WILLIS PENSION SCHEME

(Registered No. 10110667)

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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The Trustee and its service providers

Trustee	:	Willis Pension Trustees Limited 51 Lime Street, London EC3M 7DQ
Board of Directors		
Externally appointed by Willis Group Limited	:	K Greenfield (Independent) ^
Internally appointed by Willis Group Limited	:	P Routledge (Chairman) ~ ^ E Hitchcock ~ J Armstrong (resigned August 2020) J Patel (appointed September 2020)
Member -Nominated Trustees	:	P Owens (resigned December 2019) ~ S Carey (appointed May 2020) ~
Nominated by the former Pensioners' Association	:	A MacDonald ^
		~ Members of the ad hoc Benefits and Administration Committee (the "Benco") ^ Members of the Valuation Committee
Secretary	:	Willis Towers Watson Secretariat
Principal Employer	:	Willis Group Limited 51 Lime Street, London EC3M 7DQ
Administrator	:	Willis Group Services Limited Group Pensions - Human Resources Friars Street, Ipswich IP1 1TA E-mail pensions@willistowerswatson.com
Actuary	:	J Dell FIA Lane Clark & Peacock LLP 95 Wigmore Street, London W1U 1DQ
Auditor	:	RSM UK Audit LLP St Philips Point, Temple Row, Birmingham, B2 5AF
Banker	:	Lloyds TSB Bank Plc 25 Gresham Street, London EC2V 7HN
Legal Advisor	:	Travers Smith LLP 10 Snow Hill, London EC1A 2AL
Strategic Investment Advisor	:	Towers Watson Limited Watson House London Road, Reigate, Surrey RH2 9PQ
Fiduciary Manager	:	Towers Watson Limited 51 Lime Street, London EC3M 7DQ (appointed November 2020)
Independent Overseer of Fiduciary Manager	:	Barnett Waddingham LLP 2 London Wall Place, London EC2Y 5AU (Appointed: January 2020)
Covenant Advisor	:	PricewaterhouseCoopers LLP 7 More London Riverside, London SE1 2RT

Willis Pension Scheme

Global Custodian & Performance Manager	**:**	JP Morgan Chase Bank ('JP Morgan') 25 Bank Street, Canary Wharf, London E14 5JP

Investment Managers:

Custodians (if applicable):
(*Global Custodian - JP Morgan)

AVC Managers:

The Equitable Life Assurance Society

Prudential Assurance Company Limited

Fixed Interest, Index-Linked and Swaps Manager:

Blackrock Advisors (UK) Limited *

Currency Overlay Manager:

Blackrock Advisors (UK) Limited *

Secure Income Fund Manager: *

Towers Watson Investment Management Limited

Corporate Bond Manager:

M&G Investment Management Ltd *

Property Manager:

CB Richard Ellis Collective Investors Limited (CBRE) *

Fiduciary Manager in respect of Fund of Hedge Fund Managers:

Towers Watson Limited *

Diversified Growth Fund Manager:

Towers Watson Partners LP — State Street Trustees Limited, 20, Churchill Place, Canary Wharf, London E14 5HJ

Longevity Swap Insurer:

Galapagos IC Limited — Suite 1 North, Albert House, South Esplanade, St.Peter Port, Guernsey GY1 1AJ

Longevity Swap Reinsurer:

Munich Re — Plantation Place, 30 Fenchurch Street, London EC3M 3AJ

I am pleased to present the Annual Report and Accounts for the Willis Pension Scheme for the year ended 31 December 2020.

31 December 2019 Triennial Actuarial Valuation and Scheme Funding

During 2020 the Trustee's Valuation Committee chaired by Keith Greenfield our Independent Trustee met with the Company to discuss an appropriate funding and investment strategy for the Scheme, following the results of the triennial actuarial valuation as at 31 December 2019.

Agreement was reached in August 2020 within the statutory deadline. The agreement that was reached may be summarised as follows;

- Deficit Funding of £2.1m per month would continue until August 2020 and would then cease given the Scheme's improved funding level (see below).
- The employer's future service contribution rate has increased from 36.3% to 40.3% of pensionable salaries.

In 2020, as per the Schedule of Contributions, the Company contributed £16 million towards the deficit in the Scheme together with the contributions to meet future accrual of members' benefits.

Further Risk Management

As mentioned in my letter last year, during 2020, the Trustee actioned the agreed Longevity insurance transaction with a wholly owned captive insurer that has reinsured its risk with Munich Re. This transaction manages longevity risk in relation to c£1 billion of the Scheme's pensioner liabilities. The arrangement broadly relates to pensions in payment as at 31 December 2018 (and certain contingent pensions payable on the death of such pensioners) and provides long-term protection for the Scheme against certain additional costs resulting from pensioners (and/or certain dependants) living longer than expected. The transaction is therefore expected to increase benefit security for the Scheme beneficiaries.
Importantly, whilst it reduces risk, the transaction has no impact on the amount of pension that you, or your dependants, are entitled to under the Scheme.

Investment Governance changes

Over 2020, the Trustee undertook an intermediated review of the Scheme's investment governance. As part of this detailed review, the Trustee agreed to appoint Towers Watson Limited as a Fiduciary Manager for the Scheme's investments. This means that Towers Watson now has discretion, within the guidelines set by the Trustee, to manage the Scheme's investments on an ongoing basis. By appointing a Fiduciary Manager, the Trustee can further benefit from the investment expertise of Towers Watson in managing the Scheme's assets. The Trustee also appointed a Fiduciary Oversight Provider in Barnett Waddingham LLP. Barnett Waddingham provided support to the Trustee during the Fiduciary Manager selection process and also assist the Trustee in monitoring the Fiduciary Manager on an ongoing basis.

Investment Performance Review

2020 proved to be a turbulent year for investment markets as a direct result of the COVID-19 pandemic, with equity and credit markets observing large falls in March 2020. This was followed by strong rallies during the latter half of the year. Despite high levels of volatility equities, credit and bonds reported strong positive performance. Global equity markets rose by 13% in sterling terms driven by supportive stimulus packages from global central banks and positive news surrounding the development of COVID-19 vaccines. Bond yields continued to fall over the year, resulting in a higher value being placed on the Scheme's bond investments. Sterling had a positive performance against the US Dollar but weakened against the Euro and Japanese Yen.

The Scheme delivered a positive asset return of 11.91% in 2020, which was 0.2% above the benchmark return of 11.71%. Outperformance in the year was mainly driven by the Scheme's growth assets; the TWIM Partners Fund and TWIM GEFF portfolios. These returns were partially offset by underperformance reported for the Scheme's property portfolio managed by CBRE, and TWIM Secure Income Fund.

In the medium term, the Scheme reported positive annualised returns of 7.5% (0.07% above benchmark) and 9.77% (0.69% below benchmark) over three and five years, respectively. In the longer term, the Scheme's return over ten years was 10.2% per annum; 0.17% above the benchmark return. A full breakdown of the performance of the Scheme can be seen in Appendix I on page 49.

During 2020, the Trustee undertook a review of the Scheme's investment strategy following the finalisation of the December 2019 actuarial valuation. The review concluded that the Scheme had the opportunity to undertake further de-risking due to improvements in the funding position. As a result, the Trustee agreed to immediately reduce risk by reducing the target level of return from the portfolio to 1% p.a. over gilts. The Trustee also agreed to implement a de-risking trigger that would result in further de-risking to a return of 0.75% p.a. over gilts should the funding level permit.

