Cromwell Hospital

Pensions Update **July 2025**

The Cromwell Hospital Retirement Benefits Plan (the Plan)

Annual Funding Statement

The Trustees of the Cromwell Hospital Retirement Benefits Plan (the Plan) are responsible for looking after the Plan. Each year they are required by law to provide you with an 'Annual Funding Statement' which describes the level of funding that supports your pension.

What is the purpose of this statement?

This statement:

- Summarises the Plan's ongoing funding position following completion of the latest valuation update as at 5 April 2025;
- Explains how the ongoing funding position has changed since the formal actuarial valuation as at 5 April 2023, and
- Allows us to keep you informed of other matters relevant to the security of your benefits.

"Since we last updated you, the Plan's funding level has worsened slightly, from a funding level of 89% on 5 April 2024 to a funding level of 86% on 5 April 2025. However, I am pleased to report that in the period since the last formal actuarial valuation in 2023, the funding level has increased significantly overall (from 81% on 5 April 2023). The improvement in the funding deficit is largely due to changes in market conditions along with the significant contributions paid by the Hospital to the Plan. The Hospital remains committed to making good the remaining funding deficit and the time limited funding guarantee provided by Bupa Finance Plc continues to provide us with valuable additional security.

I am further pleased to share that in the time since the 5 April 2025 valuation update, the funding level has improved. An informal estimate shows a funding level of approximately 93% on 30 June 2025.

I would like to take this opportunity to acknowledge Arthur Walford for his time as Chair of the Trustee. Arthur retired from the Trustee Board in February 2025 having served many years as Chairman and I thank him for his service. I have taken over the role of Chairman and have undertaken to act on your behalf regarding the Plan."

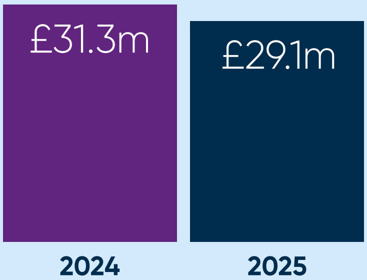
Martin Potkins
Chair of the Trustee

What was the Plan's funding position as at 5 April 2025?

The shortfall was £4.7m.
This meant that the funding level was 86%*

**Calculated on an 'ongoing valuation' basis, which is defined in the jargon buster.*

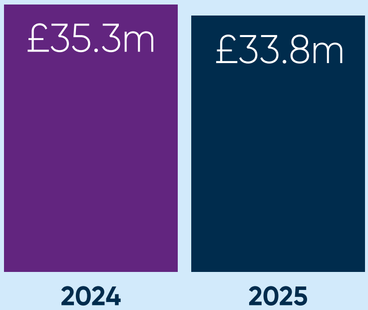
Assets



The Plan's assets decreased by £2.2m mainly as a result of:

- Market volatility due to world events around the time of the 2025 valuation update resulted in a decrease in the Plan's asset figure that largely recovered shortly after the valuation date.
- This reduction was partially offset by contributions paid into the Plan by the Hospital, including deficit repair contributions, and contributions paid by active members up to the Plan closure date.

Liabilities



The Plan's liabilities decreased by £1.5m mainly as a result of:

- An increase in the discount rate used to value the liabilities which has decreased the expected cost of providing the benefits in today's terms.
- Benefits paid to members of the Plan.

Funding Deficit

The Plan remained in deficit as at 5 April 2025.

The funding deficit increased by £0.7m because the value of the assets decreased by more than the value of the liabilities decreased by over the year. The ongoing funding level decreased from 89% to 86%.

As part of the 5 April 2023 actuarial valuation, the Trustees' assessed that the contributions required from the Hospital to fund ongoing accrual of benefits would be 25.4% of Pensionable Salaries per annum. The change in contributions took effect from June 2024, and ceased when the Plan closed to future accrual on 31 January 2025. As a result of the closure, there are no further company or employer contributions due in respect of future accrual to be paid to the Plan but the Company will continue to pay contributions to address the funding shortfall.

