Bank of America UK Retirement Plan

(previously known as the Bank of America Merrill Lynch UK Pension Plan)

Scheme Funding Report

for the 31 December 2018 actuarial valuation

The Trustee was renamed from 'Bank of America Merrill Lynch UK Pension Plan Trustees Limited' to 'Bank of America UK Retirement Plan Trustees Limited' with effect from 30 December 2021 to align with the new Plan name introduced in 2020.

Prepared for	Bank of America Merrill Lynch UK Pension Plan Trustees Limited (the Trustee)
Prepared by	Jonathan Wicks FIA
Date	3 October 2019
Signed	Jonathan Wicks

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Scheme Actuary
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Executive Summary

The key results of the valuation at 31 December 2018 are set out below.

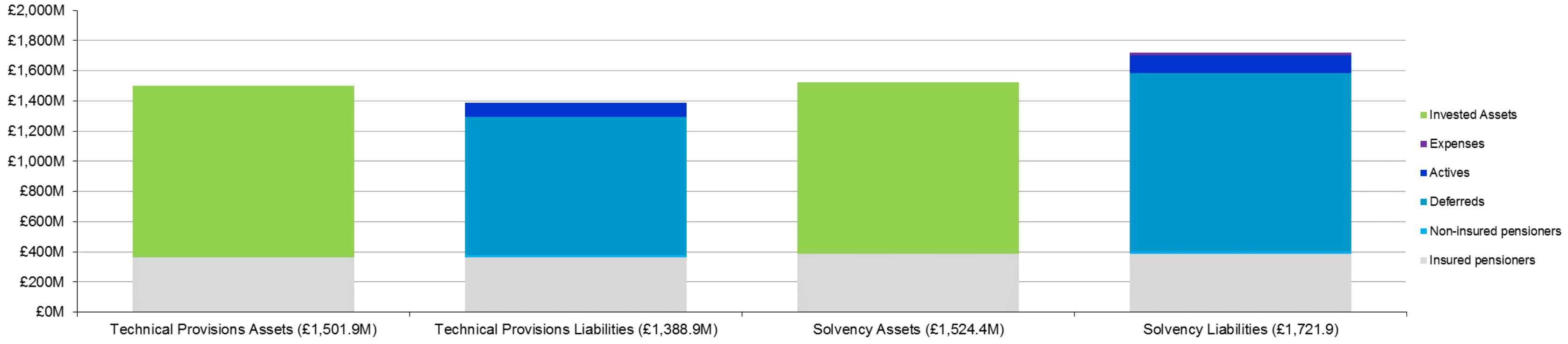
There was a surplus of £113.0M relative to the technical provisions
(i.e. the level of assets agreed by the Trustee and the Company as being appropriate to meet member benefits, assuming the Plan continues as a going concern).

There was an estimated deficit of £197.5M relative to the solvency liabilities
(i.e. the estimated level of assets needed to buy insurance policies for benefits earned to the valuation date).

Following discussions, it has been agreed that the Company will pay:

- The agreed contributions to the Money Purchase section of the Plan;
- 0.5% of Plan Salaries for those members of the Plan who are entitled to a spouse's death-in-service pension to cover the expected cost of these pensioners;
- The insurance premiums for lump sum death in service benefits;
- Any levies due to the Pension Protection Fund and other levies collected by the Pensions Regulator; and
- Other expenses of operating the Plan.

As required under Rule 3.1 of the Plan Rules, the agreed contribution rates are at least sufficient, in my opinion, to provide the benefits under the Plan.



Contents

Introduction

This report has been prepared for the Trustee to meet the requirements of Section 224(2)(a) of the Pensions Act 2004. It sets out the results and conclusions of the actuarial valuation of the Plan at 31 December 2018.

This is a scheme funding report. It summarises the key aspects of the valuation process, including:

- The funding objective and background details;
- The technical provisions;
- Any agreed recovery plan and other contributions;
- The results on the solvency basis;
- Further information required for compliance purposes, including:
  - The legal framework within which the valuation has been completed
  - A summary of the membership and asset data, the benefits valued and details of the assumptions used for the valuation
  - My statutory certification of the technical provisions
  - A glossary of some technical pensions terms

Throughout the body of this report, the assets for members' individual accounts have been excluded from the valuation results because in my view this provides a clearer picture. In order to comply formally with legislation, an alternative presentation of the valuation results is shown in Appendix 1.

The value of members' Common Investment Fund (CIF) balance is included in both the value of the assets and liabilities shown in this report.

Shorthand

Plan
Bank of America Merrill Lynch UK Pension Plan

Trustee
The Directors of Bank of America Merrill Lynch UK Pension Plan Trustees Limited

Company
The Principal Employer at the valuation date – this was Merrill Lynch International

Rules
The Plan's Rules dated 1 August 2016 (which was the version in force at the valuation date) and amending legal documents

Plan Salary
As defined in the Rules

Pensionable Salary
As defined in the Rules

Snapshot view: The report concentrates on the Plan's financial position at the valuation date. As time moves on, the Plan's finances will fluctuate. If you are reading this report some time after it was produced, the Plan's financial position could have changed significantly.

Previous valuation results

A summary of the results and agreed contributions following the previous valuation is set out below.

The key results from the previous valuation at 31 December 2015 were:

- There was a deficit of £15.9M relative to the technical provisions, which corresponded to a funding level of 98.9%.
- There was an estimated deficit of £518.9M relative to the solvency liabilities.

The Trustee and the Company agreed a recovery plan that was designed to restore the funding level to 100% by 31 July 2016 through a combination of:

- A one-off additional contribution of £10.0M, which was paid in March 2016; and
- Investment returns on the Plan's assets of 1% p.a. above the technical provisions discount rate.

