



UNITED AIRLINES INC.  
UK PENSION PLAN

# Trustees' Report to Members

For the year to 31 December 2020

# Trustees' Report to Members

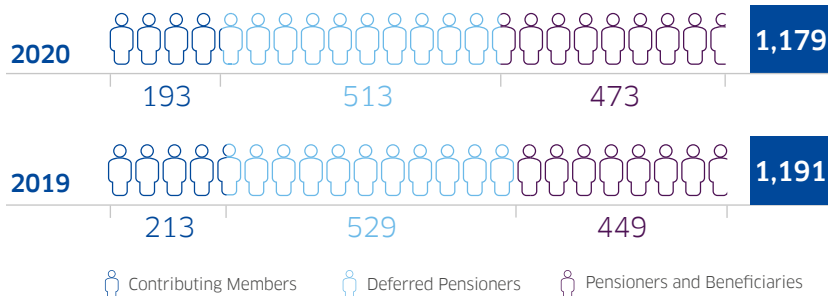
for the year to 31 December 2020

**A good pension arrangement is one of the most valuable benefits a company can offer its employees, providing financial security for you and your family.**

This report includes a summary of the full Report and Accounts; it is designed to keep you informed about the financial progress of the United Airlines Inc. UK Pension Plan (the "Plan"), and tell you about any changes that have occurred in the previous financial year. It includes membership information, investment performance, and the money coming into and paid out of the Plan over the year under review.

## Plan membership

The Plan is run for the benefit of its members. Membership at the end of the year under review is shown in the diagram below. (Deferred pensioners are previous contributing members who have not yet retired but retain benefits in the Plan.)



## Finances

Money In – Money Out	£000's
Balance at 1 January 2020	186,184
Contribution Income <sup>1</sup>	7,698
Increase in Market Value of Investments	16,460
Total Expenditure <sup>2</sup>	(4,469)
<b>Balance at 31 December 2020</b>	<b>205,874</b>

<sup>1</sup> Contribution income includes regular Company and Member contributions

<sup>2</sup> Total expenditure includes benefit payments and transfers out



## Trustees and professional advisors

The Plan is administered by the Trustees, with the help of their professional advisors. The Trustees are:

Mr C Chen

Mr G Larkin (MNT)

Ms J Killick

Mr B O'Reilly (MNT)

Ms C Schroeder

The Trustees are there to work on your behalf – they are your representatives. They are responsible for running the Plan – ensuring that it is administered properly and that Plan's assets are invested appropriately. In order to keep up to date and increase their knowledge of pension plan administration, the Trustees have undertaken and completed an online trustee training course run by the Pensions Regulator.

Legislation requires that at least one third of a plan's trustees are nominated by members. The current Member Nominated Trustees (MNTs) in the Plan are Glenn Larkin and Brandon O'Reilly.

To assist in the complex task of administering the Plan, the Trustees seek the professional help and advice of the following people and organisations:

<b>Plan Actuary</b>	Mr Scott James Pinder FIA, Willis Towers Watson
<b>Investment Adviser</b>	Willis Towers Watson
<b>Administrator</b>	Willis Towers Watson
<b>Legal Adviser</b>	Macfarlanes
<b>Investment Manager</b>	Legal and General (subsequently changed to Willis Towers Watson in 2021)
<b>Auditor</b>	Deloitte LLP
<b>Bank</b>	HSBC Bank Plc