The following changes were made during the year as part of this de-risking activity:

- The Trustee agreed to a new strategic benchmark with a 5% allocation to return-seeking assets and a 95% allocation to liability-matching assets. This is compared with the 26.5% return seeking and 73.5% matching asset split in place at the start of the year.
- As part of this de-risking, the Trustee fully redeemed the Scheme's global equity investment (c.£600m) and closed out the Scheme's existing equity option protection strategy. The proceeds were invested in the Scheme's UK government bond mandate with BlackRock.
- The Trustee also made an additional £160m commitment to the TWIM Secure Income Fund to progress towards the target liability-matching asset allocation.
- The Scheme's return-seeking property holdings continued to be wound down gradually over the year.
- The final proceeds from the redemption of the Scheme's Fund of Hedge Fund investment were received in Q2 2020.

In early 2021, following further improvements in the funding level, the Scheme hit the de-risking trigger established as part of the strategy review. As a result, the Trustee has instructed the Fiduciary Manager to move, as soon as practical, to the lower risk portfolio with a target return of 0.75% p.a. over gilts. This is expected to reduce the allocation to return seeking assets to 0% and increase the matching assets to 100%. This change is primarily expected to involve the sale of the Scheme's diversified growth fund holding in the TWIM Partners Fund (c.£245m). The proceeds are expected to be invested in low risk investment grade credit.

Acknowledgements

Jane Armstrong (a company appointed Trustee Director) retired from Willis Towers Watson and resigned from the Trustee Board in August 2020. The Company has appointed Jignasa Patel in Jane's place. Like Jane, Jignasa is from the Willis Towers Watson's investment business so brings additional investment market knowledge and expertise to the Board.

On behalf of the Board, I would like to thank Jane for her contribution to the Scheme and the Trustee Board during her tenure.

I would also like to thank all the other Trustee Directors and the members of the Willis Pension team for their continued hard work and commitment to the Scheme throughout 2020.

Peter Routledge
Chairman of the Trustee Board

TRUSTEE DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Trustee of the Willis Pension Scheme ("the Scheme") is pleased to present its report, together with the accounts of the Scheme, for the year ended 31 December 2020.

The Scheme is a defined benefit scheme which provides salary-related benefits for employees of the participating employer companies, as listed on page 40. Members are able to enhance their pension benefits via additional voluntary contributions which provide additional money purchase benefits. The Scheme was closed to new entrants in January 2006.

As explained further in the Compliance Statement on pages 45 to 48, the Scheme is approved by HM Revenue & Customs and up until 5 April 2016 members were contracted out of the additional component of the State Earnings Related Pension Scheme and the State Second Pension.

SCHEME MANAGEMENT AND ADMINISTRATION

The Scheme is managed and administered by Willis Pension Trustees Limited (the "Trustee") on behalf of the members in accordance with the terms of the Trust Deed and Rules in each case as scheduled to a Deed of Consolidation and Amendment dated 15 June 2011 and as subsequently amended. The Scheme's assets are held by the Trustee for the members of the Scheme separately from those of Willis Group Limited (the "Employer").

The Scheme's objective is to provide its members with the following benefits:

- **a pension in accordance with the Scheme's Rules;**
- **protection for members' dependants in the event of their death in service or in retirement; and**
- **the opportunity to improve pension benefits through additional voluntary contributions.**

Trustee Directors

There are currently six directors of the Scheme's corporate trustee, Willis Pension Trustees Limited. The current directors are shown on page 1.

At the report date, The Employer has nominated four directors; the Chairman of the Trustee, and one independent director who are both "A" directors, and two internal appointments as "C" directors. The Employer may nominate a maximum of six directors. The "A" directors may only be removed after twelve months' notice.

Of the remaining two directors, one is an individual who is a contracted UK employee within the Willis Towers Watson Group, who retains rights within the Scheme and where these rights are not yet in payment ("Eligible Employee"), nominated by other Eligible Employees.
One is an individual who is a former employee of a company within the Willis Towers Watson Group (or other companies which were Scheme Employers), who is in receipt of a pension from the Scheme.

Member-Nominated Trustee Directors serve for terms as specified in the Trustee's policy on the approach to the selection of Member-Nominated Trustee Directors and the Trustee's Articles of Association, typically four years. The Employer has the power to appoint and remove directors subject to the conditions noted above and overriding legislation.
The Board has agreed a process for the nomination and selection of Member-Nominated Trustee Directors, (Allan MacDonald's appointment predates the current process and he was nominated by the Pensioners Association, which is no longer in existence).
The selection process for a Member-Nominated Trustee Director commenced during the first quarter of 2020 and Stuart Carey was duly appointed effective from 28 May 2020. Stuart's term will be for four years.

In 2020 Jane Armstrong, an internally-appointed Trustee Director resigned from the Trustee Board. After the requisite selection process, Jignasa Patel was appointed to the Board on the 1st September 2020.

There are five regularly scheduled Trustee Directors' meetings during the year.

The Trustee operates certain subcommittees. The Valuation Committee meets as and when required to review actuarial valuations of the Scheme and consider the impact on funding contributions and the employer's covenant.

The current members of the Valuation Committee are shown on page 1.
The Benefits and Administration Committee meets on an *ad hoc* basis to discuss matters relating to benefits and administration (including matters relating to the exercise of the Trustee's discretion in relation to individual cases). The current members of the Benefits and Administration Committee are shown on page 1.

Regular training is provided for all Trustee directors. Training is tailored to the specific requirements of the Trustee Directors.

FINANCIAL DEVELOPMENTS

The Report and Accounts have been prepared in accordance with regulations made under sections 41 (1) and (6) of the Pensions Act 1995.

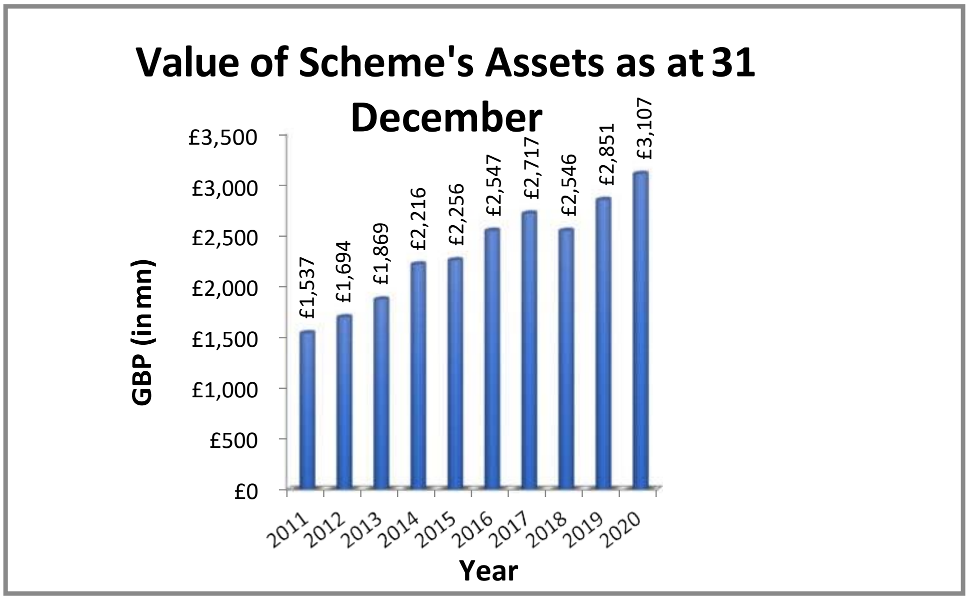
The Scheme's net assets at 31 December 2020 were valued at £3,107 million, an increase of £256 million, or 8.99%, over the position at 31 December 2019. This increase represents:

- contributions from the employer and members and other income, £34 million;
- investment income, net of investment management expenses, £55 million; and
- increase in the market value of investments, £271 million;

offset by;

- payments to pensioners, other beneficiaries, administrative expenses and other payments, £104 million;

The following table sets out the value of the Scheme's assets over the past ten years:



There has been a £560 million (22%) rise in the value of the Scheme assets over the last four years (from £2,547 million at 31 December 2016 to £3,107 million at 31 December 2020).