It was also agreed that the Bank would pay the following:

- The agreed contributions to the Money Purchase section of the Plan;
- 0.5% of Plan salaries of those members of the Plan or the Merrill Lynch (UK) Defined Contribution Plan who are entitled to a death-in-service pension to cover the expected cost of these pensions;
- The insurance premiums for lump sum death-in-service benefits;
- Any levies due to the Pension Protection Fund and other levies collected by the Pensions Regulator; and
- Other expenses of operating the Plan.

Notable changes since the previous valuation

Changes to the Plan since the previous valuation are summarised below.

The below changes to the Plan should be noted as they have an impact on the funding assessment of the Plan:

- **Pensioner buy-in**

  On 28 September 2018, the Plan entered into a buy-in policy with Scottish Widows which covered all members of the Plan with pension in payment as at 31 December 2017. I have included this policy in the value of the Plan's assets and its liabilities.

- **Investment strategy**

  In 2017, the FCA announced the abolition of LIBOR from 2021. Partly in response to this, the Trustee updated the Plan's investment strategy during 2018 by moving from a swaps-based interest rate and inflation hedge to a gilts-based hedge.

- **Discretionary pension increases**

  In 2018, a discretionary pension increase was granted for certain pensions in payment accrued before 1 April 1997 which do not receive guaranteed pension increases. The Company paid a contribution to the Plan of £1.48M to fund this increase. There were no discretionary pension increases granted in 2016 or 2017.

- **GMP Equalisation**

  On 26 October 2018, the High Court ruled in a case involving Lloyds Banking Group that equalisation of benefits is required for the effect of unequal GMPs between men and women. The approach taken for the Plan at this valuation to take account of GMP equalisation is discussed on the next page.

- **Cessation of participating employer**

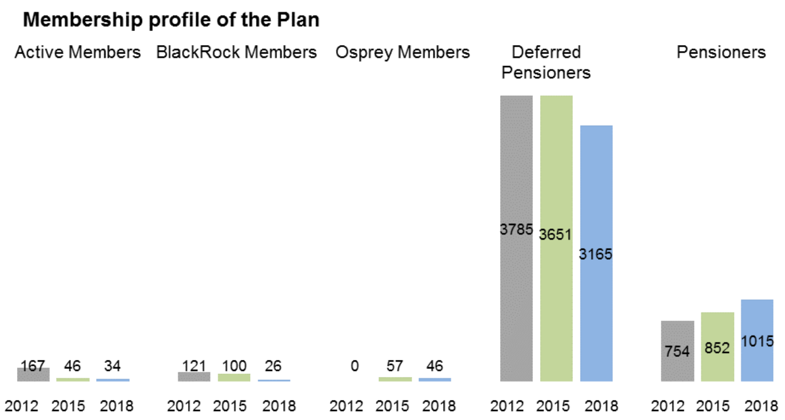
  On 1 October 2016, all of the remaining members employed by Merrill Lynch International Bank ("MLIB"), one of the participating employers in the Plan, were moved to other employers. As a result, MLIB became liable for a Section 75 debt of £3.3M, which it paid in 2017.

Data and benefits valued

Key information on the membership data used and the benefits valued in the valuation are summarised here.

The Plan has continued to become increasingly mature with the proportion of pensioners increasing.

The membership numbers are shown graphically below. Further details can be found in appendix B.



Members are entitled to benefits defined in the Rules. A summary of the benefits is included in Appendix C.

Below are key areas where judgement has been applied in valuing the benefits:

- **GMP equalisation**
  An approximate allowance for equalising GMPs has been made by adding 0.2% to the Plan's technical provisions. This allowance covers both past and future benefit payments. This is a change in approach from that adopted at the previous valuation.

- **Discretionary benefits**
  As discussed on the previous page, the Plan has a history of granting discretionary pension increases to certain benefits accrued before 1 April 1997 which do not have guaranteed pension increases (aside from GMP).

  I have made no allowance for these discretionary benefits in the technical provisions. This is appropriate since the Company has always paid a lump sum contribution to cover their cost at the time of awarding any such increase.

- **Insured benefits**

  As noted on page 6, the pensions in payment to all members of the Plan who retired prior to 31 December 2017 are paid under insurance contracts. I have included these policies in the value of the Plan's assets and its liabilities. Previously, only the pensions in payment to former members of the Smith New Court PLC Pension Plan (the SNC Plan) and the SGH Service Company Pension Scheme (the SGH Scheme) who retired prior to 1 April 1997 were paid under insurance contracts.

  There is also an insurance policy in place in respect of death-in-service lump sum benefits. These have not been included in the liability calculations as the Company pays contributions to meet these premiums.

- **Defined contribution accounts and Common Investment Fund (CIF) balances**

  As explained in the introduction, for presentational simplicity, the assets in respect of individuals' defined contribution accounts are excluded from both the assets and the liabilities.

  Also, as noted in the introduction, the value of the CIF balance is included in both the assets and liabilities shown in the main body of this report. The CIF balance as at 31 December 2018 has been provided by the Plan's administrator.

Funding objectives and investment strategy

The Trustee's funding objective is to hold assets which are at least equal to the technical provisions (i.e. to meet the statutory funding objective).

A key factor in setting the funding objective is the Trustee's assessment of the employer covenant. As part of the actuarial valuation, the Trustee commissioned an independent review of the Company's covenant.

The assets at the valuation date are described in Appendix D.

