BANK OF AMERICA

Bank of America UK Retirement Plan

Annual Actuarial Report at 31 December 2023

September 2024

Introduction

Why bring you this report?

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 on the anniversary of the last valuation.

This report is also intended to be used by the Trustee as the basis of the Summary Funding Statement which needs to be provided to members.

Next steps

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.

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Technical provisions funding position at 31 December 2023

Funding level

108%

31 Dec 2023

▼ 4%
vs 31 Dec 2021

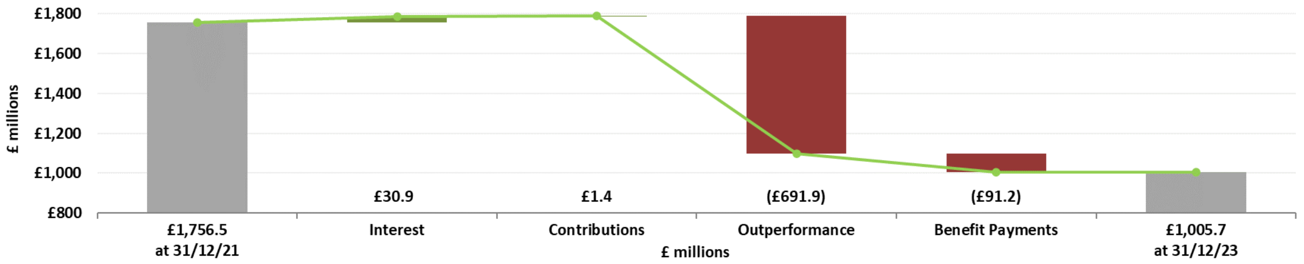
Surplus

£76M

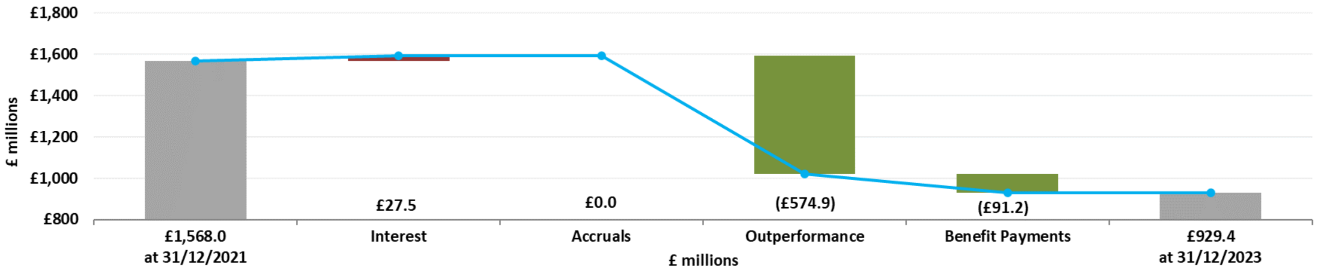
31 Dec 2023

▼ £112M
vs 31 Dec 2021

Change in asset value since 31 December 2021



Change in liability value since 31 December 2021



Basis	Technical Provisions
Effective date	31 December 2023

Comments

Since the valuation at 31 December 2021 the Plan's technical provisions funding level has deteriorated and the surplus has decreased by £112M.

The worsening of the funding position has been primarily driven by the reduction in the value of the liabilities due to rising gilt yields being more than offset by a larger fall in the asset value.

Summary of results

Technical provisions	31 December 2021	31 December 2022	31 December 2023
Non-insured liabilities	£1,189m	£699m	£681m
Insured members liabilities	£379m	£254m	£249m
Total liabilities	**£1,568m**	**£954m**	£929m
Non-insured assets	£1,378m	£774m	£763m
Value of bulk annuities	£379m	£254m	£243m
Total assets	**£1,757m**	**£1,029m**	£1,006m
Surplus/(Deficit)	£189m	£75m	£76m
Funding ratio	112%	108%	108%

Solvency position	31 December 2021	31 December 2022	31 December 2023
Non-insured liabilities	£1,362m	£771m	£762m
Insured members liabilities	£385m	£262m	£259m
Total liabilities	**£1,746m**	**£1,033m**	£1,020m
Non-insured assets	£1,378m	£774m	£763m
Value of bulk annuities	£385m	£262m	£253m
Total assets	**£1,762m**	**£1,036m**	£1,016m
Surplus/(Deficit)	£16m	£3m	(£5m)
Funding ratio	101%	100%	100%

Totals may not always add up exactly due to rounding.