ACTUARIAL STATUS

A full actuarial valuation of the Scheme is undertaken every three years by the Scheme Actuary. In order to carry out the valuation the Trustee Directors, having considered the advice of the Scheme Actuary, make assumptions as to future inflation, pension increases, investment returns and life expectancy. The latest actuarial valuation is dated 31 December 2019. The next full actuarial valuation will be as at 31 December 2022.

The results of actuarial valuations are sensitive to the assumptions adopted and represent a snapshot of the financial position of the Scheme at a particular date.

At the date of the last full actuarial valuation, 31 December 2019, and based on assumptions agreed by the Trustee Directors, the Scheme Actuary considered the scheme in three different ways and provided the following summarised statements of the position:

- **Ongoing funding – technical provisions**: The "Ongoing" position considers the funds required to meet the benefits promised to date assuming that the Scheme continues in its current form going forward. The ongoing funding level as at 31 December 2019 was 103% meaning a surplus on the ongoing funding basis of £77 million as at 31 December 2019.

- **Buy out position**: "Buyout" considers the position if all the members were to leave service and their benefits were to be secured with an insurance company. The buyout funding level as at 31 December 2019 was 88%. This is equivalent to a shortfall of £400 million.

- **Pension Protection Fund – Section 179**: 131% funded (Excess £670 million). This approach considers the position of the Scheme if all members were to leave service at the valuation date and their benefits were to be reduced to the level of compensation they would receive if the Scheme were to enter the Pension Protection Fund (see below). The value of these reduced benefits is then assessed as the likely cost of securing them with an insurance company.

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to based on pensionable service to the valuation date, assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 31 December 2019. This showed that on that date:

The value of Technical Provisions was:	£2,762million
The value of the assets at that date was:	£2,839million

The method and significant actuarial assumptions used to determine the technical provisions as at 31 December 2019 are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method
The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Significant actuarial assumptions

Discount interest rate: The discount rates to assess the present value of future benefit payments are set to reflect the following assumed investment strategy and discount rates:

- to hold assets in an initial portfolio that has an assumed rate of return of 0.7% pa above the assumed rate of return on gilts from 31 December 2019 to 31 December 2024;
- this portfolio is assumed to change from 1 January 2025 to a portfolio of assets that has an assumed rate of return of 0.25% pa above the assumed rate of return on gilts.

As at 31 December 2019, the average gilt yield was 1.25% pa.

Retail Price Inflation: 3.14% p.a

Consumer Price Inflation: 2.64% p.a

Pension Increases: Set at a rate reflecting the level of increases granted under the Rules and the volatility of RPI/CPI

Mortality: The mortality assumption used for this valuation having regard to the latest evidence provided by the CMI, results in slightly shorter assumed life expectancy than the assumption adopted at the previous valuation.

Note: the rates shown are equivalent average rates, where relevant

The Trustee monitors the ongoing funding position of the Scheme on a regular basis. Updates of the position are prepared by the Scheme Actuary and reviewed by the Trustee on a quarterly basis.

CONTRIBUTIONS

When assessing the appropriate level of contributions, the Trustee monitors the financial strength of the Willis Group. See "Financial Strength of the Group", as stated below.

Employer contributions

Employer contributions are assessed as part of the actuarial valuation process. During 2020, the Employer paid a total of ordinary contributions of £13 million at the rate of 36.3% of Pensionable Salary until August 2020 and thereafter to December 2020 at a rate of 40.3% of Pensionable Salary. Contributions of £3 million were made under the salary sacrifice arrangement. In addition, the Employer paid the deficit funding of £16 million for 2020 under the Schedule of Contributions signed on 28 August 2020 in the amount of £2.1 million from January to August 2020 inclusive.
Contributions are set out in the Schedule of Contributions to the Scheme as shown in Appendix III.

The Scheme Actuary's certificate in relation to this schedule can be found on page 43.

Employee contributions

Members, who have not completed a salary plus election, paid contributions of £1 million at the rate of 10% of Pensionable Salary during the year.
Members also have the opportunity to increase their benefits through the payment of Additional Voluntary Contributions ("AVCs") and this amounted to additional contributions of £1 million during the year.

FINANCIAL STRENGTH OF THE GROUP

In its considerations of the actuarial status and contribution rates for the Scheme, the Trustee takes account of the financial strength of the Willis Group. The table below shows the market capitalisation and free cash flow of Willis Towers Watson plc (audited by Deloitte LLP) at 31 December 2020 and 2019 and pension fund information for the UK, US and International Pension Schemes combined. Willis Towers Watson plc is the ultimate holding company of the principal employer, Willis Group Limited.

	2020 £m	**2019** £m
Value of Pension Fund Assets	**7,451**	**7,232**
Market Capitalisation	**19,405**	**19,687**
US GAAP pension surplus/(deficit) (after related deferred tax) (1)	**(241)**	**(272)**
Free cash flow (2)	**1,074**	**590**

(1)The US GAAP pension (Accounting Standards Codification (ASC) 715 (formerly FAS 87)) data produced for the Group includes the Group's UK, US and International pension schemes and is based on actuarial assumptions that are different to those used for the Trustee in the ongoing valuation described on page 8.
(2)"Free cash flow" represents operating and investing cash flows, excluding cash flows related to acquisitions and disposals of subsidiaries and associates. The pension deficit is based on the annual valuation undertaken to enable the Group to make disclosures in its accounts in accordance with US GAAP.

On March 9, 2020, WTW and Aon plc ('Aon') issued an announcement disclosing that the respective boards of directors of WTW and Aon had reached agreement on the terms of a recommended acquisition of WTW by Aon.
The transaction was approved by the shareholders of both WTW and Aon during meetings of the respective shareholders held on August 26, 2020 and remains subject to other customary closing conditions, including required regulatory approvals. The antitrust regulatory review of the transaction remains ongoing. In addition, there are numerous other regulatory approvals and other closing conditions that need to be met. The combination has been challenged by the Department of Justice in the US, and AON and WTW are taking all the necessary steps to resolve any concerns raised.

EMPLOYER COVENANT

The Trustee receives regular trading and performance updates from Willis Towers Watson plc (formerly Willis Group Holdings plc, and the ultimate holding company of Willis Group Limited) and is kept informed of any significant developments that may affect the strength of the employer covenant enjoyed by the Scheme. In addition, the Trustee has engaged independent employer covenant advisers to monitor the strength of the employer covenant, as part of the actuarial valuation process. The Trustee is prepared to continue the engagement of these advisers as necessary. The Trustee maintains an active dialogue with the principal employer to ensure that appropriate actions are taken to safeguard the funding position of the Scheme.

The proposed combination of WTW with Aon has been challenged by the Department of Justice in the US, and AON and WTW are taking all the necessary steps to resolve any concerns raised. Shareholder approval has been obtained, with regulatory approval being awaited. The Employer has assured the Trustee that the strength of the guarantees will not be weakened by the proposed Aon combination. The Trustee and its advisers are monitoring this issue closely.

