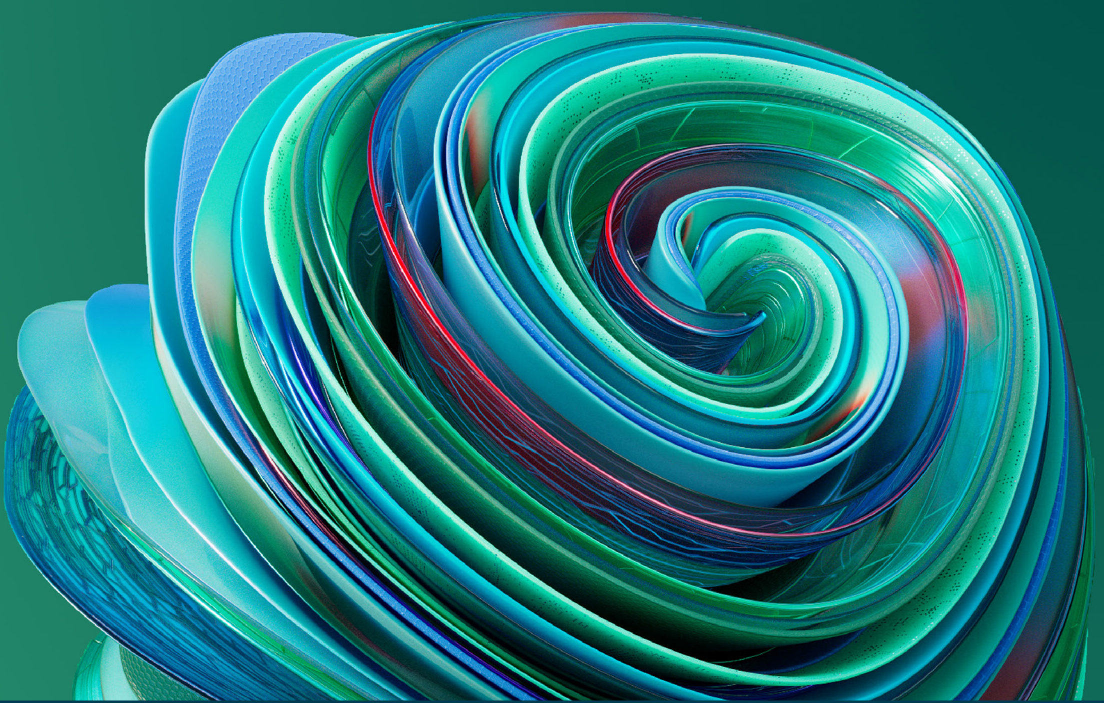
Unisys Payment Services Limited Pension Scheme (iPSL Section)



Questions and answers about scheme funding

Introduction

In the 2022 newsletter that accompanies this document, you can read about the key conclusions from the 31 March 2022 actuarial update. Below we have set out some questions and answers which we hope will help you understand the position in more detail.

How is the iPSL Section's financial security measured?

We carry out an in-depth look at the iPSL Section's finances at least every three years as required by legislation. This is called an actuarial valuation. We ask a qualified, independent professional, known as an actuary, to do this. We also check the financial position of the iPSL Section more regularly to allow the Trustee to keep abreast of any developments.

To check the iPSL Section's financial position we compare the value of its liabilities to its assets. The assets have been built up over the years from the transfer payments received from members' previous schemes, from contributions paid by the members and the company, and from investment returns on the assets. The liabilities represent the amount that is estimated to be needed to provide all the benefits earned under the iPSL Section of the Scheme, both by those who have not yet started to receive their benefits ("deferred members") and by the iPSL Section's existing pensioners.

Apart from the separately invested Additional Voluntary Contributions ("AVCs"), the iPSL Section's assets are held in a communal fund, not in separate funds for each individual. If the iPSL Section's assets are less than its liabilities, it is said to have a "shortfall". If the assets are more than the liabilities, there is said to be a "surplus".

continued overleaf

What was the iPSL Section's financial position when it was last measured?

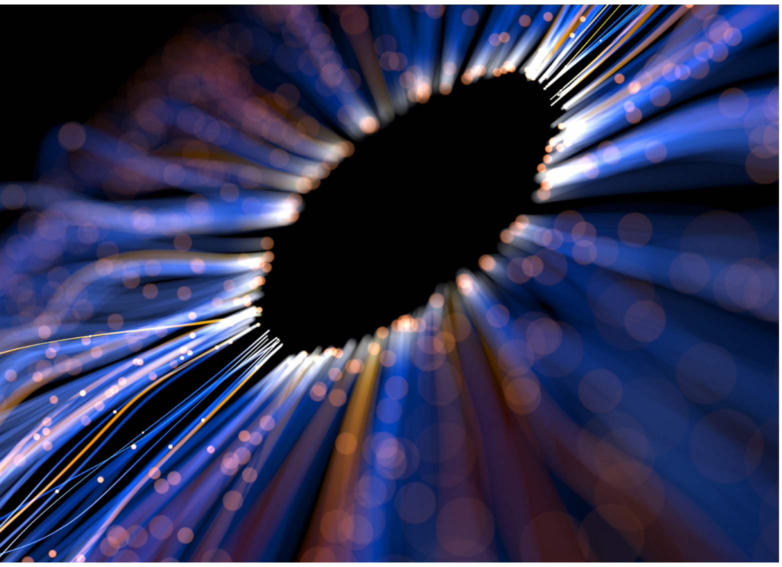
The table below shows the position of the iPSL Section following the latest actuarial valuation on 31 March 2020, as well as the estimated position on 31 March 2021 and 31 March 2022.

