The Taylor Wimpey Pension Scheme (the "Scheme") Summary Funding Statement 2017

As Trustee of the Taylor Wimpey Pension Scheme (the **"Scheme"**), we look after the Scheme on behalf of its members and we issue a statement each year to let you know about the Scheme's financial security. The information is set out in a question and answer style which we hope you find helpful.

How is the Scheme's financial security measured?

The estimated cost of providing the benefits for all members who are entitled to a pension in the future, together with the pensions already in payment, are known as the value of the Scheme's liabilities. As the Scheme is closed to future accrual, these liabilities relate to deferred members and pensioner members.

The Scheme holds assets to meet the cost of the benefits promised to members. The assets are held in a communal fund, not in separate funds for each individual.

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

We carry out an in-depth look at the Scheme's finances at least every three years. This is called an Actuarial Valuation. We ask a qualified, independent professional, known as an Actuary, to do this. We also receive an Annual Update Report from the Actuary setting out his comments and conclusions on the change in the Scheme's funding level. We also check the financial security of the Scheme on a quarterly basis.

What was the Scheme's financial position at the latest Valuation?

The Scheme was formed following the merger of the two former schemes of the Company - the Taylor Woodrow Group Pension & Life Assurance Fund and the George Wimpey Staff Pension Scheme. The merger took place on 1 October 2013.

The second formal Actuarial Valuation of the Scheme was carried out based on data as at 31 December 2016. The funding position of the Scheme at this date is set out below:

	Actuarial Valuation 31 December 2016
The value of the Scheme's liabilities were:	£2,451 million
The Scheme's assets were valued at:	£2,229 million
This means there was a shortfall of:	£222 million

Another way to look at the Scheme's financial security is to consider the funding level. The funding level is calculated as the Scheme's assets divided by the value of the liabilities. The funding level was 90.9% as at 31 December 2016.

Has the financial position of the Scheme changed since the Valuation?

Yes, in addition to the triennial Actuarial Valuation, the Scheme Actuary provided an Annual Update Report containing a funding update of the financial position as at 31 December 2017.

	Annual Update Valuation 31 December 2017
The value of the Scheme's liabilities were:	£2,389 million
The Scheme's assets were valued at:	£2,379 million
This means there was a shortfall of:	£10 million

This showed that the deficit had decreased to £10 million, with a funding level of 99.6%. The most recent quarterly update as at 29 March 2018 showed that the funding level had decreased slightly to 99.0%, with the shortfall increasing to £23 million.

The decrease in the shortfall since the Actuarial Valuation at 31 December 2016 is mainly due to the contributions paid into the Scheme by the Company over the period, combined with a high return on the Scheme's invested assets. This has served to increase the value of the assets significantly relative to the Scheme's liabilities.

Is the shortfall going to be paid off?

Yes, following discussions between the Trustee and the Company it was agreed that the Company would make annual deficit recovery payments of:

- £16m per annum, plus £2m for administration expenses (totalling £18m a year), for the period 1 January 2017 to 31 March 2018; and
- £40m per annum, plus £2m for administration expenses (totalling £42m a year) for the period 1 April 2018 to 31 December 2020.

This agreement is recorded in the Schedule of Contributions dated 13 February 2018.

The Trustee and the Company also agreed a mechanism to reduce the risk that the Scheme becomes overfunded by allowing contributions to be stopped, and then potentially re-started, should certain funding triggers be met. Further details of this mechanism can be found in the Scheme's Schedule of Contributions.

As indicated above, the shortfall has decreased significantly in the period since the last Actuarial Valuation (shortfall of £222m) to only £23m at 29 March 2018. In accordance with the funding mechanism, the Company decided to pay £23m into the Scheme during April 2018 to clear the deficit so that the Scheme could become fully funded as at 29 March 2018. The Company has therefore ceased payment of deficit recovery payments into the Scheme until such time as the funding level drops low enough to trigger a re-start of contributions, at which point payments would recommence in line with the Schedule of Contributions.

To calculate the amount of the shortfall, the Actuary makes assumptions about what will happen in the future, for example, the rate at which the Scheme assets will grow. If the assumptions do not all turn out to be exactly right, it may be necessary to change the level of the Company's contributions to the Scheme, and/or to vary the period over which any shortfall would be paid off.

Although there was a shortfall at 31 December 2016, all members who have retired have still received the full amount of their pension. Members who have transferred their entitlement to another registered pension arrangement have had their transfer value calculated in line with the recommendations made by the Scheme Actuary.

Both the Company's and the Trustee's intention is that the Scheme will continue to be funded in a way which will allow it to provide in full for the benefits of all members of the Scheme.