The Trustee's investment strategy is set out in its Statement of Investment Principles. As at 31 December 2018, the Trustee's strategy was to invest 57% of the Plan's assets (excluding bulk annuities) in return seeking assets to generate investment returns. The Plan uses a mixture of 'Beta' assets whereby performance is expected to be largely determined by market returns and 'cash plus' type assets where performance is largely determined by manager skill. The remaining 43% was invested in protection assets comprised of a liability driven investment ('LDI') portfolio and low volatility 'cash plus' assets. The purpose of the LDI portfolio is to hedge against the impact of interest rates and inflation movements on the uninsured liabilities of the Plan whilst the low volatility 'cash plus' assets are held in an effort to avoid cash drag.

As discussed previously, the Plan also held annuity policies designed to pay the benefits of members covered by the policies. The Trustee considers opportunities to purchase annuity policies as and when pricing and the Plan's circumstances permit.

Summary of assumptions

The Trustee and Company have agreed the assumptions used to calculate the technical provisions. The table below summarises the key assumptions, together with those used for the previous valuation, and the reasons for any change. Further details of all of the assumptions are set out in the statement of funding principles dated 3 October 2019.

Assumption	Previous valuation	This valuation	Rationale for change
Discount rate	Term-dependent rates set by reference to the nominal swap yield curve plus a margin for outperformance of 0.79% p.a.	Term-dependent rates set by reference to the nominal gilt yield curve plus a margin for outperformance of 0.39% p.a.	Updated to reflect the Plan's investment strategy at the valuation date, with the margin over the gilt yield set such that technical provisions targets the same liability value as the previous swaps-based approach
RPI inflation	Term-dependent rates implied by RPI swaps	Term-dependent rates implied by gilt RPI inflation curve	Updated in line with gilts-based approach
CPI inflation	RPI inflation less 0.9% p.a. (i.e. 80% of Aon's best estimate for the RPI/CPI gap)	No change	No change
Salary inflation	RPI inflation plus 1.5% p.a. plus promotional increases	No change	No change

Assumption	Previous valuation	This valuation	Rationale for change
Pension Increases	The rates implied by swap curves corresponding to the pension increases being granted. For pensions that increase at LRPI(0,5)*, the assumption is capped by the RPI Swap curve (unless RPI is below 2.5% p.a.) *LRPI(0,5) represents pensions increasing in line with RPI subject to a floor of 0% p.a. and a cap of 5% p.a.	Determined by reference to the gilt RPI inflation curve with allowance for Aon's best estimate of future inflation volatility	Updated in line with gilts-based approach
Mortality assumption - base table	95% male / 85% female of SAPS S2 'Light' tables	97% male / 87% female of SAPS S2 'Light' tables	Updated analysis using Aon's Demographic Horizons model
Mortality assumption - projection	CMI 2014 core projections with a long-term improvement rate of 1.5% p.a.	CMI 2018 (Sk = 7.0, A = 0.5%) core projections with a long-term improvement rate of 1.5% p.a.	Updated to reflect more recently published research
Early Retirement from active service	15% of members are assumed to retire from active service at each age from 55 to 61	No change	No change
Early Retirement from deferred service	5% of members are assumed to retire from deferred service at each age from 58 to 61	5% of members are assumed to retire from deferred service at each age from 55 to 61	Updated to reflect Plan experience following analysis
Commutation	Each member is assumed to commute 12% of their pension on retirement, based on the commutation factors in force	Each member is assumed to commute 10% of their pension on retirement, based on the commutation factors in force	Updated to reflect Plan experience following analysis

As for the previous valuation, the technical provisions have been calculated using the projected unit method.

Past service results

The Plan's technical provisions and resulting funding position at the valuation date are shown below.

	£M
Value of past service benefits for:	
Actives	39.5
BlackRock members	20.1
Osprey members	34.5
Deferred Pensioners	908.3
Non-insured Pensioners	16.4
Insured Pensioners	361.4
CIF Balance *	8.7
Total i.e. technical provisions	1,388.9
Value of assets	1,501.9
Past service surplus/(deficit)	113.0
Funding Level	108.1%

The key assumptions are the discount rate and inflation assumption. The sensitivity of the technical provisions to these key assumptions is as follows:

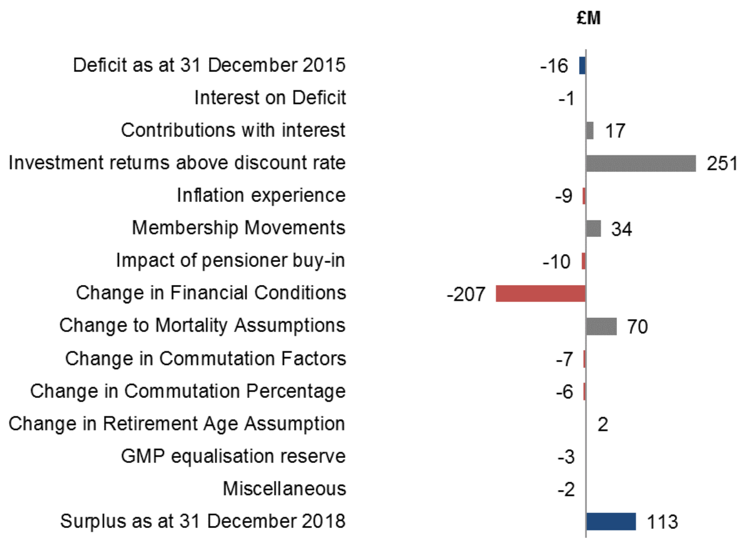
- A 0.25% p.a. decrease in the discount rate would increase the non-insured technical provisions by approximately £60M, reducing the funding level to around 103.5%
- A 0.25% p.a. increase in the RPI inflation assumption (also allowing for the consequent impact on the assumptions derived directly from that assumption) would increase the non-insured technical provisions by approximately £50M, reducing the funding level to around 104.5%.