With regard to the impact of Covid-19 on the Scheme's funding level and the Employer's forecast position, the Trustee's covenant advisers have told the Trustee that the Employer's business has proved resilient in to COVID 19. Their assessment of the strength of the employer covenant remains unchanged from before the Covid outbreak

Two formal guarantees are currently in place between the Group and the Pension Scheme:

- A guarantee, originally dated 25 April 2012 (as amended on 31 December 2015 and 13 April 2018) is in place between Willis Towers Watson plc (formerly Willis Group Holdings plc), certain Willis subsidiary companies (in each case as guarantors) and Willis Pension Trustees Limited. This guarantee has the effect that if any of the participating employers fail to make payments as required under the terms of the Schedule of Contributions, the guarantors are required to make good the shortfall.
- A guarantee dated 31 December 2015 is in place between Willis Towers Watson plc (formerly Willis Group Holdings plc) and Willis Pension Trustees Limited. Under this guarantee, Willis Towers Watson plc guarantees all present and future obligations of participating employers up to a maximum amount equal to the entire aggregate liability of all Scheme employers were a debt to arise under Section 75(2) of the Pensions Act 1995. This guarantee has the effect that, in the event of a Section 75 debt arising in relation to a participating employer which has not been paid, Willis Towers Watson plc is required to make the payment.

The Scheme has a Statement of Funding Principles and was compliant with the statement throughout the year.

MEMBERSHIP

The total membership of the Scheme (including pensioners and deferred pensioners) stood at 9,782 at 31 December 2020, made up as follows:

	2020	2019
Members		
At 1 January	**735**	837
Leavers – closed	**(4)**	(15)
Leavers - deferred pensioners	**(36)**	(70)
Deceased		-
Retired with pension	**(9)**	(17)
At 31 December	**686**	735
Deferred pensioners		
At 1 January	**5,320**	5462
Members – Leavers	**36**	70
Subsequently transferred	**(69)**	(71)
Pensions becoming payable	**(128)**	(139)
Trivial commutations	**(4)**	-
Deceased	**(3)**	(2)
At 31 December	**5,152**	5,320
Pensioners (2)		
At 1 January	**3,898**	3,825
Members – retirements	**9**	17
Deferred pensions becoming payable	**128**	139
New dependants	**53**	43
Deceased	**(143)**	(125)
Trivial commutations and child allowance cessations	**(1)**	(1)
At 31 December	**3,944**	3,898
Total Membership	**9,782**	9,953

Included within the reported pensioner members above are 14 (2019:16) members for whom an element of their benefits are secured by annuity contracts held in the name of the Trustee.

Total Scheme membership decreased by 1.72% in the year. Around 40% of members are in receipt of a pension at 31 December 2020 (2019: 39%) and more than half are deferred pensioners.

GOVERNANCE

The Pensions Regulator is very keen to promote the good governance of pension schemes and the Trustee keeps its procedures and controls under review to help maintain the good governance of the Scheme. The key for the pension scheme is to ensure that the correct benefits are paid at the correct time in accordance with the rules. To help ensure the smooth running and risk management of the Scheme the Trustee has a number of processes in place, including internal control procedures.

Appropriate actions were taken to comply with the Regulators guidance on Record Keeping. The Scheme's Record Keeping continues to be up to date at 31 December 2020.

FURTHER INFORMATION

Members of the Scheme may obtain information about the Scheme itself or their own benefits from the Administrator at:

Willis Group Services Limited
Group Pensions - Human Resources
Friars Street, Ipswich,
IP1 1TA

Telephone number: 01473 223836
E-mail pensions@willistowerswatson.com

Further information is also detailed in the Investment Report on pages 13 to 17, the Statement of Trustee Responsibilities on page 18 and the Compliance Statement on pages 45 to 48.

This Trustee Directors' Report, the Investment Report, the Statement of Trustee Responsibilities and the Compliance Statement were approved by Willis Pension Trustees Limited on 6 July 2021 and signed on its behalf by:

P Routledge	Keith Greenfield
Chairman of the Trustee Board	Trustee Director

INVESTMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Trustee is pleased to present its report on investment strategy and performance for the year ended 31 December 2020.

INVESTMENT OBJECTIVES

The general investment objectives for the Scheme are to:

- acquire assets of appropriate liquidity to generate income and capital growth which, together with contributions from the Employer and members, meet the cost of current and future benefits which the Scheme is required to provide in accordance with the terms of the Trust Deed and Rules;

- limit the risk of the assets failing to meet the accrued liabilities of the Scheme as determined by the most recent actuarial valuation;

- outperform the benchmarks established for the investment of funds under each asset class by a defined percentage per annum over rolling three-year periods; and

- minimise the long-term funding costs of the Scheme by maximising the return on assets whilst having regard to the other objectives above.

To achieve the objectives, it is the Trustee's policy to see that the Scheme's assets are invested in a mixture of real and monetary assets. Although the returns on real assets are expected to be greater over the long term than those on monetary assets, they are likely to be more volatile.

The Trustee believes that a mixture of investments across asset classes should provide the level of returns required by the Scheme to meet its liabilities whilst balancing an acceptable level of:

- risk for the Trustee; and
- cost to the Employer.

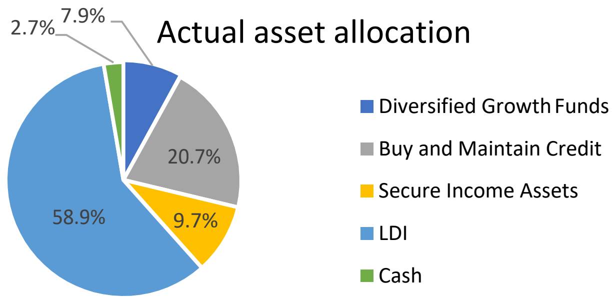
ASSET ALLOCATION

As part of the 2019 actuarial valuation process, the Trustee and Employer entered into an investment 'Heads of Terms' agreement during the year. This documented the return target for the Scheme's investment strategy up until December 2024. The Trustee and the Employer also agreed that in January 2025, or sooner if the Scheme reaches full funding on a low-dependency basis, the Trustee would look to further reduce the return target for the Scheme's investment strategy.

Following an investment strategy review, the Trustee agreed to de-risk the Scheme to target an expected target return of 1% p.a. over gilts. To achieve this, the Trustee agreed to the sale of the Scheme's global equity funds and a reduction in the allocation to Diversified Growth Funds, and an increase in exposure to core credit, Secure Income Assets and LDI. The Trustee also agreed to implement a de-risking trigger that would result in a further reduction to a return of 0.75% p.a. over gilts should the funding level permit.

INVESTMENT MANAGEMENT

The asset allocation of the Scheme at 31 December 2020 was as follows:



As noted previously, as at year end the Trustee was in the process of rebalancing the portfolio in order to reduce risk through targeting a lower level of return relative to gilts. As part of this process, it is expected that the allocation to Diversified Growth Funds will reduce relative to that shown above, whilst the allocation to Secure Income Assets will increase.

As part of a review of the Scheme's investment governance, the Trustee appointed Towers Watson as its Fiduciary Manager ('FM') which resulted in implementation of the Scheme's investment strategy being delegated to the FM. The Fiduciary Management Agreement was signed and was effective from 30 November 2020. The Trustee appointed Barnett Waddingham as a Fiduciary Oversight Provider to monitor the Fiduciary Manager on an ongoing basis.

The performance of individual managers is monitored against appropriate benchmark indices and the overall performance of the Scheme against the weighted average of these benchmarks. The active managers are expected to outperform their specified benchmark by a defined percentage per annum over rolling three-year periods. See Appendix I "Investment Performance" on page 49.