Is my pension guaranteed?

Our aim is for there to be enough money in the Scheme to pay pensions now and in the future, but this depends, like all schemes, on the Company carrying on in business and continuing to pay for the Scheme.

In the unlikely event that the Company goes out of business or decides to stop paying for the Scheme, it must ensure that the Scheme has sufficient assets to buy the full benefits of all members with an insurance company. This event would be called the Scheme "wind-up".

The comparison of the Scheme's assets to the cost of buying the benefits from an insurance company is known as the "solvency position".

Is there enough money in the Scheme to provide my full benefits if the Scheme was wound-up?

The Actuarial Valuation at 31 December 2016 showed that the Scheme's assets were not sufficient to have paid for the full benefits of all members to be provided by an insurance company if the Scheme had wound-up at that date. The cost of buying out benefits with an insurance company is high, as demonstrated by the figures below:

The liabilities if the Scheme were to be wound-up were: (ie the estimated cost of buying out the benefits with an insurance company)	£3,560 million
The Scheme's assets were valued at:	£2,260 million
This means that there was a shortfall of:	£1,300 million

The fact that we have shown the solvency position does not mean that the Company is thinking of winding up the Scheme. It is just another piece of information we hope will help you understand the financial security of your benefits. At 31 December 2017, the solvency shortfall had decreased to £984 million.

What happens if the Scheme is wound-up and there is not enough money to pay for all my benefits?

In the unlikely event that the Company and the Scheme do not have enough money to cover the cost of buying all members benefits with an insurer the Trustee would apply to the Pension Protection Fund (PPF) which is a fund set up by the Government to pay benefits to members if the Scheme is wound-up.

If this happens the pension you would receive from the PPF may be less than the full benefit you have earned in the Scheme, depending on your age and when your benefits are earned.

Further information and guidance is available on the PPF website at: www.pensionprotectionfund.org.uk. Or you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

Does the Trustee always calculate the Scheme's liabilities in the same way?

Each time we ask the Actuary to calculate the Scheme's liabilities, we review the approach taken previously. This is to ensure that the calculation made takes into account the most up to date information available.

The Government has specific rules for calculating the Scheme's liabilities. As part of the 31 December 2016 Actuarial Valuation we have prepared a funding plan, called a 'Statement of Funding Principles'. This statement sets out how we manage the Scheme to ensure it has enough money to pay members' benefits.

As the Scheme had less assets than liabilities at 31 December 2016, it was necessary to prepare a document which shows more detail about how the shortfall would be paid off. This document is called the Recovery Plan.

When is the next Actuarial Valuation?

The next Actuarial Valuation date has an effective date of 31 December 2019. It can take up to 15 months to finalise the results of each Valuation.

Can I leave the Scheme before I am due to retire?

You can leave the Scheme before you retire by transferring your benefits into another registered pension arrangement.

If you are thinking of transferring your pension benefits you should consult a professional adviser, such as an independent financial adviser, before taking any action. The law prevents us from providing you with financial advice.

Where can I get more information?

If you have further questions, please contact the Taylor Wimpey Pensions Team at:

Pension Department
Taylor Wimpey UK Ltd
Unit 2 Tournament Court
Edgehill Drive
Warwick CV34 6LG

Email: pensions@taylorwimpey.com
Telephone: 01926 516985

It is important that Hymans Robertson, our pension administrator, has your current address. They can be contacted at:

Taylor Wimpey Pension Scheme
Hymans Robertson
20 Waterloo Street
Glasgow
G2 6DB

Email: taylorwimpey@hymans.co.uk
Telephone: 0141 566 7578

A list of documents which provide further information is set out below. They are available on the Scheme website (www.taylorwimpeypensions.co.uk) or in hard copy by contacting Hymans Robertson.

Issued: May 2018

Additional documents available on the Scheme website (www.taylorwimpeypensions.co.uk) or in hard copy by contacting Hymans Robertson:

The Statement of Funding Principles

This explains how the Trustee plans to manage the Scheme with the aim of being able to continue to provide the benefits that members have built up.

The Statement of Investment Principles

This explains how the Trustee invests the money held in the Scheme.

The Schedule of Contributions

This shows how much money is being paid into the Scheme by the Company and includes a certificate from the Actuary showing that it is sufficient.

The Annual Report and Financial Statements

This shows the Scheme's income and expenditure during the year. The annual report and financial statements for the period ending 31 December 2017 will be available from July 2018. The set for the year ending 31 December 2018 will be available from July 2019.

The Actuarial Valuation Report as at 31 December 2016

This contains the details of the Actuary's check of the Scheme's financial situation as at 31 December 2016.