* As for the previous valuation as at 31 December 2015, the value of the CIF balance is included in the assets and liabilities shown in this report. The CIF balance as at 31 December 2018 was supplied by the Plan's administrator.

Reasons for change in past service funding position

The past service results show that the deficit of £15.9M in the Plan at the previous valuation has become a surplus of £113.0M at this valuation. The chart below quantifies the key reasons for this change:

The analysis shows that the main factors affecting the funding position since the previous valuation have been:

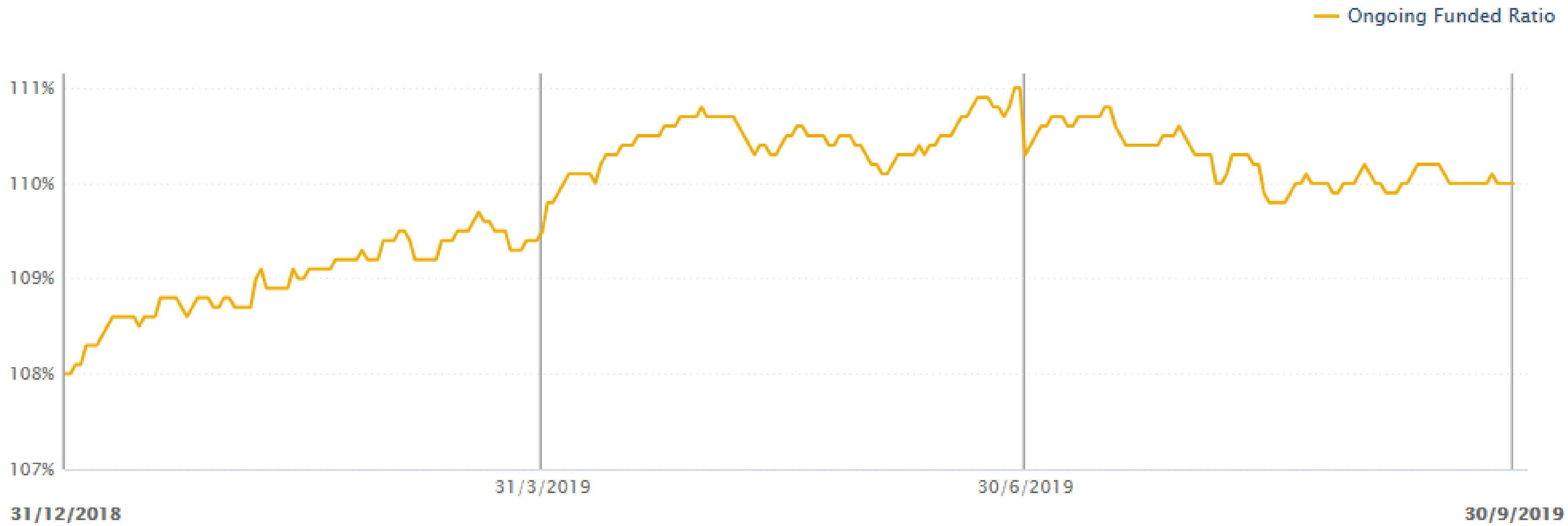


Headlines

- Gilt yields have fallen, increasing the value of the liabilities.
- This has been offset by investment returns having been higher than assumed.
- Future improvements in life expectancy are assumed to be lower, reducing the liabilities.

Approximate developments since the valuation date

Since the valuation date, the funding position is estimated to have changed as shown below:



This value of the liabilities is based on assumptions consistent with those used to calculate the technical provisions, with financial assumptions updated to reflect changes in market conditions. The chart illustrates how the position has changed over time. It is approximate, for example investment returns have been assumed to be in line with index returns for the period since 30 June 2019.

The main reason for the improvement between the valuation date and 30 September 2019 is that the assets have performed better than assumed, although this has been offset to some extent by changes in market conditions.

Recovery plan

Based on the position of the Plan at the valuation date no recovery plan is needed.

As the Plan is now in surplus (relative to the technical provisions), a recovery plan is not required. There were no remaining contributions in the existing recovery plan, and so there is no action needed to cease these.

Solvency position

The statutory estimate of the Plan's solvency position is set out below.

	Solvency (£M)
Value of past service benefits for:	
Actives	48.4
BlackRock members	25.0
Osprey members	40.3
Deferred pensioners	1,175.5
Non-insured Pensioners	17.6
Insured Pensioners	383.9
CIF Balance	8.7
Expenses	22.5
Value of liabilities (solvency estimate)	1,721.9
Value of assets	1,524.4
Deficit (statutory estimate of solvency)	(197.5)
Funding Level	88.5%

This solvency estimate represents the estimated cost of purchasing annuities at the valuation date from an insurance company to meet the Plan's benefits. The assumptions include an allowance for the expenses of winding-up the Plan. Further details and the assumptions used in the solvency estimate are summarised in Appendix F.

The solvency estimate is higher than the technical provisions, the broad reasons for which are set out below:

- Insurers will typically hold less risky assets which provide lower investment returns than are expected to be achieved on the Plan's assets;
- Insurers typically hold larger margins, for example by assuming that members will live longer than is assumed in calculating the technical provisions;
- Insurers need to cover costs, including administering the benefits, and also make a profit; and
- Allowance is made for the cost of winding up the Plan.

In practice, if the Plan were to be discontinued with no solvent employer then the assets are unlikely to be sufficient to provide the benefits in full. If this were the case then:

- Benefits corresponding to those covered by the PPF would be met first (either through the PPF or, if there were sufficient funds, by securing these benefits with an insurance company).