As part of the 5 April 2023 actuarial valuation, the Hospital agreed to significantly increase the annual amount it pays each year to address the funding shortfall. The Hospital agreed to contribute £1,000,000 per annum from June 2024.

Is there anything else I need to know?

Snap-shot

An actuarial valuation is a snap-shot of the assets and liabilities at a given date. In practice, the values of the assets and liabilities of the Plan are continually moving. It is important to remember the Trustees monitor investment performance frequently, and make changes as required. Additionally, the Hospital continues to provide strong support to the Plan.

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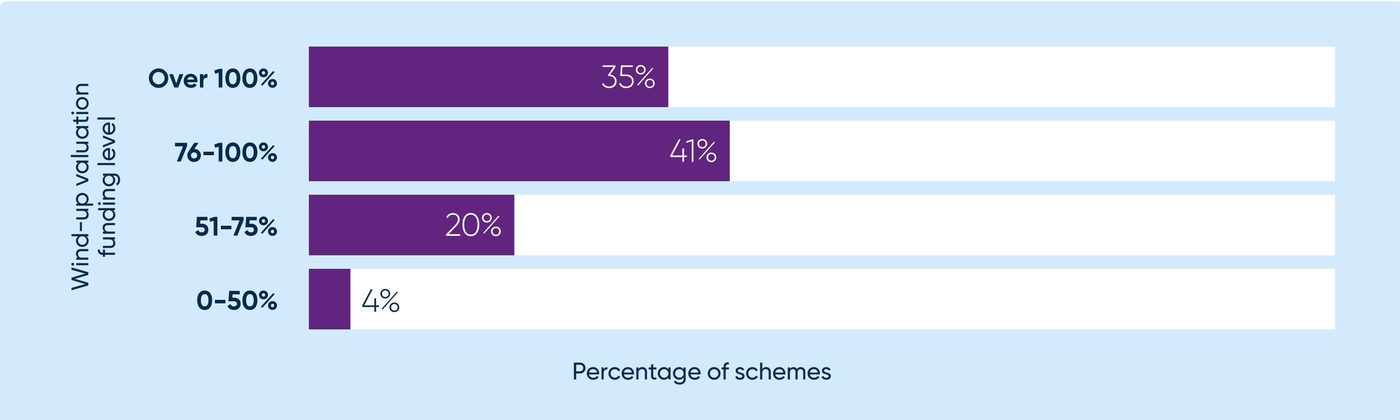
Wind-up valuation

The Trustees are required to provide you with an indication of what the funding position would be if the Hospital had to close the Plan and secure the benefits with an insurance company. This is known as the wind-up valuation. The valuation level varies as it depends on economic conditions at the time, but if the Plan had wound up on 5 April 2023, the financial position would have been assets of £30.3m and wind-up liabilities of £46.0m. That gave a shortfall of £15.7m and a wind-up valuation funding level of 66%. Please note that this wind-up valuation information is explained in accordance with regulatory requirements; the Hospital has no plans to wind-up the Plan. Improvements in the funding position of a scheme (as experienced on this Plan between the 2023 formal actuarial valuation date and the 2025 valuation update date) will often be mirrored by improvements in its wind-up position.

It should also be noted that the majority of pension schemes have a significant shortfall when measured on a wind-up valuation basis. This is illustrated by the following chart based on information published by The Pension Protection Fund as at March 2024. The data behind this chart has been gathered from pension schemes who have had actuarial valuations carried out over the previous few years, like our Plan. The chart illustrates the distribution of pension schemes closed to new benefit accrual, like our Plan, on a wind-up valuation basis:

Distribution of schemes by estimated full wind-up funding ratios



In real terms, this shortfall in the Plan on a wind-up valuation basis means it would have been able to pay out, on average, 66% of members' benefits from existing assets. The wind-up valuation funding level is expected to improve by the time it is next formally reviewed, (as part of the 5 April 2026 valuation).