	31 March 2022	31 March 2021	31 March 2020
Value of the liabilities:	£396.7m	£409.0m	429.1
Value of the Scheme's assets (excluding AVCs):	£432.7m	£426.7m	421.9
Surplus (i.e., liabilities less assets):	£36.0m	£17.7m	(7.2)
Funding level (assets as a percentage of liabilities):	**109%**	**104%**	**98%**

These figures are calculated using the actuarial method and assumptions we adopted for the Statutory Funding Objective which is the legal requirement for actuarial valuations. Under the relevant pension legislation, the iPSL Section's liabilities using this method and these assumptions are known as its Technical Provisions. The update at 31 March 2022 is not as accurate as a full actuarial valuation; however it does provide a guide to the change in the position.

To calculate the amount of the surplus or shortfall, assumptions have to be made about what will happen in the future, for example, the rate at which the iPSL Section's assets will grow. If the assumptions do not all turn out to be exactly right, the surplus or shortfall will either grow or reduce. Future actuarial valuations will assess the emerging experience of the iPSL Section and provide updates on the funding position.

We are required to inform you whether a payment has been made to the Company, as permitted under Pensions Act 1995, since we last sent you a summary funding statement. We can confirm that no such payment has been made to the Company. Indeed, there has **never** been a payment of surplus out of Scheme funds to Unisys Limited or to any Unisys Company.



How has the funding position of the iPSL Section changed since you last sent me a summary funding statement?

The previous actuarial update as at 31 March 2021 which we told you about in last year's summary funding statement showed a surplus as at that date of £17.7m and a funding level of 104%.

Since the previous statement, financial markets have been extremely volatile and we have seen an improvement in the iPSL Section's funding position, partly due to the increase in the Scheme's assets, as well as changes in financial market conditions which have acted to reduce the value placed on the liabilities. If the assumptions used in the 31 March 2020 actuarial valuation had been borne out in practice, the funding level would have been 98% at 31 March 2022. However, the actual funding level at 31 March 2022 was 109%.

How does the Trustee decide what contributions should be paid into the iPSL Section?

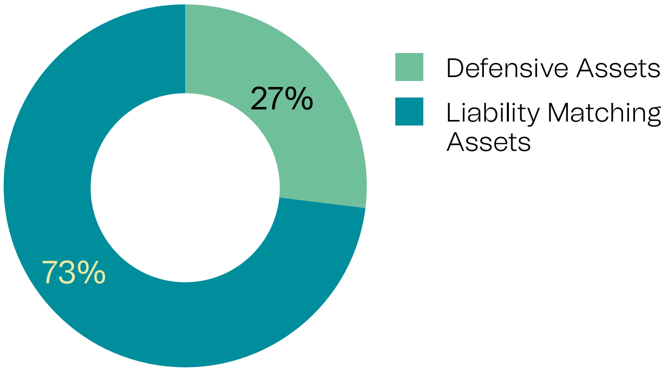
As part of each actuarial valuation, the Actuary advises on the financial position of the iPSL Section and this enables us to discuss the contribution level with the Company. We then agree a level of contribution for the iPSL Section with the Company and record this in a document called the Schedule of Contributions.

The shortfall identified at 31 March 2020 has been met. As set out in the iPSL Section's current Schedule of Contributions that was put in place following the 31 March 2020 actuarial valuation, no further contributions in respect of the shortfall are payable.

The Company also meets the running costs of the iPSL Section including the levy payable to the Pension Protection Fund.

How does the iPSL Section invest its assets?

We invest the iPSL Section's funds in a broad range of assets, and the current strategy (as at 31 March 2022) aims to keep the investments around the following levels, as a percentage of the iPSL Section's total invested assets:



In addition to the investments set out above, a relatively small amount of cash is also held to enable us to pay pensions and other benefits and expenses.

The importance of the Company's support

Our objective is to have enough money in the iPSL Section to pay pensions now and in the future. However, the success of this plan relies on the Company continuing to support the iPSL Section because the funding level can fluctuate, and if there becomes a funding shortfall again, the Company may need to restart its contributions.