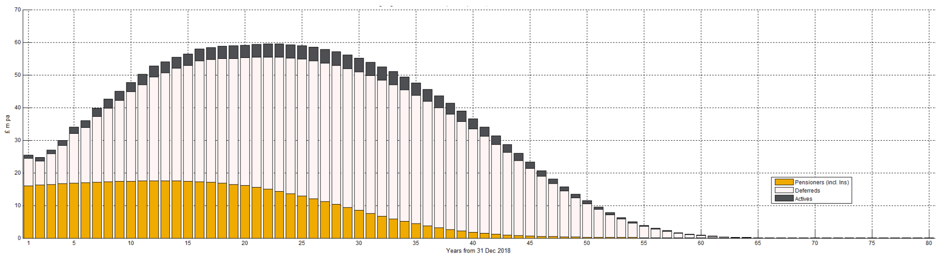
- Any remaining assets would be used to secure part of the remaining benefits with an insurance company.

The proportion of full benefits provided will vary from member to member and may be higher or lower than the statutory estimate of solvency level quoted above.

Funding and investment risks

The funding level is likely to exhibit volatility. This is discussed below.

The benefit payments from the Plan are expected to be made for a very long period – the chart below shows the projected cashflows on the technical provisions basis for the Plan.



The Plan faces a number of key risks which could affect its future cashflows and funding position, including:

- Funding risk – the risk that the technical provisions are set too low and prove insufficient to meet the liabilities (e.g. in the event of unexpected discontinuance).
- Investment risks – the risk that investment returns are lower than assumed in the valuation, and also that the assets are volatile and move out of line with the liabilities, so the funding position is volatile.
- Longevity risk – the risk that Plan members live for longer than assumed and that pensions would therefore need to be paid for longer.
- Liquidity risk – the risk that cashflows are higher than expected as members commute more than is assumed or take transfer values, possibly leading to the sale of assets at inopportune times.
- Inflation risk – the risk that inflation is higher than assumed, increasing the pensions that need to be paid.
- Sponsor risk - the risk that the sponsor is no longer willing or able to support the Plan to fund any future losses that arise.
- Options for members – the risk that members exercise options resulting in unanticipated extra costs. For example, members could swap less of their pension for cash at retirement than assumed.
- Other risks – issues relating to climate change and other environmental risks as well as long-term uncertainty around geopolitical, societal and technological shifts may also impact on the funding, investments and sponsor covenant of the Plan.

Actions taken by the Trustee to mitigate risks include:

- Entering into a pensioner buy-in for the Plan's members who were pensioners as at 31 December 2017.
- Reducing the risk in the Plan's investments, for example, subsequent to the 2018 valuation the Plan has sold its entire global equity portfolio.

Agreed contributions and projections

The contributions agreed as a result of this valuation and the projected position at the next triennial valuation are summarised below.

Contributions

Following discussions, the Company will pay:

- The agreed contributions for members of the Money Purchase section of the Plan. These contributions are payable monthly with the contributions due in respect of a particular calendar month payable within 19 days of the end of the calendar month to which they relate;
- 0.5% of Plan Salaries of those members of the Plan who are entitled to a spouse's death-in-service pension to cover the expected cost of these pensions;
- The insurance premiums for lump sum death-in-service benefits;
- Any levies due to the Pension Protection Fund and other levies collected by the Pensions Regulator; and
- Other expenses of operating the Plan.

Members are not required to contribute to the Plan.

A full review of the Company's contributions will be completed no later than following the next valuation, which is due to take place at 31 December 2021.

The contributions above are set out in the schedule of contributions. As agreed, my certification of the schedule will be based on the position at the valuation date.

Projections

I estimate that, by the next valuation, these contributions will have:

- Increased the technical provisions funding level to about 109.6% and
- Maintained the solvency position at about its current level.

These estimates assume that:

- The experience of the Plan between the two valuation dates is in line with the assumptions underlying the technical provisions.
- The assumptions underlying the technical provisions and solvency bases remain unchanged.

Next steps

Actions required to finalise the valuation process are summarised below.

The next steps are:

- For the Trustee to provide a copy of this report to the Company within seven days.
- To submit the valuation summary to the Pensions Regulator via Exchange.
- To provide a summary funding statement to members by 30 June 2020 i.e. within 18 months of the valuation date.

Checklist

The valuation process is complete when all of the following have been agreed and are in place:

- This scheme funding report, including my certification of the technical provisions
- Schedule of contributions, including my actuarial certification of its adequacy

The statutory deadline for completing the valuation process is 31 March 2020, i.e. 15 months after the valuation date.

Appendix A – Legal framework and alternative presentation

It is a legal requirement to carry out a full valuation at least once every three years.

This report is produced in compliance with:

- Rule 24.4 of the Plan's rules.
- Section 224 of the Pensions Act 2004.
- 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.

Alternative presentation including defined contribution benefits

Individuals' defined contribution balances amounted to £1,565.4M at the valuation date. If these benefits are included in the valuation:

- The value of the assets on the technical provisions basis is £3,067.3M.
- The technical provisions are £2,954.3M (funding level of 103.8%).
- The value of the assets on the solvency basis is £3,089.8M.
- The value of the solvency liabilities is £3,287.3M (solvency level 94.0%).