Currency hedging programme

BlackRock continued to manage the portfolio's currency hedging arrangement over the majority of 2020. The currency hedge covered 90% of the Scheme's equity related exposure to the US Dollar and 100% of the equity related exposure to the Japanese Yen and Euro. As the currency hedge was set up to limit currency risk associated with the Scheme's global equities, the arrangement was closed out following the full redemption of the global equities mandate in late 2020. A significant proportion of the currency exposure from the Towers Watson Investment Management (TWIM) Partners Fund is hedged within the Fund and the remainder of the assets are denominated in sterling.

Interest rate & Inflation hedging

BlackRock transacts interest rate swaps, inflation swaps, and gilt sale and repurchase agreements on behalf of the Scheme. These instruments are used to hedge a portion of the Scheme's long-term liabilities, in particular in relation to their sensitivities to interest/inflation rate movements. Over the year, the Trustee agreed to increase the target level of interest rate and inflation hedging to target a level equivalent to 100% of the liabilities measured on a low-dependency basis. This increase was implemented through a change to the BlackRock mandate in late 2020.

Longevity hedging

In July 2020, the Scheme entered into a £1bn longevity swap to manage longevity risk in relation to the Scheme's pensioner liabilities. This was transacted through the Galapagos IC Limited, which is 100% owned by the Trustee, with the risks then reinsured through Munich Re. The arrangement provides long-term protection for the Scheme against certain additional costs resulting from pensioners (and/or certain dependants) living longer than expected.

Investment Managers

The fees paid to the Investment Managers are generally calculated by reference to the valuation of the assets they manage. Certain managers may be paid additional fees based on the performance that they achieve.

Investment Changes

Throughout the year, the Trustee agreed and implemented the following changes to the Scheme's portfolio:

- The Scheme entered a longevity swap with Munich RE to hedge a portion of the Scheme's longevity risk.
- An increase to the target level of interest rate and inflation hedging to target a level equivalent to 100% of the liabilities measured on a low-dependency basis.
- The Scheme fully redeemed the Towers Watson Global Equity Focus Fund investment, closed out its equity options strategy (which provided equity downside protection) and invested the proceeds in the LDI portfolio at BlackRock.
- The Scheme closed out the currency hedging arrangement with BlackRock following the global equities redemption.
- The Towers Watson Secure Income Fund called on the Scheme's £30m commitment to the Fund made in 2019.
- The Scheme made a further £160m commitment to the Towers Watson Secure Income Fund.
- CBRE ceased managing the Scheme's return-seeking property holdings. The Scheme continues to look to liquidate the remaining two holdings.
- The final proceeds from the redemption of the Scheme's Fund of Hedge Fund investment were received in Q2 2020.

Other Matters

The Trustee considers that approximately 62% of the Scheme's investments are readily marketable within a week. This proportion of liquid assets increases to approximately 82% when consideration is taken of all investments with disinvestment notice periods of 3 months or less.

No direct employer-related investments have been made by the Scheme during the year ended 31 December 2020 or previously. The Trustee estimates that as at the year-end date there were employer-related investments of less than 0.1% included within pooled investment vehicles held by the Scheme (as permitted by the Pensions Act 1995).

For direct investments, the Scheme does not allow the custodian to release stock to a third party under stock lending arrangements.

The Trustees consider sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of their broader risk management framework, details of which are included in the Scheme's Statement of Investment Principles. As part of this the Trustees have prepared a Sustainable Investment Policy, which forms a formal statement of the Trustee's views on Sustainable Investment and is provided to the FM to refer to when managing the Scheme.

CUSTODIAL ARRANGEMENTS

The Trustee is responsible for taking reasonable measures to safeguard the Scheme's assets. It reviews the custodian arrangements from time to time and the Scheme's Auditor is authorised to make whatever investigations it deems are necessary as part of the annual audit procedures.

The Trustee retains JP Morgan as global custodian. JP Morgan is responsible for safekeeping and transaction processing for the Scheme's segregated portfolios, other than as noted on page 2. JP Morgan also records the values of the Scheme's pooled funds and all other investments.

INVESTMENT PRINCIPLES

As required by the Pensions Act 1995, the Scheme's Statement of Investment Principles documents the investment policies of the Scheme. The latest version dated February 2021, can be obtained on request from the Administrator or the Secretary to the Trustee.

INVESTMENT PERFORMANCE

Investment performance over different periods compared with the total Scheme benchmark is as shown in the table below. Time-weighted returns measure both the capital and income returns, as well as taking account of when, during the year, new contributions are received. Figures are quoted gross of fees.

	1 year %	**3 years % (p.a.)**	**5 years % (p.a.)**	**10 years % (p.a.)**
Scheme performance	11.91	7.50	9.77	10.20
Benchmark	11.71	7.43	10.46	10.03
Over/(under) performance	0.20	0.07	(0.69)	0.17

Over-performance in the year was mainly found in the Partners Fund and TWIM GEFF portfolios. These returns were partially offset by underperformance reported for the Scheme's property portfolio managed by CBRE and TWIM Secure Income Fund.

The Trustee considers the longer-term three-year analysis is more relevant when assessing the performance of the Scheme's investments relative to their benchmarks.

Further details of the performance of each Investment Manager are given in Appendix I – Investment performance on page 49.

SIGNIFICANT HOLDINGS AT MARKET VALUE

Individual investments close to or exceeding 5% of the total value of the net assets of the Scheme at 31 December 2020 are set out as follows:

	£m	**%**
UK Conv Gilt 2.5 22/7/2065	452	14.55
Towers Watson Partners Fund Sterling Z Shares	245	7.88
UK Conv Gilt 4.25 07/12/2055	204	6.56
Towers Watson Secure Income Fund	184	5.92
Blackrock ICS Sterling Liquidity Fund	164	5.28

Statement of Trustee responsibilities

The Financial Statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension scheme regulations require, and the Trustee are responsible for ensuring, that those Financial Statements:

- show a true and fair view of the financial transactions of the scheme during the scheme year and of the amount and disposition at the end of that year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year, and
- contain the information specified in regulation 3A of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the scheme in the form of an Annual Report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities including the maintenance of an appropriate system of internal control.

The trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a schedule of contributions showing the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the scheme and for adopting risk-based processes to monitor whether contributions are made to the scheme by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

Independent Auditor's report to the Trustee of the Pension Scheme

Opinion

We have audited the financial statements of the Willis Pension Scheme for the year ended 31 December 2020 which comprise the Fund Account, Statement of Net Assets (available for benefits) and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 December 2020, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial documents, we have concluded that the Scheme Trustees use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the Scheme's Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Scheme's Trustee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
Our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Trustee responsibilities statement set out on page 18, the Trustee is responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the environment, including the legal and regulatory framework that the Scheme operates in and how the Scheme is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are the Pensions Act 1995 and 2004 and regulations made under them and FRS 102, including the Financial Reports of Pension Schemes 2018 (the Pensions SORP). We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls and as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's report to the Trustee of the Pension Scheme

Use of our report

This report is made solely to the Scheme's Trustee as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

Date 8 July 2021

Pension Scheme Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020 £m**	2019 £m
CONTRIBUTIONS AND BENEFITS			
INCOME			
Employer contributions	3	**32**	42
Employee contributions	3	**2**	2
Total Contributions		**34**	44
EXPENDITURE			
Benefits paid or payable	4	**(58)**	(58)
Payments to and on account of Leavers	5	**(41)**	(38)
Other payments	6	**(1)**	(2)
Administrative expenses	7	**(4)**	(1)
		(104)	(99)
NET WITHDRAWALS FROM DEALINGS WITH MEMBERS		**(70)**	(55)
RETURNS ON INVESTMENT			
Investment Income	8	**57**	53
Change in market value of investments	9	**271**	309
Investment management expenses	12	**(2)**	(2)
NET RETURN ON INVESTMENTS		**326**	360
NET (DECREASE)/INCREASE IN THE FUND DURING THE YEAR		**256**	305
NET ASSETS OF THE SCHEME			
AT 1 JANUARY		**2,851**	2,546
AT 31 DECEMBER		**3,107**	2,851

The accounting policies and notes forming part of these accounts are on pages 24 to 40.