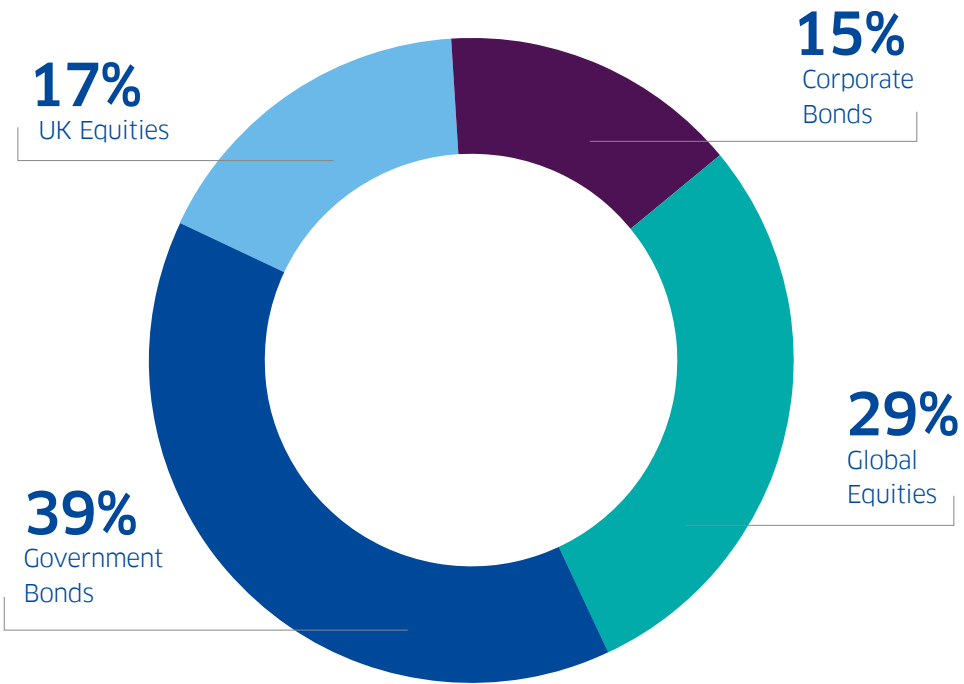
# Investments at 31 December 2020

(Excluding Additional Voluntary Contributions)

The actual allocation of assets at 31 December 2020 is shown below.

The Plan's investment manager over the year was Legal and General, though this has subsequently changed to Willis Towers Watson in 2021. Legal and General adopted an index-tracking approach, by which the Trustees expected to achieve investment returns close to the benchmark each asset class was tracking, rather than performance depending on the manager's ability to select individual investments to enhance returns.

During the 12 months to 31 December 2020, the Plan's assets achieved a return of 8.8% (before fees), close to the index return.



# Summary Funding Statement



**As you are entitled to benefits from the Plan, you are entitled to receive regular information on an annual basis on the Plan's funding position. We will normally include a statement like this in each year's Trustees' Report To Members.**

## **How your benefits are secured**

Security for your benefits is provided principally by the assets held by the Plan and United Airlines Inc.'s ("United") continuing support and future contributions. The Plan's assets build up from the contributions that United and the Plan's active members pay into a common fund. These are then invested. Aside from any Additional Voluntary Contributions paid by members, separate funds are not held for each individual.

## **The Plan's investment policy**

The Trustees are responsible for ensuring that the investment policy is appropriate for the Plan. The Trustees' primary objective is to protect the payment of the benefits. The Plan's assets are invested as described on page 4. More detail is available in the Plan's Statement of Investment Principles.

## **How the financial position of the Plan is monitored**

The Trustees are required to conduct an actuarial valuation of the Plan at least once every three years. At each actuarial valuation, the Trustees monitor how the Plan's assets compare with the value of benefits already built up to assess the Plan's "funding level". United and the Trustees agree the appropriate level of future contributions to be made to the Plan. Actuarial valuations can be done in many ways and the Trustees do not rely on a single set of figures.

The financial position of the Plan is set out in the actuarial valuation report. The report also includes information about the many factors that may change the Plan's financial position in the future. It provides useful background to the information in this statement.



## Latest financial position

The most recent completed actuarial valuation of the Plan was carried out with an effective date of 31 December 2019 and was completed in March 2021. The next actuarial valuation will be as at 31 December 2022. In addition, the Trustees obtain a shorter actuarial report in the years that a full actuarial valuation is not carried out. The results of the 31 December 2019 valuation are summarised below, together with the results from the actuarial reports as at 31 December 2018 and 31 December 2020.