Appendix B – Membership data

Final Salary active employees		Number	Average age	Total Plan Salaries (£000 p.a.)	Average Plan Salaries (£ p.a.)	Average service (years)
Men	2018	21	52	4,251	202,427	12
	2015	30	49	5,422	180,721	11
Women	2018	13	53	1,440	110,738	10
	2015	16	51	1,550	96,876	10
Total	2018	34	52	5,691	167,369	11
	2015	46	49	6,972	151,557	11

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 Plan Salaries (£000 p.a.)	Average Plan Salaries (£ p.a.)	Average service (years)
Men	2018	35	54	4,325	123,565	12
	2015	45	50	5,435	120,778	11
Women	2018	11	53	1,044	94,894	11
	2015	12	51	995	82,929	11
Total	2018	46	54	5,369	116,709	12
	2015	57	50	6,430	112,810	11

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 Plan Salaries (£000 p.a.)	Average Plan Salaries (£ p.a.)	Average service (years)
Men	2018	11	56	1,764	160,353	10
	2015	58	51	9,069	156,355	10
Women	2018	15	54	1,952	130,124	12
	2015	42	52	5,139	122,346	12
Total	2018	26	55	3,716	142,913	11
	2015	100	51	14,207	142,071	11

Note: There has been a significant reduction in the number of BlackRock members since the 2015 valuation due to a data reconciliation carried out by the Plan administrators which identified that a large number of these members were no longer BlackRock employees. This has not had a significant impact on the Plan's funding position.

Deferred pensioners		Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
Men	2018	1,754	54	13,386	7,632
	2015	2,074	51	17,678	8,524
Women	2018	1,411	53	6,114	4,333
	2015	1,577	51	7,152	4,535
Total	2018	3,165	53	19,500	6,161
	2015	3,651	51	24,830	6,801

Note: The deferred pension amounts shown above are at date of exit from the Plan.

Pensioners		Number	Average age	Total pension (£000 p.a.)	Average pension (£ p.a.)
Men	2018	551	70	11,478	20,831
	2015	485	68	10,357	21,356
Women	2018	329	68	2,988	9,081
	2015	253	68	2,396	9,469
Dependants*	2018	118	71	1,447	12,264
	2015	114	70	1,140	10,000
Total	2018	998	69	15,912	15,944
	2015	852	68	13,893	16,307

Included within the pensioner and dependant data above are 934 pensioners and dependants with pensions totalling £15,325,721 p.a. (average age of 70) in respect of whom the Trustee has purchased matching bulk annuities.

**The figures above do not include child dependants.*

I have conducted high level checks on the membership data provided and I am satisfied with its adequacy for the purpose of this actuarial valuation.

Appendix C – Benefits Valued

A summary of the key details of the Plan benefits considered in this valuation is set out below.

Introduction	The Final Salary section is divided into the following main categories of member: Merrill Lynch, Mercury Asset Management, SNC and SGH. The benefits given by these sections are set out in the legal documentation of the Plan. For illustration only, this section includes an overview of the benefits of the Merrill Lynch section.
Date Final Salary section closed to future accrual	The Final Salary section of the Plan closed to future accrual on 30 June 2004.
Normal Retirement Age	62
Pensionable Service	The number of years and complete months during which a member has been in the Plan (up to the date of closure to future accrual).
Normal Retirement Pension	1/60 x Final Pensionable Salary for each year of Pensionable Service.
Plan Salary	For members joining before 1 June 1989, the lesser of: a) Basic salary plus bonus b) The greater of 1½ times basic salary and the earnings cap For members joining after 31 May 1989, the lesser of: a) Basic salary plus bonus b) The earnings cap For former members of the Mercury Asset Management Scheme, Plan Salary is subject to a minimum guaranteed amount calculated as at 1 July 1999 and then increased each year at the lower of the increase in the basic salary and the increase in RPI.

Pensionable Salary	Plan Salary less 1½ times the Lower Earnings Limit at the previous 1 January. For former members of the SNC Plan and the SGH Scheme, Pensionable Salary is guaranteed to be no less than basic salary at 1 April 1997.
Final Pensionable Salary	The greater of: ▪ Pensionable Salary for the 12 months before exit, and; ▪ Highest average yearly amount of Pensionable Salary for any 36 consecutive months in the five years immediately before exit.
Early Retirement Pension	A pension is provided on retirement after the age of 55. This is calculated using completed service and is adjusted to allow for early payment.
Pension Increases	Guaranteed LPI increases are provided to pensions in payment accrued from 1 April 1997. For pensions accrued before 1 April 1997, there are no guaranteed increases to pensions in payment in excess of the GMP. GMPs in payment are increased in accordance with statutory requirements.
Tax-free lump sum	Part of the member's pension may be commuted for a lump sum which is currently tax free.
Death after retirement	A spouse's pension of one-half of the member's pension (before any commutation for lump sum); plus If the member dies within five years of retiring, the spouse's pension is equal to the member's pension for the balance of the five-year period before reducing to the spouse's pension described above; plus Children's pension of 10% of the member's pension (before commutation) (subject to an overall maximum of 50% of the member's pension).
Death in service	A lump sum of four times Plan Salary; plus A spouse's pension of one-third of Plan Salary; plus Children's pensions of 5% of Plan Salary (subject to an overall maximum of 25% of Plan Salary).

Leaving service options	A deferred pension payable from Normal Pension Age; or A transfer payment to either a new employer's scheme or a suitable insurance policy, equivalent in value to the preserved pension.
Notes	Former members of the SNC Plan and SGH Scheme are entitled to different benefits in respect of their service prior to 1 April 1997; Former members of the Mercury Asset Management Scheme are entitled to different benefits in respect of their service prior to 1 July 1999.