STATEMENT OF NET ASSETS AT 31 DECEMBER 2020
(available for benefits)

	Note	**2020 £m**	2019 £m
INVESTMENT ASSETS			
Bonds	**9**	**2,845**	1,982
Equities	**9**	**-**	-
Pooled investment vehicles	**9**	**545**	1,039
Derivative contracts	**9,10**	**99**	112
Longevity Swap	**9**	**-**	-
Insurance Policies - annuities	**1,9**	1	1
AVC investments	**9**	**12**	12
Cash balances held by Investment managers	**9**	**34**	93
TOTAL INVESTMENT ASSETS		**3,536**	3,239
INVESTMENT LIABILITIES			
Sale and Repurchase agreements	**9**	**(418)**	(362)
Cash in transit		**-**	6
Outstanding investment balances	**9**	**15**	11
Derivative contracts	**9,10**	**(36)**	(55)
TOTAL NET INVESTMENTS	**9**	**3,097**	2,839
CURRENT ASSETS			
Debtors	**13**	**5**	7
Bank balances – Scheme	**14**	**7**	7
CURRENT LIABILITIES			
Creditors	**15**	**(2)**	(2)
NET ASSETS OF THE SCHEME AT 31 DECEMBER		**3,107**	2,851

The accounting policies and notes forming part of these accounts are on pages 24 to 40.

The accounts summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits that fall due after the end of the Scheme year. The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the report on actuarial liabilities on pages 7 and 8 included in the Annual Report, and these accounts should be read in conjunction with them.

These accounts were approved and authorised for issue by the Trustee Board on 6 July 2021, and signed on behalf of Willis Pension Trustees Limited:

P Routledge
Chairman of the Trustee Board

Keith Greenfield
Trustee Director

Notes to the Accounts

1. Basis of preparation and accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS) applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with guidance set out in the Statement of Recommended Practice (SORP), "Financial Reports of Pension Schemes" (Revised July 2018).

The effects of Covid-19 (Coronavirus) has caused and will continue to cause disruption to almost all sectors and financial markets. However, the financial statements as at 31 December 2020 continue to be prepared on a going concern basis of accounting and no adjustments have been made to the financial statements. In reaching this conclusion, the Trustee has considered the current funding position of the Scheme, the strength of the covenant of Willis Towers Watson plc and the ability of the participating employers to continue to make contributions as due. The Trustee's covenant adviser has told the Trustee that the Employer's business has proved resilient during the pandemic. Their assessment of the strength of the employer covenant remains unchanged from before the Covid-19 outbreak.

Contributions

Employers' and members' normal contributions and Employers' deficit funding contributions are accounted for on an accruals basis at rates agreed between the Trustee and the Employer, as based on the recommendations of the Actuary, and set out in the Schedule of Contributions. Members' additional voluntary contributions are accounted for when deducted from members' salary.

Investment income

Income from bonds is included on the date when the securities are declared ex-dividend. Any income earned from cash deposits is included on an accruals basis.

Income from pooled investment vehicles, except for those in respect of property vehicles and the Secure Income Fund, is reinvested and is reflected as a "Change in market value of investments" rather than "Investment income" in the Fund account. Income from Property vehicles and the Secure Income Fund is distributed and received into the cash account held with the investment manager concerned. Income is then settled periodically to the Scheme bank account by the Investment Manager.

Individual transfers

Individual transfers from the Scheme are included in the accounts (in accordance with actuarial recommendations) from the date the receiving scheme assumes the liability for the member concerned.

Benefits

Benefits payable are included in the accounts on an accruals basis when the member notifies the Trustee as to the type of benefit to be taken, or when there is no choice, on the date of retirement or leaving.

Administrative, other payments and investment management expenses

Administrative, other payments and investment management expenses are accounted for on an accruals basis.

Investments

Pooled investment vehicles are valued at the bid price, or single price where this is applicable, at the year end, based on the latest available information from investment managers.
Bonds are valued excluding accrued interest ("clean price basis"). Accrued interest is included within "Other investments" together with accrued investment income and any unsettled investment purchases and sales.
No discount is applied to investment valuations to reflect any illiquidity.
Additional voluntary contribution investments ('AVCs') are valued at the aggregate present value advised by the provider before any applicable early exit penalties at the year end. The AVCs are paid directly to AVC Investment Managers and are invested separately from the Scheme's main assets providing money-purchase benefits for the individuals concerned.

Annuity Policies

The Trustee has purchased annuity policies that are specifically allocated to the provision of benefits for, and which provide all the benefits payable under the Scheme to, or in respect of, particular members. These annuity policies are in the name of the Trustee, and remain assets of the Scheme because the Trustee is not legally discharged of the corresponding liabilities.
Under FRS 102 and the new SORP, the accounting policy for the valuation of annuity policies has been changed to include annuity policies in the financial statements at the value of the related obligation to pay future benefits funded by the policies. The policies are valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions, updated for market conditions at the reporting date.

Foreign exchange

The functional and presentational currency of the Scheme is pounds sterling. Amounts denominated in foreign currencies at the year-end are translated at the rate ruling at the year end. Differences arising on the translation of investments, including gains and losses on related forward currency hedges, are included in the Fund Account as a "Change in market value of investments".
Investment income denominated in foreign currencies is recorded at the rate of exchange on the date of receipt; accrued investment income is recorded at the year-end rate.

Derivative contracts

The Trustee permits the Fiduciary Manager to appoint investment managers who make use of derivatives in segregated portfolios for efficient portfolio management and hedging purposes only.

- **Forward currency contracts** are over-the-counter contracts. They are valued monthly and are recorded at fair value. The valuation is calculated by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date. Other receipts or payments on forward contracts are reported within the change in market value on investments.

- **Interest rate & Inflation rate swaps** are over-the-counter contracts. They are valued daily and are recorded at fair value. The valuation is the discounted value of net future cash flows based on market expectations of interest and inflation rates. Interest is accrued monthly on a basis consistent with the terms of each contract. The amounts included in change in market value are the realised gains or losses on closed contracts and the unrealised gains or losses on open contracts. Net receipts or payments on swap contracts are reported within the change in market value on investments.

- **Repos** also known as 'sale and repurchase agreements' allow one party to borrow money using gilts as collateral. In such agreements, that party agrees to sell gilts to a counterparty, but the party also agrees to buy back the same gilts from the counterparty at a pre-agreed price at some later date. The Scheme continues to recognise and value the securities that are delivered as collateral and includes them in the accounts. The cash received is also recognised as an asset, and the obligation to pay them back as a liability.

- **Longevity Swap -** Longevity swaps are valued at a fair value using the collateral valuation basis as an estimation technique. This is based on the expected future cash flows arising under the swap discounted using gilt yields as a market interest rate.