Position at 31 December	2020	2019	2018
Value of assets	£205.9m	£186.2m	£155.7m
Cost of providing benefits already built up (liabilities)	£203.9m	£179.0m	£166.2m
Surplus/(shortfall)	£2.0m	£7.2m	(£10.5m)
Funding level (assets / liabilities)	101%	104%	94%

United will contribute 36.45% of Pensionable Salaries each year towards the cost of benefits being built up in the future, as well as contributions of 5.35% of Pensionable Salaries in respect of salary sacrifice members. As there was no shortfall at 31 December 2019, no additional contributions are currently required.

## Change in the financial position

The Plan's shortfall of £10.5m at 31 December 2018 was eliminated over 2019 and the Plan had a surplus of £7.2m at 31 December 2019; the funding level improved from 94% to 104%. This reflects the shortfall contributions paid by United (agreed as part of the 31 December 2016 valuation) and asset returns over the year being higher than expected, slightly offset by worsening market conditions. It also includes the impact of the valuation that was carried out as at 31 December 2019, which showed positive experience compared to what was expected and so further increased the funding level.

The Plan's surplus decreased from £7.2m at 31 December 2019 to £2.0m at 31 December 2020, with the funding level falling from 104% to 101%. Although United paid shortfall contributions over the period and the return on the Plan's assets was higher than expected, the worsening of market conditions over the year led to a net reduction in the surplus.





## What would happen if the plan were wound-up?

As part of the valuation, the Plan Actuary also has to work out the funding level assuming the Plan doesn't continue and all the promised benefits are secured ("bought out") by paying a one-off premium to an insurance company. This kind of funding level (called the solvency funding level) is significantly lower than funding levels worked out if we assume the Plan carries on. This is because insurance companies have to invest in 'low risk' assets and they also have to hold reserves to demonstrate they have enough money to pay out the benefits. This makes buying-out benefits expensive.

If the Plan had been wound-up at the 31 December 2019 valuation date, the Plan Actuary estimated that an extra £25.6m would have had to be paid to the Plan in order to cover the cost of fully providing, via an insurance policy, the benefits built up for Plan members.

We have to provide this information by law. This does not mean that United or the Trustees are currently considering winding-up the Plan. United would need to meet this shortfall but if United became insolvent, the Pension Protection Fund (the "PPF") might be able to take over the Plan and pay compensation to members. Further details on the operation of the PPF are available on the PPF's website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) or you can write to the Pension Protection Fund at Knollys House, 12 Dingwall Road, Croydon, CRO 2NA.

## Payment to United

We are obliged to inform you if any payment has been made from the Plan to United in the twelve months prior to this statement. The Trustees can confirm that no such payment has been made. Similarly we are obliged to inform you if the Pensions Regulator has made modifications to the Plan or given specific directions on the funding of the Plan. Again, the Trustees can confirm that no such modifications or directions have been made.

## Looking after your data

Some personal data for Plan members (such as date of birth and salary) is required for the running of the Plan, including paying out the right benefits. The use of this data is regulated under the Data Protection Act, which places certain responsibilities on those who exercise control over the data (known as "data controllers" under the Data Protection Act). Data controllers would include the Trustees of the Plan, and, in certain circumstances, professional advisers to the Plan. These may include the Plan Actuary and Willis Towers Watson, who have provided further details at



[www.willistowerswatson.com/  
personal-data](http://www.willistowerswatson.com/personal-data)

# Retirement planning and latest pensions news

## Retirement planning



Retirement is a time when you have to make decisions that have an impact on your financial wellbeing. Some of these decisions are complex and it is important you are aware of the options available at retirement in order to make informed decisions; for example, the benefits and drawbacks of taking a tax-free cash sum on retirement and when to retire.

