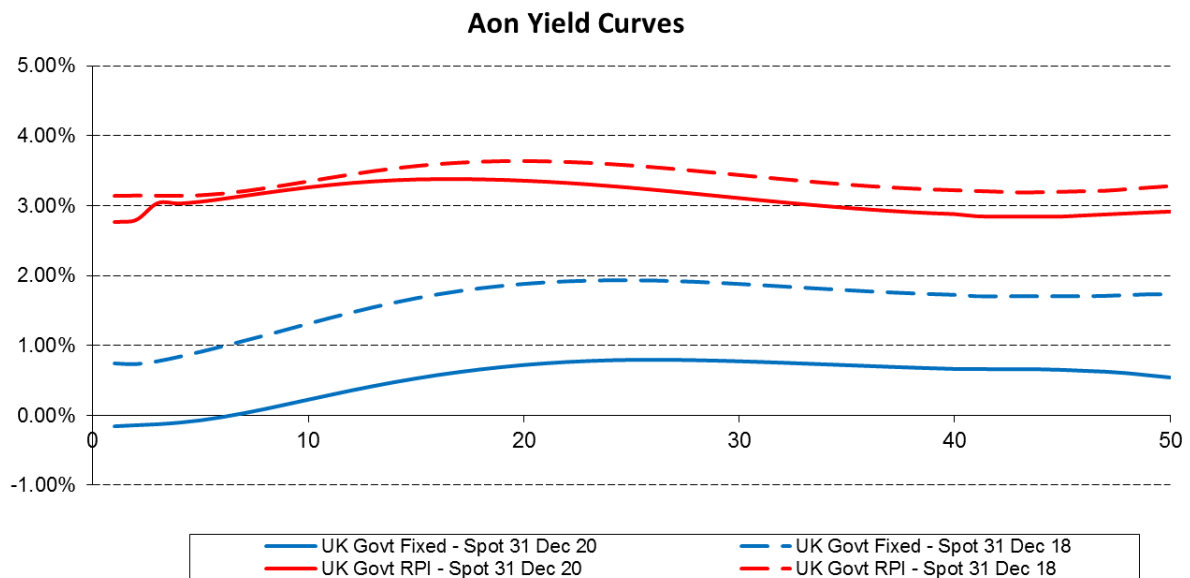
## Appendix 2: Assumptions

### Financial assumptions

The financial assumptions for this update are consistent with the SFP and based on market conditions at 31 December 2020. The graph below shows the spot rates of the nominal gilt yields and RPI inflation assumptions at 31 December 2018 and 31 December 2020.

### Demographic assumptions

The demographic assumptions for the technical provisions are unchanged from those used for the valuation at 31 December 2018, as set out in the SFP.



## Further information

### Requirement for report

This report is required by and has been produced in accordance with section 224 of the Pensions Act 2004 and Regulation 7 of the Occupational Pension Schemes (Scheme Funding) regulations 2005.

This report has been prepared under the terms of the Scheme Actuary Agreement between the Trustee and me on the understanding that it is solely for the benefit of the addressees.

### TAS compliant

This report and the work relating to it comply with 'Technical Actuarial Standard 100: Principles for Technical Actuarial Work' and 'Technical Actuarial Standard 300: Pensions'.

This report should be read in conjunction with:

- My report on the most recent actuarial valuation of the Plan dated 3 October 2019.
- The statement of funding principles dated 3 October 2019.

The compliance is on the basis that the Trustees of Bank of America UK Retirement Plan are the addressees and the only user of this report, and that the report is only to be used to form the basis of the Summary Funding Statement provided to members.

### About Aon

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