Collateral balances

Collateral balances pledged and received in relation to derivative contracts are disclosed at fair value advised by the relevant investment manager. Collateral balances are not accounted for as assets or liabilities of the Scheme unless the fair value of the collateral is below the amount received, where a provision for any marked to market shortfall would be recorded as a liability.

2. Trustee

The Trustee of the Scheme is Willis Pension Trustees Limited.

3. Contributions

	2020 £m	2019 £m
Employer:		
Normal as set out in the Schedule of Contributions:		
- Salary Sacrifice	**3**	3
- Other	**13**	14
Deficit funding as set out in the Schedule of Contributions (i)	**16**	25
	32	42
Members:		
Normal as set out in the Schedule of Contributions	**1**	1
Additional voluntary contributions (AVCs)	**1**	1
	2	2
Total Contributions	**34**	44

(i) In 2020, the employer paid a deficit funding contribution of £16 million (2019: £25 million). Details of funding contributions to be made between 2020 and 2024 are set out in the Schedule of Contributions in Appendix III. Under the Schedule of Contributions signed in August 2020, The employer will continue to pay deficit contributions until August 2020, wherafter these payments will cease. Contributions toward the ongoing accrual of benefits payable by the Employer will be at 36.3% of pensionable salary until August 2020, and thereafter will be at the rate of 40.3% of pensionable salary.

There is a salary sacrifice arrangement in place giving members the option to increase their take-home pay as National Insurance Contributions payable to both the employees and employer are reduced.

4. Benefits	2020 £m	2019 £m
Pensions	**51**	50
Commutations and lump sum retirement benefits	**6**	5
Pension sharing orders	**1**	3
Total Benefits	**58**	58

5. Payments to and on account of leavers	2020 £m	2019 £m
Individual transfers to other schemes	**41**	38

Transfers out of the Scheme continue due to pension flexibilities available to members who transfer out since April 2015 under the Pension Freedom Legislation.

6. Other Payments	2020 £m	2019 £m
Total other payments	**1**	2

7. Administrative expenses	2020 £m	2019 £m
Administration and processing	**4**	1

For information, a more detailed analysis of the above Administrative expenses is shown below:

	2020 £000	2019 £000
Trustee fees	**39**	39
Administration and processing	**535**	535
Audit fee for statutory audit	**58**	58
Legal and other professional fees	**3,039**	318
Actuarial fees	**277**	177
Pension Protection Fund Levy	**46**	41
Total	**3,994**	1,168

Legal and Other Professional Fees for 2020 include payments for Reinsurer and Insurer Fees under the Longevity swap of £1.7m and £0.5m respectively.

8. Investment Income

	2020 £m	2019 £m
Income from bonds	**41**	38
Income from pooled investment vehicles	**16**	15
	57	53

9. Investments

	Value at 31 December 2019 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	**Value at 31 December 2020 £m**
Bonds	**1,982**	1,160	(534)	237	**2,845**
Equities	**-**	-	-	-	**-**
Pooled investment vehicles	**1,039**	29	(608)	85	**545**
Longevity Swap	**-**	-	-	-	**-**
Derivative contracts, net	**57**	4,568	(4,510)	(52)	**63**
AVC investments	**12**	1	(1)	-	**12**
Insurance Policies - Annuities	**1**	-	-	-	**1**
	3,091	5,758	(5,653)	270	**3,466**
Cash balances held by Investment managers	**93**			1	**34**
Other investment balances	**(345)**				**(403)**
	2,839			271	**3,097**

Equities

The Scheme, through the Trustee, has investments in a directly owned subsidiary, Galapagos IC Limited, incorporated in Guernsey. This subsidiary forms part of the Scheme's longevity risk management strategy. The total investment in this company is £250k, which is included within the equities value in note 9.

Change in market value

The change in market value of investments during the year comprises all increases and decreases (including those arising from exchange movements) in the market value of investments held at any time during the year, pooled investment vehicles' investment income reinvested in accumulation units and profits and losses realised on sales of investments during the year.

Derivative contracts

Derivative contracts above are shown at their net position. Derivative contract assets and liabilities at 31 December 2020 are shown separately in the Net Assets Statement and further details are provided in note 10.

Other investment balances

Other investment balances as at 31 December 2020 of £(403) million, (2019: £(345) million) primarily consist of accrued investment income (primarily from bonds) of £15 million, less £(418 million) of repurchase agreements held at 31 December 2020. The repurchase agreements have enabled the Scheme to reduce liability risks by obtaining additional exposure to gilt yields.

9. Investments (continued)

Longevity Swap

In July 2020, the Scheme entered into a £1bn longevity swap insurance agreement to protect the Scheme against costs associated with potential increases in life expectancy The swap is an Insurance Agreement between the Scheme and Galapagos IC Limited (the "Insurer"), a Guernsey regulated captive insurance company fully owned by the Trustee, and an onward Reinsurance Agreement between the Insurer and Münchener Rückversicherungs Gesellschaft Aktiengesellschaft in München, registered in the UK as Munich Re Company United Kingdom Life Branch (the "Reinsurer").

These swaps are accounted for at a valuation prepared by Willis Towers Watson Dublin in their capacity as the collateral calculation agent for the longevity swaps. At the inception of the swap, by definition, the valuation of the longevity swap excluding fees was zero. In line with a process for the experience collateral calculations under the longevity swap agreement, the valuer has assessed the present value of the fixed and floating legs of the longevity swap as at 31 December 2020 to be the same; and therefore, the proposed valuation of the longevity swap, as at 31 December 2020 is zero.

At the year end the Plan had pledged collateral as disclosed in note 10.

Transaction Costs

	Fees	Commission	**2020**	2019
	£'000	£'000	**£'000**	£'000
Pooled investment vehicles	14	58	**72**	162
	14	58	**72**	162

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. In addition to these transaction costs, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme by the relevant Investment Managers.

9. Investments (continued)

Investment Fair Value Hierarchy

The fair value of the Scheme's assets has been determined using the following fair value hierarchy;

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

31 December 2020	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Bonds	2,845	-	-	**2,845**
Equities	-	-	-	**-**
Pooled investment vehicles	-	-	545	**545**
Longevity Swap	-	-	-	**-**
Derivative contracts, net	-	63	-	**63**
Insurance policies - annuities	-	-	1	**1**
AVC investments	-	12	-	**12**
Cash balances held by Investment	34	-	-	**34**
managers	-	-	-	**-**
Other investment balances	(403)	-	-	**(403)**
	2,476	**75**	**546**	**3,097**

31 December 2019	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Bonds	1,982	-	-	**1,982**
Pooled Investment vehicles	-	530	509	**1,039**
Derivative contracts, net	-	57	-	**57**
Insurance policies - annuities	-	-	1	**1**
AVC investments	-	12	-	**12**
Cash balances held by Investment	93	-	-	**93**
managers	-	-	-	**-**
Other investment balances	(345)	-	-	**(345)**
	1,730	**599**	**510**	**2,839**

9. Investments (continued)

Detailed breakdown of investments
The market value of the different investment sectors set out above at 31 December 2020 and 2019 can be further broken down as follows:

	2020 £m	2019 £m
Bonds	**2,845**	1,982
	2,845	1,982
Pooled investment vehicles:		
Unit Trusts – property	**116**	121
Managed funds – diversified growth fund	**245**	232
Managed Funds – Secure Income Fund	**184**	156
Managed funds – global equity focus fund	**-**	530
	545	1,039

All fund managers operating the pooled investment vehicles are registered in the United Kingdom. The property portfolio is managed by CBRE Global Investors and includes holdings in industrial and other property sectors, offering access to secure, inflation-linked, long-term income streams.
The diversified growth fund is a fund investing across a broad range of asset classes managed by Towers Watson Partners Fund LP.
The Secure Income Fund aims to provide an inflation-linked cash flow through investments which generate a better risk-adjusted return than investment-grade credit and index-linked gilts. It encompasses a wide range of strategies across real estate, infrastructure, renewable energy and real asset debt and uses all implementation options including secondaries and co-investments.
Pooled investment vehicles above include £245m (2019: £232m) in respect of diversified growth funds. These contain specific disinvestment notice periods and therefore could be considered to be illiquid. No adjustment has been made to the valuation to allow for any possible illiquidity.