Each member should be provided a retirement statement six months before their Normal Retirement Date. Choosing how and when to take your retirement income can be a complicated decision. If you are unsure about your options or would like advice about your own situation you should consider speaking to an Independent Financial Adviser (IFA). You can find more information about how an IFA can help and how to select one at:



[www.moneyadvice.service.org.uk/en/articles/choosing-a-financial-adviser](http://www.moneyadvice.service.org.uk/en/articles/choosing-a-financial-adviser)

## A recap of your options before and at retirement

Since April 2015, people saving for retirement in Defined Contribution (DC) arrangements (also called money purchase arrangements, where you save individually in an investment fund) have been provided with 'pensions freedoms', allowing for more flexibility in the way they may access their pension pots at retirement.

As a member of a defined benefit (DB) plan, you would need to transfer your benefits to another DC scheme such as a personal pension to access this new flexibility. This option will not be suitable for everyone but may be beneficial, depending on your personal circumstances. It is important that you seek independent financial advice before considering a transfer and in most cases you would be required to evidence this.

From age 55, if the value of your benefits is less than £30,000, then you may also be

eligible to take your benefits as a one off cash lump sum (with 25% of the value of your benefits being tax-free).

You can access your benefits in this fashion if:

- all your benefits in the Plan are worth less than £10,000; or
- if your benefits across all registered pension schemes are worth less than £30,000.

If you transfer your benefits out of the Plan or take all of your benefits as a one-off cash lump, as described above, you extinguish all your benefits within the Plan.

If you are interested in either of these options and believe that you meet the eligibility criteria please contact the Plan's administrators, Willis Towers Watson, at the details listed on the back page of this booklet.



## State pension age changes

The Government is currently in the process of increasing State Pension Age (SPA). It is currently 66 and, under current legislation, this is due to be increased further in phases, eventually becoming age 68.

The Government has completed its first regular review of the SPA and has announced that it plans to bring the increase from age 67 to 68 forward to between 2037 and 2039.

To calculate your SPA or get a State Pension forecast visit the Government website:

 [www.gov.uk/browse/working/state-pension](https://www.gov.uk/browse/working/state-pension)

## Pensions scams

As the number of choices available to pension scheme members has increased so has the frequency and complexity of pension scams. Some disreputable companies are targeting members, claiming they can help them take their pension cash early. While this sounds tempting, this would usually result in tax charges and penalties of more than half the value of your pensions savings, so accessing your pension cash before age 55 is rarely in your best financial interests.

It is not just younger members who have been targeted, some scammers now promise sky-high investment returns if you withdraw your pension and deposit it with them. As with any major financial decision we recommend you seek independent financial advice when reviewing your pension provision.

If you are concerned that you have been approached and offered services so described, please contact either the Financial Conduct Authority (FCA) on **0800 111 6768** or Action Fraud on **0300 123 2040**.

## Are your affairs in order?



None of us likes to think much about death but you should remember that various benefits may be payable on the death of a member and it is in your interests to have in place a fully updated Expression of Wishes form. The Trustees and United take into consideration information provided on a completed Expression of Wishes form when determining who should receive any benefits due to be paid in the event of the death of a member. Since 1 January 2016, death in service benefits based on a multiple of salary have been provided by United outside the Plan.

You should review your Expression of Wishes form whenever your personal circumstances change

but particularly if you marry, divorce, start or end a civil or other partnership or have a child or other dependant (or if anyone nominated by

you should die). If you are not sure whether you have completed such a form, or if you think it may need updating, please contact **Kuldeep Balu** at **Human Resources** to request an Expression of Wishes form (see "Useful Information" for address).

## COVID-19

As you are aware, the COVID-19 pandemic resulted in country-wide measures in the UK from March 2020 onwards. We hope that you and your family are well and advise that you continue to follow the guidelines set out by the government.

