Taylor Wimpey
Pension Scheme

The Taylor Wimpey Pension Scheme (the "Scheme") Summary Funding Statement as at 31 December 2020

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 pensions for all of our members, both now and in the future, is known as the value of the Scheme's liabilities. As the Scheme is closed to new benefits building up, these liabilities relate to those members whose pensions are earned but not yet in payment and current pensioners. The Scheme holds assets to meet the cost of the benefits promised to members. The assets are held in a general fund, not in separate funds for each individual member.

To check the Scheme's financial security, we compare the value of the Scheme's 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. Separately we receive Annual Update Reports from the Actuary, setting out their comments and conclusions on the change in the Scheme's funding level over the year, and we also check the Scheme's financial security on a quarterly basis.

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

The third formal Actuarial Valuation of the Scheme was carried out based on data as at 31 December 2019. The funding position of the Scheme at this date is set out below:

	Actuarial Valuation 31 December 2019
The value of the Scheme's liabilities was:	£2,455 million
The Scheme's assets were valued at:	£2,419 million
This means there was a shortfall of:	£ 36 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 98.5% as at 31 December 2019.

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

Each time that we ask the Actuary to calculate the Scheme's liabilities, we review the approach taken at the previous valuation. This is to ensure that the calculation 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 2019 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. A copy is available on our website.

Taylor Wimpey Pension Scheme

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

Yes. In addition to the triennial Actuarial Valuation, the Scheme Actuary provides an annual report to the Trustee showing how the financial position of the Scheme has changed since the last triennial Actuarial Valuation. The latest Annual Update Report received from the Actuary confirms the financial position of the Scheme as at 31 December 2020.

	Actuarial Valuation 31 December 2019	Annual Update 31 December 2020
The value of the Scheme's liabilities was:	£2,455 million	**£2,563 million**
The Scheme's assets were valued at:	£2,419 million	**£2,517 million**
This means there was a shortfall of:	£ 36 million	**£ 46 million**

Since the Actuarial Valuation at 31 December 2019, the deficit has increased slightly to £46 million, with a funding level of 98.2%. This is due to changes in financial conditions experienced during 2020 partially as a result of the COVID-19 pandemic.

However, the position has improved during 2021 and at the time of writing, the Scheme is now in a surplus position with a funding level of over 100%.

Is the shortfall going to be paid off?

Yes. Following the 2016 Actuarial Valuation, the Company agreed to contribute £40 million each year to the Scheme up to 31 December 2020. This was extended to 31 March 2021 because the Company – with the agreement of the Trustees – deferred payment of contributions for 3 months in 2020 because of COVID-19.

No further contributions were needed after 31 March 2021 due to the small shortfall in the Scheme's funding at 31 December 2019 and taking into account the Company contributions paid since then.

However, to provide the Scheme with additional financial security, the Company has agreed to contribute up to £20 million each year into a separate jointly-controlled, bank account (known as an escrow account). Contributions of £10 million will be guaranteed for the first six months, after which they will be subject to a quarterly review of the Scheme's funding level. If at any point the funding level is more than 100% the contributions will be suspended. If the funding level subsequently falls below 98% then the contributions will be restarted.

The funds in the escrow account will be held in cash and paid to the Trustees in certain agreed circumstances as follows:

- if the funding level of the Scheme falls below 95% for more than two consecutive quarters;
- if the Company becomes insolvent; and
- if there is a shortfall on the Scheme's long-term funding basis at 30 June 2028.

Any remaining funds in the escrow account not paid to the Scheme will be returned to the Company in 2028.

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 2019 showed that the Scheme's assets were not sufficient to pay 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 insurers take a very cautious view of the future and need to make a profit, as demonstrated by the figures below:

	Actuarial Valuation 31 December 2019
The liabilities if the Scheme were to be wound-up were: (ie the estimated cost of buying out the benefits with an insurance company)	£3,363 million
The Scheme's assets were valued at:	£2,434 million*
This means that there was a shortfall of:	£ 929 million

Note: The asset value here is higher than the main valuation. This is because the Scheme's insurance policies are valued differently when considered on a winding-up basis.

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.

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 Scheme winds up, and does 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 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.ppf.co.uk.

When is the next Actuarial Valuation?

The next Actuarial Valuation date has an effective date of 31 December 2022. 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.

However, 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.

Taylor Wimpey
Pension Scheme

What is the Pensions Regulator's involvement?

The Pensions Regulator is the UK regulator for workplace pensions schemes, such as the Taylor Wimpey Scheme. In certain circumstances the Pensions Regulator can:

- Direct how the Scheme's liabilities must be calculated
- Set the period for removing any funding shortfall
- Set the level of Company contributions to be paid
- Change the way members build up benefits in the future

None of these things have happened in the Scheme.

Have there been any payments out of the Scheme to the Company?

No payments have been made to the Company out of the Scheme's assets since the last Summary Funding Statement.

Where can I get more information?

If you have further questions about the Scheme then please contact, Hymans Robertson, the Scheme administrator for further details:

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: June 2021

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 2020 will be available from July 2021.

The Actuarial Valuation Report as at 31 December 2019
This contains the details of the Actuary's check of the Scheme's financial situation as at 31 December 2019.