Figures at 31 December 2021 are the results of the actuarial valuation carried out at that date.

The liability figures at 31 December 2022 were calculated using a consistent approach as for the 2021 triennial valuation but allowing for updated membership data, updated commutation factors implemented in September 2022, and the latest Aon best-estimate scaling factor adjustments to allow for the impact of Covid-19 on long-term mortality.

The liability figures at 31 December 2023 have been calculated using a consistent approach as for the 2021 triennial valuation but allowing for updated membership data (summarised in the appendix), updated commutation factors implemented in October 2023, and the latest CMI model with best estimate scaling factors.

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Appendix

Background information (1)

Membership data

The calculations for this update have been based on membership data supplied by WTW at 31 December 2023. Where full up-to-date data was not available, I have used appropriate approximations or adjustments to the data from previous valuations, as described below. This data has also been summarised later in this Appendix.

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

- I have relied on the following data provided for past valuations which is not expected to change between valuations: Osprey indicators, 2004 active member data, and fixed transfer-in pension amounts for deferred members.
- For BlackRock members, I have adopted the 2021 valuation data and assumed that their basic salary has increased over the two years in line with 2021 technical provisions assumptions.
- 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 2021 with the relevant fixed increases.
- For ex-MAM active members, I have used the accrual rate for benefit calculations from the valuation data.
- For ex-MAM deferred members, I have calculated the split of post-97 pension between 97-99 pension and post-99 pension using member service dates.

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 2021.
- The results of this update can be traced from the results of the valuation as at 31 December 2021.

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.

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. In the membership summary, 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.

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Background information (2)

Method

The funding update is consistent with the technical provisions calculations for the formal actuarial valuation as at 31 December 2021. 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. Further detail on the technical provisions assumptions are set out later in this Appendix.

This update 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

I have used an asset value of £1,005.7M for the technical provisions as at 31 December 2023 which has been derived as:

- The audited value of the Plan's invested assets (excluding AVCs and DC investments, which are invested separately) which was £762.5M.
- The value of bulk annuities purchased by the Trustee to match certain pensions in payment*. These were valued at £243.2M at 31 December 2023 on the technical provisions basis and I have included this in the value of the assets for the purposes of this update.

*Note that the bulk annuities do not cover any discretionary increases granted since 2019.

Membership data (1)

The average ages shown in these tables are unweighted.

Final Salary active employees	Number	Average age	Total basic salaries (£000 p.a.)	Average basic salaries (£ p.a.)	Average Pensionable Service (years)
2021	18	56	3,094	171,889	11
2023	14	57	2,477	176,952	11

Note: The salaries in the table above are basic salaries.

Osprey members are certain deferred members who were formerly employed by Merrill Lynch Europe Limited and are now employed by a different part of the bank. These members receive an annual uplift to their deferred benefits to reflect the salary link they would have retained if their current employer participated in the Final Salary Section of the Plan.

Final Salary Osprey employees	Number	Average age	Total basic salaries (£000 p.a.)	Average basic salaries (£ p.a.)	Average Pensionable Service (years)
2021	34	56	3,509	103,216	11
2023	30	58	3,583	119,440	10

Note: The salaries in the table above are basic salaries.

BlackRock members are certain deferred members who were promised, as part of the merger of BlackRock and Merrill Lynch Investment Managers in 2006, a form of enhanced revaluation as long as they continue employment with BlackRock.

Final Salary BlackRock employees	Number	Average age	Total basic salaries (£000 p.a.)	Average basic salaries (£ p.a.)	Average Pensionable Service (years)
2021	15	57	1,560	103,975	10
2023	14	58	1,765	126,095	10

Note: The salaries in the table above are basic salaries. The 2023 figures are estimates based on the 2021 salaries and increased using the 2021 salary increase assumption.

Membership data (2)

The average ages shown in these tables are unweighted.

Deferred members	Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
2021	2,815	56	16,620	5,904
2023	2,544	57	14,613	5,744

Note: The deferred pension amounts are at date of leaving service.

Pensioners	Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
2021	1,050	70	16,549	15,761
2023	1,215	70	19,796	16,293

Dependants	Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
2021	116	71	1,848	15,935
2023	117	73	1,880	16,068

Note: Children have been excluded from the above summary. They have though been included in the valuation results.
Included within the pensioner and dependant data are 819 pensioners and dependants (excluding children) with pensions totalling £16,198,556 p.a. (average age of 73) in respect of whom the Trustee has purchased a matching annuity*.