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

Should the Company become insolvent at some point in the future, and the Scheme is wound up, the Trustee would seek to secure the benefits via placing these with an insurance company. The actuarial valuation at 31 March 2020 showed that the IPSL Section's assets could not have paid for the full benefits of all members to be provided in this way if the iPSL Section had wound-up at that date. The comparison between the cost of securing benefits and the iPSL Section's assets at that date is as follows:

Cost of securing benefits (in the event of winding-up):	£503.4m
Value of iPSL Section's assets (excluding AVCs):	£421.9m
Shortfall (i.e. liabilities less assets):	£81.5m
Funding level (assets as a percentage of liabilities):	**84%**

The fact that we have shown the solvency position does not mean that the Principal Employer is currently thinking of winding up the iPSL Section. It is just another piece of information we hope will help you understand the financial security of your benefits. Indeed, the Trustee along with the Principal Employer are pleased to confirm that following improvements in the Section's funding position they are looking at options to further improve member benefit security and have formed a joint working group to investigate this further. In particular, the joint working group is looking at whether in the short to medium term it might be possible to purchase an insurance contract (commonly known as a "buy-in policy") to provide payments that are designed to match the accrued benefits due to the members of the Section.

All members who have retired to date have received the full amount of their pension.

What would happen to my benefits if the iPSL Section started to wind up now?

If the iPSL Section started to wind up then we, as Trustee of the Scheme, might have to buy annuity contracts from an insurance company to secure the benefits earned. The actuarial valuation at 31 March 2020 showed that the assets of £421.9 million would be only around 84% of the estimated cost (£503.4 million) of securing the benefits. However, as mentioned above, the Section's funding position has improved since then.

Buying annuity contracts from an insurance company is only likely to be a relevant scenario if the iPSL Section were to wind-up, since the costs charged by insurance companies for these contracts are high as insurers are obliged to take a very cautious view of the future and need to make a profit.

Alternatively, in these circumstances it is possible that the Pension Protection Fund might be involved.

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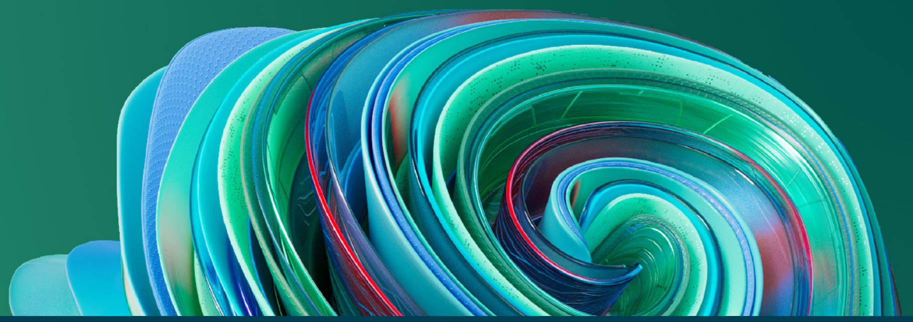

What happens if the Company fails, the iPSL Section is wound-up, and there is not enough money to pay for all my benefits?

The Pension Protection Fund (PPF) exists to pay benefits to members of pension schemes where their employer is insolvent and neither their scheme nor their employer has enough money to provide a specified level of benefits to members. There are certain tests that are carried out before the PPF take a scheme over, and the amounts paid by the PPF may be less than the full benefit you have earned in the iPSL Section. The amount of compensation paid by the PPF depends on your age and when your benefits were earned.

Further information and guidance is available on the PPF website at **www.pensionprotectionfund.org.uk**

What is the Pensions Regulator's role?

The Pensions Regulator has considerable powers to intervene in schemes' affairs if, for example, it is not satisfied that the valuation assumptions have been set properly or it considers the period for the Recovery Plan to be inappropriate. It can impose a Schedule of Contributions on a scheme, and can also require a modification of future benefits. To date, none of these powers has been exercised by the Pensions Regulator in relation to the iPSL Section.

Where can I get more information?

A wide range of Scheme documents and information is available to members on request. If you wish to obtain further information either about the Scheme generally or about your individual benefit entitlement you should contact Hymans Robertson LLP, the Scheme Administrator, at the address shown at the end of this document Otherwise you may address queries to the Secretary to the Unisys UK Pension Trustee Limited, c/o Pi Consulting Limited, 2nd Floor, Tuition House, 27-37 St. George's Road, Wimbledon London, SW19 4EU or by email at **UUPTL.client@pipg.co.uk**.

Some important points

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. We are not able to provide you with financial advice.

Please remember to notify the Scheme administrator if you change address, otherwise we may not be able to contact you about your benefits. You should include your name and National Insurance number and send your changed details to the Scheme administrator at the following address:

Hymans Robertson LLP
Administration Practice
One London Wall
London EC2Y 5EA

Tel: **020 7082 6031**
Fax: **020 7082 6082**
Email: **unisys@hymans.co.uk**

For and on behalf of
Unisys Payment Services Limited Pension Scheme (iPSL Section)
March 2023