While the Plan's winding-up funding level is below that quoted for many other pension schemes, this funding level is based on assets held by the Plan at the last triennial valuation date, 5 April 2023. In practice, additional funds would be due from the Hospital and from Bupa Finance Plc (while the guarantee is in place). In the unlikely event of the Plan actually winding-up, the Hospital would be legally required to finance the shortfall. As noted above, there are currently no plans to wind-up.

If the Hospital was unable to finance this shortfall and pay the cost of buying members' benefits in full from an insurance company, any guarantees in force at that time from Bupa Finance Plc would be called upon. Should a shortfall still exist, the Trustees can call upon the Pension Protection Fund (PPF). The PPF was set up by the Government in 2005 as a 'lifeboat' fund to help members of schemes where there are insufficient assets to provide a certain level of pension benefits.

Although the level of benefits provided by the PPF are lower than those that would be provided by the Plan, it does act as a 'safety net' for pension schemes where the sponsoring employer and its guarantor (if any) becomes insolvent. Visit the PPF website for further details at www.pensionprotectionfund.org.uk

Member Nominated Director

A Member-Nominated Director (MND) is a trustee or director of a pension scheme nominated by members, to help oversee the scheme's management in the best interests of all members. MNDs work with other trustees to make key decisions about the scheme, including how it operates, how investments are managed, and how benefits are paid, bringing the members' perspective to the table.

As you will be aware, there has recently been a vacancy for this role but the deadline has now passed and no nominations or expressions of interest were received. As per the Plan's MND policy, the process will be re-run after two years (or sooner, if decided by the Trustee Directors). This means the next nomination process will take place in April 2027.

Payments to employers

One further point that the law requires us to tell you, and we are happy to confirm, is that there have been no payments to the Hospital out of the Plan during the past year.

Jargon buster

Actuarial valuation: An in-depth review of a scheme's financial health carried out by the Scheme Actuary every three years.

Assets: The value of the Plan's investments which includes contributions paid into the Plan, together with returns on the investments.

Assumption: An estimate (such as life expectancy) used in calculating the liabilities.

Discount rate: An estimated rate of return on investments used to calculate how much needs to be invested now to meet future benefit payments.

Funding position: The proportion of assets to liabilities. A fully funded scheme would have an equal amount of assets and liabilities (i.e. a funding level of 100%).

Liabilities: The current cost of providing all members' benefits (including pensions in payment and pensions to members who have already left active membership of the Plan).

Ongoing funding / Ongoing valuation: An actuarial valuation method for calculating the value of the estimated liabilities which assumes that a scheme will continue into the future until all benefits are paid to members.

Wind-up valuation: An estimate of the cost of buying guaranteed pension policies with an insurance company.

How XPS uses your information

XPS Group administer the Plan and provide the Trustee with actuarial consulting advice.

To provide these services, they need to share your personal information. The XPS Group Privacy Notice sets out how they obtain, use, store and dispose of your personal data and is available at: www.xpsgroup.com/legal-regulatory/privacy-policy

The relevant notice for our Plan is labelled *'Combined Scheme Actuary and actuarial consulting services'*.

Keeping in touch

The Trustees are required to hold up to date information to help them contact you when benefits are due to be paid or to provide you with information about the Plan.

- **Moving house?** Please tell us your new address.
- **Do you need a new Expression of Wish form?** If your circumstances change – for example if you get married – let us know who you would like benefits to be paid to by updating your Expression of Wish form.

More information about the Cromwell Hospital Retirement Benefits Plan:

Statement of Investment Principles	https://tinyurl.com/czdkystx
Implementation Statement	https://tinyurl.com/mptymhsp

The Cromwell Hospital pension team contact details are shown below.

Contact the Plan's administrators

Email:
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(Robert Williams)

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Middlesbrough, TS1 9JA