Assumptions

Technical provisions - Financial assumptions

Term	Definition
Discount rate	Term-dependent rates set by reference to nominal gilt yield curves plus a margin for asset outperformance of 0.39% p.a.
Rate of price inflation	Term-dependent rates implied by the gilt retail price inflation (RPI) curve.
Rate of pay increases	Rate of price inflation plus 1.5% p.a. In addition, an allowance is made for promotional increases.
Rate of pension increases	For pension increases linked to inflation, these are determined by reference to the gilt RPI inflation curve with allowance for Aon's best-estimate of future inflation volatility.
Rate of deferred pension increases	For deferred pension revaluation (excess over GMP), the following assumptions have been used for the future gap between RPI and CPI:

Date	Difference between RPI and CPI
31 December 2021	0.7% p.a. to 2030 and 0.1% p.a. thereafter
31 December 2022	0.8% p.a. to 2030 and 0.1% p.a. thereafter
31 December 2023	0.7% p.a. to 2030 and 0.1% p.a. thereafter

Assumptions

Technical provisions - Demographic assumptions

Term	Definition
Mortality	As at 31 December 2021: SAPS S3 ‘Light’ tables, adjusted to allow for individual years of birth, with scaling factors as set out in the Statement of Funding Principles dated 29 March 2023. Allowance for future improvements in line with the CMI 2021 core projections [Sk=7.0 and A=0.50%], with a long-term improvement rate of 1.5% p.a. As at 31 December 2022: As above, but with an additional 4.5% adjustment on scaling factors to allow for the current best-estimate of the impact of Covid-19 on long-term mortality. As at 31 December 2023: As used for 31 December 2021, but with a deduction of 1.5% to the scaling factors to reflect the move to CMI 2023 core projections. Allowance for future improvements in line with the CMI 2023 core projections [Sk=7.0 and A=0.50%], with a long-term improvement rate of 1.5% p.a.
Early/late retirements	Allowance is made for active and deferred members to retire early and late.
Withdrawals	Allowance is made for withdrawals from service.
Eligible dependant proportion	Pensioners: varies by age, for illustration at age 62: 92% of male members and 74% of female members are assumed to be married or have an eligible dependant. This is assumed to reduce over time in line with contingent dependant mortality. Non-pensioners: 90% of male members and 77% of female members are assumed to be married or have an eligible dependant at retirement or earlier death. This is assumed to reduce post-retirement in line with contingent dependant mortality.
Age difference	An eligible dependant is assumed to be of the opposite sex and 3 years younger than a male member and 1 year older than a female member.
Commutation	Each member is assumed to commute 10% of their pension on retirement based on the conversion terms in force at the valuation date.
GMP equalisation	A reserve of 0.25% of the liabilities is included in the technical provisions.
Expense reserve	A reserve of £40M is included in the technical provisions as at 31 December 2021, which equated to approximately 2.6% of the technical provisions.

TAS compliance

This report has been prepared in accordance with the framework below.

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 addressee.

This document, and the work relating to it, complies with ‘Technical Actuarial Standard 100: General Actuarial Standards’ (‘TAS 100’) and ‘Technical Actuarial Standard 300: Pensions’ (‘TAS 300’).

This report should be read in conjunction with:

- My report on the most recent actuarial valuation of the Plan dated 29 March 2023.
- The Statement of Funding Principles dated 29 March 2023.
- The annual actuarial report at 31 December 2022, dated 9 August 2023.

If you require further copies of any of these documents, please let me know.

Glossary

General terms

Funding level / ratio

The ratio of the value of assets to the value of liabilities.

Surplus / Deficit

The value of assets less the value of liabilities. If the value of the liabilities is greater than the value of the assets, then the difference is called a deficit.

Technical provisions

The funding target for a scheme, agreed as part of the actuarial valuation.

Chart labels

Interest

The asset and liability values are assumed to increase at the discount rate used to value the liabilities.

Contributions & accrual

The expected increase in assets and liabilities due to contributions and new benefit accruals.

Outperformance

Actual returns achieved on assets over and above the assumed discount rate and the impact on liabilities of a change in market conditions.

Benefit payments

The expected decrease in assets and liabilities due to benefit payments (including transfers out) during the period.

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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