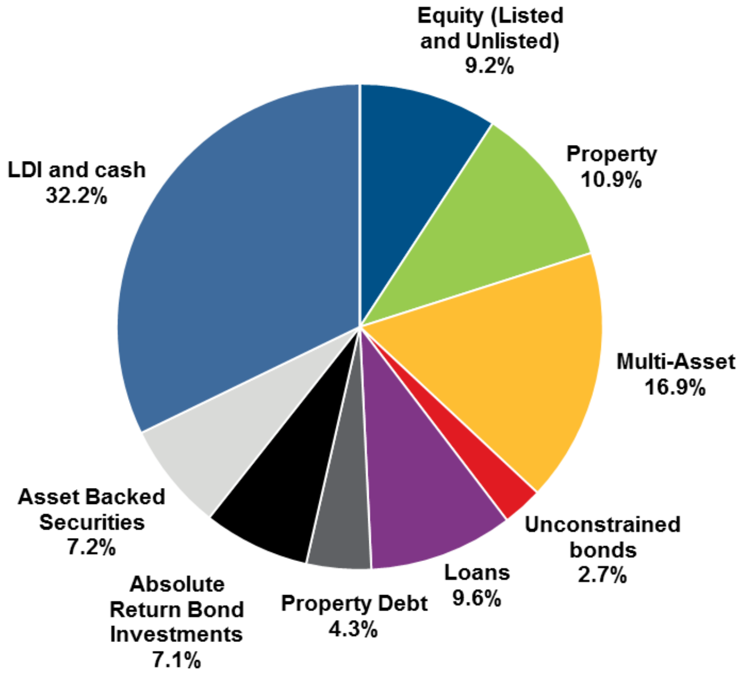
Appendix D – Assets

Information on the assets used in this valuation is covered here.

The audited accounts for the Plan for the year ended 31 December 2018 show the total assets were £3,079.3M, of which £1,565.4M related to DC and AVC assets and £373.4M related to bulk annuities purchased by the Trustee to match certain pensions in payment. For the purpose of the audited accounts, the value of the bulk annuities was estimated based on the assumptions adopted for the 31 December 2015 valuation updated for market conditions as appropriate.

For the purposes of the actuarial valuation, the assets relating to the Final Salary section of the Plan (excluding AVCs) were £1,501.9M. This includes a value of £361.4M in relation to the insured annuities noted above, valued on the 31 December 2018 Technical Provisions basis. The chart to the right shows how the balance of the assets of £1,140.5M was broadly invested as at 31 December 2018.

Asset Allocation (excluding annuities) as at 31 December 2018



Appendix E – Assumptions for solvency estimate

The key assumptions used in calculating the solvency estimate are summarised below.

The solvency estimate has been calculated in line with statutory requirements. I have taken into account the investment strategies that a life assurance company is likely to use to back its annuity business and the resulting pricing we would expect to see under the market conditions at the valuation date, taking into account the size of the Plan.

However, this estimate is only a guide. The true position can only be established by conducting a competitive buy-out auction and fully defining the scope and likely cost of a wind-up process for the Plan.

The basis used is described on the next page.

Solvency estimate

This considers the position if:

- The Plan were discontinued on the valuation date.
- Member benefits were crystallised and, for active members, were based on their Final Pensionable Salary at the valuation date.
- Discretionary benefits were suspended permanently.
- The assets were used to buy immediate and deferred annuities from an insurer.

The solvency estimate is a regulatory requirement and also provides a useful benchmark against which the Trustee and others can assess the prudence of other funding measures.

Assumption	Solvency
Discount rate	Aon Bulk Annuity Market Monitor (BAMM) yield curve for large schemes, which is constructed from swap and UK corporate bond market curves, and differs for pensioners and non-pensioners
RPI inflation	Term-dependent rates implied by RPI swaps
CPI inflation	RPI assumption less 0.6% p.a.
Salary inflation	No allowance
Mortality assumption - base table	95% male / 85% female SAPS S2 'Light' tables
Mortality assumption - projection	CMI 2017 core projections with Sk=8.0 and long-term improvement rate of 1.75% p.a. for men and women
Withdrawals	All members are assumed to leave active service immediately
Early Retirements	All members are assumed to retire at NRD
Commutation	No allowance
Family details	A man is assumed to be three years older than his wife/partner. 80% of male members and 70% of female members are assumed to have eligible dependants at retirement (or Normal Retirement Age for pensioners) or earlier death
Expenses	A reserve equal to estimated expenses and charges associated with winding up the Plan
Discretionary benefits	No allowance made

Appendix F – Certificate of technical provisions

Actuarial certificate given for the purposes of Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Bank of America Merrill Lynch UK Pension Plan (the Plan)

Calculation of technical provisions

I certify that, in my opinion, the calculation of the scheme's technical provisions as at 31 December 2018 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Plan and set out in the Statement of Funding Principles dated 3 October 2019.

Signature:

Jonathan Wicks FIA

Fellow of the Institute and Faculty of Actuaries

Date: 3 October 2019

Aon Hewitt Limited

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Appendix G– Glossary

Deficit
This is the funding target less the value of assets. If the value of assets is greater than the funding target, then the difference is called the surplus.

Discount rate
This is used to place a present value on a future payment. A 'risk-free' discount rate is usually derived from the investment return achievable by investing in government gilt-edged stock. A discount rate higher than the 'risk-free' rate is often used to allow for some of the extra investment return that is expected by investing in assets other than gilts.

Discretionary benefits
Benefits that are not guaranteed under a scheme's rules and which are only granted to members at the discretion of the Trustee and/or the sponsor.

Funding level
This is the ratio of the value of assets to the funding target.

Funding target
An assessment of the present value of the benefits that will be paid from the scheme in the future, normally based on pensionable service prior to the valuation date. Often, the funding target is equal to the technical provisions.

Gilt yield curve
The term-dependent yields on gilts derived from fixed-interest gilts published by the Bank of England which is extended by Aon Hewitt for years beyond those published.

Guaranteed Minimum Pensions (GMPs)
Most schemes that were contracted out of the State Earnings Related Pension Scheme (SERPS) before April 1997 have to provide a pension for service before that date at least equal to the Guaranteed Minimum Pension (GMP). This is approximately equal to the SERPS pension that the member would have earned had the scheme not been contracted out. GMPs ceased to build up on 6 April 1997 when the legislation changed.