The Trustees have monitored the developments and the potential impact on the Plan investments across the year, as well as ensuring that their advisors have plans in place to work effectively from home and minimise disruption to member services.

The Trustees continue to have regular, detailed dialogue with United regarding the possible impact of COVID-19 on the Plan and on United's business. While there has been disruption and volatility in financial markets, the Plan remained in surplus as at 31 December 2020.

### Interested in becoming a Trustee?

If you are a member of the Plan, have you considered becoming a Trustee for the Plan, or thought about what the role might entail?

If you are interested in pensions in general, have experience in trusteeship or are interested in getting to know the workings of the Plan in more depth and playing a role in its future direction, this role could be a chance for you to contribute towards the Plan.

Trusteeship is a rewarding way to volunteer and members looking for continuing development should certainly consider becoming a Trustee. You don't need any prior experience and training will be provided.

The current Trustees would like to hear from you if you think you may be interested in potentially taking on this role. Please contact **Kuldeep Balu** at Human Resources if you would like more information.

In addition, more information on what being a pension trustee entails is available through the Pension Regulator's 'Guidance for Trustees', available online at



[www.thepensionsregulator.gov.uk/trustees.aspx](https://www.thepensionsregulator.gov.uk/trustees.aspx)

### Additional Voluntary Contributions (AVCs)

If you have made Additional Voluntary Contributions to the Plan then you make the decisions on where that money is invested (unlike your defined benefits in the Plan). You may be able to use your AVCs in a number of ways:

At retirement:

- Take AVCs from the Plan as either tax-free cash or convert to a pension from the Plan
- Take AVCs as a separate (part tax-free, part taxed) cash lump sum from Plan (note there may be tax implications for you to consider)

Before or at retirement:

- Transfer AVCs to another pension arrangement and take separately outside of the Plan

You should regularly review your AVC funds and that they are invested in a way which matches your objectives.

## Documents available on request

The following documents are available on request from the Trustees:

- **The full report on the Actuarial Valuation** following the Plan Actuary's check of the Plan's financial situation as at 31 December 2019. This report gives detailed information on the Plan's funding position and on the many factors that will influence the development of the Plan in the future.
- **The Statement of Funding Principles.** This explains how the cost of providing benefits is calculated and the Trustees' policy for ensuring that the cost is adequately met.
- **The Schedule of Contributions.** This shows the level of contributions that are being paid into the Plan.
- **The Statement of Investment Principles.** This explains how the Trustees invest the money paid into the Plan.
- **The Annual Report and Accounts** of the Plan, which shows the Plan's income and expenditure in the year up to 31 December 2020.
- **The Trust Deed and Rules.** This is the formal legal document that describes how the Plan will be operated.
- **The Member Booklet.** This is issued to all members when they joined the Plan and explains how your benefits and contributions are calculated.
- **Your Annual Benefit Statement –** Contributing members only. This statement provides an illustration of the benefits you may expect to receive from the Plan.



# Need help or more information?

To request details on your individual benefits, you can contact the Plan's administrators,



**Willis Towers Watson**  
**PO Box 545**  
**Redhill**  
**Surrey RH1 1YX**



**UAL@willistowerswatson.com**



**Telephone 01737 828116**

If you would like to know more about the Plan or wish to request any of the documents outlined on page 11, please contact



**Kuldeep Balu**



**Human Resources**  
**United Airlines**  
**World Business Centre**  
**1 Newall Road**  
**London Heathrow Airport**  
**Middlesex W6 2RE**



**kuldeep.balu@united.com**



**07593 819630**

**NOTE:** This Trustees' Report To Members is designed to highlight some of the main issues regarding recent performance of the Plan and other relevant information relating to the Plan. It is not intended to be a definitive guide and does not provide you with any financial advice. If there is any inconsistency between this document and the Plan's Trust Deed and Rules, then the Plan's Trust Deed and Rules will prevail.