

THE EE PENSION SCHEME DEFINED BENEFIT SECTION



TRUSTEE UPDATE

This newsletter summarises the results of the formal valuation of the Defined Benefit Section of the EE Pension Scheme (the Scheme) at 31 December 2021. These financial health checks are vital for monitoring the Scheme's progress. We hope the information helps you to understand how the Scheme is developing.

Note that this is a one-off update with new information available as part of the latest valuation being recently completed. The annual newsletter, which contains among other items a summary of the Annual Report and Financial Statements, together with a financial update as at 31 December 2022 based on those statements, will follow later this year as usual.

June 2023

SUMMARY FUNDING STATEMENT

Each year EE Pension Trustee Limited (the Trustee) is required by law to provide you with a Summary Funding Statement, which describes the level of funding that supports your pension in the Defined Benefit Section of the Scheme. The Trustee works closely with EE Limited (the Company) to ensure your benefits are adequately funded, secured and governed.

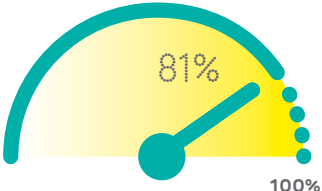

The Scheme Actuary carries out a formal actuarial valuation of the Scheme at least once every three years. This is an in-depth look at the Scheme's finances where the value of all members' benefits built up under the Scheme (liabilities) is compared to the value of the funds (assets).

In addition, the Scheme Actuary provides the Trustee with interim valuations – which are annual updates of the Scheme's financial position. Interim valuations are not as detailed as the formal actuarial valuation but give a reasonable assessment of the latest position.

SCHEME FUNDING UPDATE

31 DECEMBER 2021 FORMAL VALUATION

The most recent formal valuation, at 31 December 2021, has recently been completed and showed a funding position of 83%, meaning that the Scheme's assets covered 83% of its liabilities. This is compared to the funding position as at 31 December 2020 (the date of the previous Summary Funding Statement) in the following table.

	Interim valuation 31 December 2020	Formal valuation 31 December 2021
		
Assets*	£979.9 million	£1,080.4 million
Liabilities	£1,215.0 million	£1,297.9 million
Shortfall	£235.1 million	£217.5 million

* The asset values exclude AVC investments.

It can be seen that the funding position of the Scheme at 31 December 2021 has improved since 31 December 2020. The contributions paid by the Company and positive investment returns have improved the funding position, although this has been offset to some extent by changes to the assumptions used in valuing the Scheme's liabilities.

WHAT IS BEING DONE TO ADDRESS THE SHORTFALL?

As part of the process of completing the 2021 valuation, the Trustee agreed with the Company certain revisions to the existing recovery plan. The key features of the revised plan are deficit contributions from the Company as follows:

- £40 million per annum, paid monthly from 1 January 2022 to 31 July 2022
- £20 million per annum, paid monthly from 1 August 2022 to 31 July 2025; and
- A one-off contribution of up to £80 million paid, if required, before 31 March 2026.

The Trustee expects these contributions, together with the expected investment returns, to be sufficient to clear the shortfall as at the 2021 formal valuation by 31 March 2026.

In certain circumstances, the Pensions Regulator has powers to intervene in a scheme's funding plan, for instance by setting the level of the funding target, setting the terms of the recovery plan and/or imposing a schedule of contributions. The Pensions Regulator has not used any of these powers in relation to the Scheme.

As part of this statement, we must tell you if there have been any payments to the Company out of the Scheme since the last Summary Funding Statement. There have not.

WHAT PROTECTION IS THERE FOR MEMBERS?

The Trustee is required to provide you with an indication of what the funding position would be if the Scheme had terminated and been wound up as at the date of the last valuation. The information is purely for legislative purposes – the Company has no plans to wind up the Scheme.

If the Scheme had wound up on 31 December 2021 (the date of the last formal valuation), its assets of £1,080.4 million would have covered around 55% of the estimated cost of securing the Scheme's benefits with an insurance company. In the unlikely event of the Scheme winding up, the Company would be legally required to finance the shortfall and pay enough into the Scheme to enable benefits to be completely secured by an insurance company.

In the even more unlikely event that the Company becomes insolvent, the Pensions Protection Fund (PPF) may be able to take over responsibility for payments if the benefits that could be provided by the Scheme fall below PPF levels of compensation (which are lower than the standard benefits payable from the Scheme).

Visit the PPF website for further details at www.ppf.co.uk/

MORE INFORMATION

For more general information on pensions and saving for retirement, the following websites are useful resources.

www.moneyhelper.org.uk

MoneyHelper brings together the support and services of three government-backed financial guidance providers: the Money Advice Service, the Pensions Advisory Service and Pension Wise.

www.gov.uk

The Government's website features a section 'Working, jobs and pensions', which includes a State Pension Age calculator.

TAKING ADVICE

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser (IFA). You can get assistance finding an adviser by searching the Money Advice Service directory at Choosing a financial adviser.

www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser/

Before you appoint anyone, you should check that the adviser is suitably qualified and authorised. You can do this online at New Register (<https://register.fca.org.uk>) or by phoning the Financial Conduct Authority helpline, 0800 111 6768.

YOUR CONTACTS

The EE Pensions team:

Please use any of the methods below to get in touch with the Scheme administrator.

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If you need a large print version of this update, please call the administrators (Capita) on 0800 169 2085.