Hedging
A liability is said to be hedged if a scheme holds investments which respond in the same way as it does to changes in the risk being hedged (eg interest rates or inflation). Gilts and swaps are examples of investments which are commonly used to hedge liabilities.

Limited Price Indexation (LPI)
The Pensions Act 1995 required schemes to provide a minimum level of annual increase to pensions in payment. The minimum level is the smaller of 5% and the increase in inflation* and applies to the pension earned from 6 April 1997 to 5 April 2005. With effect from 6 April 2005, the cap for statutorily required LPI for future service was reduced from 5% to 2.5%.

*Until 2010, inflation for the purpose of this minimum was defined with reference to changes in the Retail Prices Index. From 2011, inflation was defined with reference to changes in the Consumer Prices Index.

Pension Protection Fund (PPF)
The PPF was established with effect from 6 April 2005. The PPF will normally take over the assets of a pension scheme in the event of its employer becoming insolvent and the scheme having insufficient assets to provide the PPF benefits. The PPF will not provide the scheme benefits in full. The PPF is financed by a levy on most defined benefit pension schemes.

The PPF benefits are broadly 100% of benefits for pensioners over normal retirement age and 90% of benefits up to a cap for all other members. Pension increases granted on benefits are at lower levels than apply in many schemes, in particular, benefits earned before 6 April 1997 would not be given any pension increases within the PPF.

Present value
Actuarial valuations involve projections of pay, pensions and other benefits into the future. To express the value of the projected benefits in terms of a cash amount at the valuation date, the projected amounts are discounted back to the valuation date by a discount rate. This value is known as the present value. For example, if the discount rate was 6% a year and if we had to pay a lump sum of £1,060 in one year’s time the present value would be £1,000.

Projected Unit Method
One of the common methods used by actuaries to calculate actuarial liabilities and contribution rates. This method allows for full projected future increases to pay through to retirement or withdrawal.

Prudent
Prudent assumptions are assumptions that, if a scheme continues on an ongoing basis, are more likely to overstate than understate the amount of money actually required to meet the cost of the benefits.

Recovery plan
Where a valuation shows a funding shortfall against the technical provisions, trustees must prepare a recovery plan setting out how they plan to meet the statutory funding objective.

RPI inflation curve
The term-dependent RPI inflation expectations derived from fixed-interest and index-linked gilts published by the Bank of England which is extended by Aon Hewitt for years beyond those published.

Schedule of contributions (SoC)
Trustees of pension schemes must prepare and maintain a schedule of contributions. This shows the dates and amounts of contributions due from the employer and members. Under the Pensions Act 2004 the schedule must be put in place within 15 months of the valuation date.

Solvency level
This is the ratio of the market value of a scheme's assets to the estimated cost of securing a scheme's liabilities in the event of the discontinuance of the scheme.

The Statement of Funding Principles
The Pensions Act 2004 requires trustees to prepare (and from time to time review and if necessary revise) a written statement of their policy for securing that the statutory funding objective is met. This is referred to as a statement of funding principles.

Statutory estimate of solvency
This is the difference between the market value of a scheme's assets and the estimated cost of securing a scheme's liabilities in the event of the discontinuance of the scheme.

Statutory funding objective
Under the Pensions Act 2004, every scheme is subject to the statutory funding objective, which is to have sufficient and appropriate assets to cover its technical provisions.

Swap yield curve
The term-dependent yields on fixed-interest swaps derived by Aon Hewitt from market data.

Surplus
This is the value of assets less the funding target. If the funding target is greater than the value of assets, then the difference is called a deficit.

Technical provisions
This is the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between a scheme's trustees and the company. It generally allows for projected future increases to pay through to retirement or date of leaving service.

Transfer value
Members generally have a legal right to transfer their benefits to another pension arrangement before they retire. In taking a transfer, members give up their benefits in a scheme, and a sum of money (called the transfer value) is paid into another approved pension scheme; this is used to provide pension benefits on the terms offered in that scheme.

Withdrawal
Members may leave a pension scheme before their normal retirement age (typically because they leave employment with the sponsor). When they do so, their accrued benefits will no longer be linked to future salary increases (where applicable), and will instead be linked to future inflation. Benefits will still be payable at normal retirement age.

Report Framework

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

TAS compliant

This report, and the work relating to it, complies with ‘Technical Actuarial Standard 100: Principles for Technical Actuarial Work’ (‘TAS 100’) and 'Technical Actuarial Standard 300: Pensions’ (‘TAS 300’).

The compliance is on the basis that Bank of America Merrill Lynch UK Pension Plan Trustees Limited is the addressee and the only user and that the report is only to be used in relation to the actuarial valuation of the Bank of America Merrill Lynch UK Pension Plan as at 31 December 2018. If you intend to make any other decisions after reviewing this report, please let me know and I will consider what further information I need to provide to help you make those decisions.

The 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 report should be read in conjunction with:

- Statement of Funding Principles dated 3 October 2019
- The previous Statement of Funding Principles dated 30 November 2016
- My formal report "Actuarial valuation at 31 December 2015" dated 30 November 2016
- My report "Actuarial valuation at 31 December 2018 – Experience analysis – Longevity and other assumptions" dated 15 November 2018
- My report "Actuarial valuation at 31 December 2018 – Financial and other assumptions" dated 28 January 2019
- My report "Actuarial valuation at 31 December 2018 – Initial results" dated 27 March 2019
- My report "Reviewing the Plan's long-term target", dated 8 April 2019
- The Aon report "Guidance on Actuarial Valuations" provided in November 2018, which should be considered as an appendix to this report

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