Statement of Funding Principles

Taylor Wimpey Pension Scheme ("the Scheme")

This statement was prepared by the Trustee of the Taylor Wimpey Pension Scheme (the "Trustee") on 26 March 2021 for the purposes of the actuarial valuation as at 31 December 2019 after obtaining the advice of Robert Hunt, the actuary to the Scheme. This statement has been agreed by Taylor Wimpey UK Ltd ("the Employer"), the sponsoring employer of the Scheme.

The Statutory Funding Objective

This statement sets out the Trustee's policy for ensuring that the Statutory Funding Objective (SFO) is met. The SFO is defined in section 222 of the Pensions Act 2004, which states that every scheme must have sufficient and appropriate assets to cover its technical provisions.

Technical Provisions

Method

The actuarial method used to calculate the technical provisions is the Defined Accrued Benefit Method.

Any accrued liability secured by a policy of insurance is to be disregarded if, in the opinion of the Actuary, it is similarly appropriate to exclude that insurance policy from the Scheme's assets for the purposes of the actuarial valuation.

Assumptions

A full list of all assumptions that have been used to calculate the technical provisions can be found in Appendix A.

Discretionary Benefits

Under the rules of the Scheme, the Employer has discretionary powers to provide additional benefits, or increases to benefits, for all or any of the Scheme members. Those powers may only be exercised subject to the payment of such additional funds, if any, as determined by the Trustee after taking advice from the Actuary.

At the present time there is no customary practice to provide such discretionary awards.

In the light of the current practice on discretionary awards, and having consulted the Employer, the Trustee has decided that no advance provision should be made within the funding of the Scheme for the possibility of future discretionary awards.

Recovery Period

The deficit of £36m at 31 December 2019 will be removed through a combination of Employer contributions and investment outperformance. Under the Scheme's previous Schedule of Contributions (dated 29 April 2020), the Employer was scheduled to make contributions totalling £40.275m in the 15 month period from 31 December 2019 to 31 March 2021, however the deficit is expected to be removed by 31 August 2020.

The assumptions to be used in the calculations are the same as those used to calculate the technical provisions.

In determining the actual recovery period at any particular valuation the Trustee's principles are to take into account a number of factors, including:

- the size of the funding shortfall;
- the business plans of the Employer;
- the asset and liability structure of the Scheme;
- the Trustee's assessment of the financial covenant of the Employer; and
- any contingent security offered by the Employer.

Frequency of Valuations

The Scheme's latest valuation under Part 3 of the Pensions Act 2004 was carried out as at 31 December 2019 and subsequent valuations are expected to be obtained every 3 years after that. An actuarial report on developments affecting the funding level of the Scheme will be obtained at each intermediate anniversary of that date.

The Trustee may obtain a full valuation instead of an actuarial report if they believe that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for the current level of contributions. However, the Trustee will consult the Employer before doing so.

Further information

Information on payments to the Employer, contributions to the Scheme by other parties and Cash Equivalent Transfer Values is set out in Appendix C.

Signed on behalf of the Trustee	Date
[redacted]	26 March 2021
Signed on behalf of Taylor Wimpey UK Limited	**Date**
[redacted]	26 March 2021
Signed on behalf of the Scheme Actuary	**Date**
[redacted]	26 March 2021

Appendix A
Technical Provisions Assumptions

Market Conditions at 31 December 2019

Year	Annual spot rate from curve	
	Moody's Analytics' nominal gilt yield curve	Moody's Analytics' implied Retail Price Index inflation curve
2020	0.54%	2.80%
2025	0.60%	3.06%
2030	0.90%	3.30%
2035	1.21%	3.41%
2040	1.37%	3.38%

