

## **IMI 2014 Deferred Fund Your Summary Funding Statement**

The Trustee Directors regularly monitor developments in the IMI 2014 Deferred Fund's ("the Fund's") financial position.

We recommend you take some time to read this statement, since the Fund's financial security could affect the benefits you will ultimately receive. We will continue to send you a similar statement after each valuation and annual funding update.

### **Measuring the Fund's financial position**

The estimated cost of providing members' benefits is known as the Fund's 'liabilities'. This includes the benefits of members who have left IMI or have retired.

When necessary we collect money ('contributions') from IMI, and invest this to help provide your benefits. It is held in a communal fund, not in separate funds for each individual. The amount of money we have invested is known as the Fund's 'assets'.

To check the Fund's financial position we compare the value of its liabilities to its assets. If the Fund has fewer assets than liabilities, it is said to have a 'shortfall'. If the assets are more than the liabilities there is said to be a 'surplus'.

We are required to carry out an in-depth look into the Fund's financial position at least every three years - this process is called an actuarial valuation. We ask a qualified independent professional, known as an Actuary, to do this. In years when an actuarial valuation is not carried out, we are required to carry out an annual funding update, which is also carried out by the Actuary.

The latest full valuation of the Fund was carried out as at 31 March 2021, and the last funding update and full valuation prior to this were as at 31 March 2020 and 31 March 2018 respectively. The results of those assessments are summarised below.

### **The Fund's financial position**

	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>31 March 2018</b>
Assets	585	563	474
Liabilities	579	588	554
Surplus (Shortfall)	6	(25)	(80)
Funding level	101%	96%	86%

From the above table it can be seen that the Fund had a shortfall in assets of £80 million at 31 March 2018, but this had become a surplus of £6m as at 31 March 2021. The main reasons for the improvement over the three years to 31 March 2021 are the positive investment returns on the Fund's assets and income received from the TPP, offset to a lesser extent by the increase in the Fund's liabilities, due to a reduction in government bond yields. Over the year to 31 March 2021, the main reasons for the improvement were the positive returns on the Fund's assets, including income from its investment in the IMI Scottish Limited Partnership (otherwise known as the Trustee Payment Plan, or TPP).

Despite continued market volatility, at the time of writing, the Fund's financial position is estimated to have continued to improve since 31 March 2021, and the Trustee continues to monitor the financial position between annual reviews.

Under the existing terms of the TPP, income of £7 million per annum will continue to be paid until mid-2030 or until full funding on a solvency basis (see below) is achieved if earlier.

### **What if the Fund had to “wind up”?**

If the Fund is ‘wound-up’ IMI would be required to pay additional money to secure all members’ benefits with an insurance company. The comparison of the Fund’s assets to the cost of securing the benefits from an insurance company is known as the ‘solvency level’. Typically, a pension scheme’s solvency position will often show a larger shortfall than the standard actuarial valuation as insurers are obliged to take a very cautious view of the future, and they also need to make a profit. The full actuarial valuation as at 31 March 2021 showed that the Fund’s assets would not have been enough to secure all members’ benefits from an insurance company, and the estimated solvency shortfall was £91 million.

The fact that there was a shortfall on a solvency basis at the last valuation has not affected the benefits paid from the Fund and all retired members have received the full amount of their pension. This is common for the majority of UK defined benefit (i.e. final salary) pension funds.

It is worth remembering that a valuation is just a ‘snap shot’ of the Fund’s funding position and it can change considerably if there are sudden changes in share prices or government bond yields.

Whilst no detailed assessments have been carried out, the Fund’s financial position on solvency is expected to have improved considerably since March 2021, principally due to strong investment returns achieved on the Fund’s assets.

### **The importance of IMI’s support**

The Trustee Directors’ aim is for there to be enough money in the Fund to pay pensions now and in the future, but this depends on IMI carrying on in business and continuing to contribute to the Fund. We confirm that there have been no payments to IMI (or any of the other participating employers).

In certain circumstances, the Pensions Regulator has powers to intervene in a scheme’s funding plan, by changing the future accrual of benefits, 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 Fund.

If IMI is not able to pay the full amount of the solvency shortfall, or becomes insolvent, the Pension Protection Fund (PPF) might be able to take over the Fund and pay benefits to members. The pension you would receive from the PPF may be less than the benefits you had built up in the Fund. Further information and guidance is available on the PPF website at [www.ppf.co.uk](http://www.ppf.co.uk).

### **Investment policy**

The Trustee Directors have an investment policy that is a diversified approach so as to balance the long-term return of the Fund with proper attention to investment risks. They take advice from the Fund’s investment adviser to ensure that this approach remains suitable for the Fund. The Trustee Directors recognise the key risk to the Fund is that it has insufficient assets to make provisions for 100% of its liabilities (‘funding risk’). They have also identified a number of other risks which have potential to cause deterioration in the Fund’s funding level and therefore contribute to funding risk. These risks include mismatching risk, cashflow risk, manager risk, risk of lack of diversification, covenant risk and operational risk. Due to the complex and interrelated nature of these risks, the Trustee Directors consider the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review.

## Other information

As well as your Summary Funding Statement, other documents prepared for or by the Trustee Directors are listed below. Copies of these documents are available to you on request.

Document	Purpose
Statement of Funding Principles	Sets out the funding plan
Statement of Investment Principles	Explains how the Trustee Directors invest the Fund's money
Schedule of Contributions	Sets out how much money is being paid into the Fund, and when
Recovery Plan	Sets out how much additional money is being paid into the Fund to finance the funding shortfall, and when
Annual Report and Accounts	Shows income and expenditure for the Fund year. The accounts for the year to 31 March 2021 and accounts for prior years are available
Actuarial Valuation Report	Sets out the results of the formal actuarial valuation as at 31 March 2021
Annual Funding Updates	Set out the results of funding updates in years when formal actuarial valuations are not required
Explanatory booklet	Details the Fund's benefits. You will have been given a copy of this on joining the IMI Pension Fund.

## Independent financial advice

If after reading this statement you are thinking of transferring your IMI pension benefit to another pension arrangement, we recommend that you contact an Independent Financial Adviser (IFA). By law, neither the Trustee Directors nor IMI can provide you with any financial advice. To find an IFA near you visit [www.unbiased.co.uk](http://www.unbiased.co.uk)

## What if I have a question?

**Preserved Employed members** - should speak to your Pensions Contact. Details on who your Pensions Contact is can be found on the Group Pensions Community on Passport.

**Deferred members and Pensioners** - should contact the IMI administration team:

**Telephone:** 01737 788145

**Post:** The IMI Administration Team  
Willis Towers Watson  
PO Box 545  
Redhill  
Surrey, RH1 1YX

**Email:** [imipensions@willistowerswatson.com](mailto:imipensions@willistowerswatson.com)

Please help us to keep in touch with you by telling us if you change your address.  
March 2022