Financial Assumptions

Item	Derivation
Discount interest rate: > pre retirement	2.35% per annum above the yield on the Moody's Analytics' nominal gilt yield curve
> post retirement	0.50% per annum above the yield on the Moody's Analytics' nominal gilt yield curve
Price inflation (RPI)	Moody's Analytics' implied RPI inflation curve
Price inflation (CPI)	RPI less 0.8%
Deferred pension revaluation: > CPI max 5% > CPI max 2.5%	These are assumed to be equal to CPI subject to a cumulative cap of 5% per annum and 2.5% per annum where applicable
Pension increases post retirement: > Various	Where such increases are set with reference to inflation, and subject to caps and floors, the assumptions have been set by adjusting the relevant RPI or CPI assumption to allow for the caps and floors by using a Black Scholes inflation model with a volatility of inflation of 1.7%.
Expected return on assets for recovery plan	2.5% per annum above the yield on the Moody's Analytics' nominal gilt yield curve

Demographic Assumptions

Sample life expectancies based on the mortality assumption below can be found in Appendix B.

Item	Assumption
Mortality pre and post retirement	104% of the SAPS S3PxA tables with year of birth projections and future mortality improvements from 2013 in line with the CMI 2019 model with the default smoothing parameter of 7, an initial addition of 0.5% pa, and a long-term improvement rate of 1.5% pa.
Retirements	Retirement age assumed to be at the earliest age that all benefits can be taken unreduced.
Ill health retirements	No allowance
Age difference of dependants	Males 3 years older than females
Commutation	22% of pension at retirement based on cash factor of 16.65 at age 65 (and varying as necessary for other ages)
Proportion married	85% at retirement
GMP Equalisation	1% of total liabilities
Allowance for Pension Increase Exchange (PIE) option at retirement	27% of eligible members take PIE option based on PIE factors in force at the valuation date updated for market conditions at 31 December 2019

Scheme expenses

The above discount rates and assumed returns on assets are net of an allowance for future investment expenses. Pension Protection Fund levies will be met by explicit additional employer contribution as those levies arise. An allowance for all other ongoing Scheme expenses is covered by contributions paid by the Employer as set out in the Schedule of Contributions.

Appendix B
Sample Rates for Standard Tables used

Mortality in retirement

Age	Male expected age at death	Female expected age at death
60	86.8 years	89.3 years
65	87.1 years	89.4 years
70	87.7 years	89.7 years
75	88.4 years	90.1 years
80	89.7 years	91.0 years

Appendix C
Additional information required to meet Scheme Funding Regulations

Payments to the Employer

There is no provision in the Scheme Rules for a payment of any surplus in the Scheme to be made to the Employer other than on winding-up the Scheme. In addition, no amendment to the Scheme rules may be made that would permit other refunds.

If the Scheme is wound up and the assets at that time are more than sufficient to secure the benefits of all beneficiaries with an insurance company, the Trustee has discretion to augment the benefits to be secured for such persons as they decide. Any remaining funds will then be refunded to the Employer once the Scheme's liabilities have been fully discharged, notice has been issued to Scheme members and the relevant confirmation has been received from the Pensions Regulator.

Contributions to the Scheme by Other Parties

No party may contribute to the Scheme other than the Employer and Scheme members.

Cash Equivalent Transfer Values (“CETVs”)

At each valuation the Trustee will ask the actuary to advise them of the extent to which the assets are sufficient to provide CETVs for all members without adversely affecting the security of the benefits of other members and beneficiaries. Where coverage is less than 100% of benefits, the Trustee will consider reducing CETVs as permitted under legislation, after obtaining actuarial advice as to the appropriate extent and taking into account other material considerations such as the strength of the Employer’s covenant.

If at any other time, after obtaining advice from the actuary, the Trustee is of the opinion that the payment of CETVs at a previously agreed level may materially worsen the security of the benefits of other members and beneficiaries, the Trustee will consider commissioning an insufficiency report from the actuary and will decide whether, and to what extent, CETVs should be reduced.

The insufficiency report may also take into consideration to what extent and in what way the liabilities should be divided having regard to different priorities on winding up, with the highest priority being given to the benefits that would apply were the Scheme to enter the PPF.