Annuity Contracts

The Trustee holds insurance policies with insurance companies that secure the pensions payable to specified beneficiaries. These policies remain assets of the Scheme, and have been valued by the Scheme's Actuary. This value is reported within the Net Asset Statement.
The following were the providers of the Scheme's annuity policies at 31 December 2020

(i) Standard Life
(ii) Canada Life
(iii) Windsor Life
(iv) Assicurazion Generali

9. Investments (continued)

AVC Investment

The Trustee holds assets invested separately from the main fund in the form of managed funds securing additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions (AVCs) or benefiting from salary sacrifices. The designated assets do not form a common pool available for members generally. Members participating in this arrangement each receive an annual statement confirming the amounts held to their account and the movements during the year. The 2020 valuation of the funds held with Prudential is still awaited. The asset is therefore reported on a cash basis from 2019, pending final profit confirmation for 2020. The aggregate amounts of AVC investments are as follows:

	2020 **£m**	2019 £m
Prudential Assurance Company	**11**	11
Equitable Life Assurance Society	**1**	1
	12	12

Cash balances held by Investment managers	**2020** **£m**	2019 £m
Pound sterling	**34**	93
	34	93

10. Derivative contracts

The Trustee permits the use of derivatives in segregated portfolios by certain of its investment managers for efficient portfolio management and hedging purposes only.
A summary of derivative contracts follows:

	2020 **£m**	2019 £m
Assets		
Forward currency contracts	**20**	33
Interest rate and Inflation rate swaps	**79**	57
Equity option contracts	**-**	22
	99	112
Liabilities		
Forward currency contracts	**(8)**	(2)
Interest rate and Inflation rate swaps	**(28)**	(18)
Equity option contracts	**-**	(35)
	(36)	(55)
Net assets		
Forward currency contracts	**12**	31
Interest rate and Inflation rate swaps	**51**	39
Equity option contracts	**-**	(13)
Total derivative contracts	**63**	57

10. Derivative contracts (continued)

The main reasons for the use of derivatives during the year are summarised below:

Forward currency contracts

In order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. A currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments.

A summary of forward currency contracts held at 31 December 2020 follows. All forward currency contracts are "over the counter" ("OTC") contracts.

Number of Contracts	**Settlement Date**	**Currency bought (millions)**	**Currency sold (millions)**	**Asset £m**	**Liability £m**
6	1-3 months	£ 338	US$ 438	18	-
15	1-3 months	US$ 438	£ 328	-	(7)
5	1-3 months	£ 55	€ 61	1	-
5	1-3 months	£ 44	¥ 6,028	1	-
16	1-3 months	¥ 6,028	£ 43	-	(1)
Total asset/(liability)				20	(8)
Net asset – Forward currency contracts				**12**	

10. Derivative contracts (continued)

Interest Rate, Inflation swaps and Total Return swaps

The interest rate swaps portfolio, LIBOR interest rate swaps, is used to hedge a portion of the Scheme's long term liabilities, in particular in relation to their sensitivities to interest rate movements.
The inflation linked swaps, on the other hand, are used to hedge the inflationary risk within the portfolio.

A summary of the swap contracts held at 31 December 2020 follows. All interest rate, inflation and total return swap contracts are "over the counter" ("OTC") contracts.

Type of contract (and number of contracts)	Settlement Date	Nature of Swap	Notional Principal £m	Asset £m	Liability £m
Interest rate swap (1)	16+ years	Receive fixed (6.19%) for floating (LIBOR)	36	-	-
Inflation swap (1)	16+ years	Receive floating (UKRPI) for fixed (3.73%)	32	-	(17)
Inflation swap (1)	0-10 years	Receive floating (UKRPI) for fixed (3.59%)	53	-	(3)
Inflation swap (1)	0-10 years	Receive floating (UKRPI) for fixed (3.61%)	67	-	(4)
Inflation swap (1)	0-10 years	Receive floating (UKRPI) for fixed (3.58%)	96	-	(4)
Overnight Index swap (1)	0-10 years	Receive fixed (1.79%) for floating (SONIA)	16	2	-
Overnight Index swap (1)	0-10 years	Receive fixed (1.32%) for floating (SONIA)	47	4	-
Overnight Index swap (1)	0-10 years	Receive fixed (1.83%) for floating (SONIA)	16	2	-
Overnight Index swap (1)	10-16 years	Receive fixed (1.44%) for floating (SONIA)	28	4	-
Overnight Index swap (1)	0-10 years	Receive fixed (1.89%) for floating (SONIA)	16	3	-
Overnight Index swap (1)	10-16 years	Receive fixed (1.93%) for floating (SONIA)	15	3	-
Overnight Index swap (1)	10-16 years	Receive fixed (1.91%) for floating (SONIA)	16	3	-
Overnight Index swap (1)	0-10 years	Receive fixed (1.86%) for floating (SONIA)	16	3	-
Overnight Index swap (1)	16+ years	Receive fixed (6.79%) for floating (SONIA)	40	55	-
Total asset/(liability)				79	(28)
Net Asset – Swap contracts				**51**	

10. Derivative contracts (continued)

Collateral for inflation and interest rate swap contracts

Collateral arrangements are in place for derivative contracts in order to manage the potential risk of counterparty default. Such arrangements require collateral in the form of fixed interest securities or cash equivalents to be passed between the parties dependent upon whether there exists a net asset or a net liability on the contract as at the end of the period.

Collateral balances are held separately to other asset holdings of the portfolio and are not re-invested. As at 31 December 2020, the collateral received consisted of AAA-rated UK Government debt securities and European Investment Bank securities.

In respect of the derivative contracts, net collateral received was £58,810,500 (2019: £74,388,061). Such collateral is not reported within the scheme's net assets.

Data is reported at 31 December 2020.

Collateral balances were called on 4 January 2021, and received on a T+1 basis as required. Collateral summary by counterparty at 31 December 2020 follows:

Counterparty	Collateral received/(pledged) £m	Exposure £m	Excess/(Shortfall) £m	Status
UBS	1.5	1.5	-	
Deutsche Bank	(16.6)	(17.3)	0.7	Over-collateralised
JPM Securities	54.5	55.0	(0.5)	Under-collateralised
Morgan Stanley	2.5	2.5	-	
Barclays	(1.8)	(1.8)	-	
Merrill Lynch	(1.8)	(1.8)	-	
RBC Europe	0.6	0.6	-	
HSBC	(1.4)	(1.5)	0.1	Over-collateralised
Goldman Sachs	(2.3)	(2.4)	0.1	Over-collateralised
Royal Bank of Scotland	23.6	23.8	(0.2)	Under-collateralised
	58.8	**58.6**	**0.2**	

During 2020 fee collateral was pledged by the Scheme in respect of the Longevity Swap. As such gilts have been placed with Bank of New York Mellon in this regard in the sum of £21m. These remain assets of the Scheme and are reported with Bonds.

11. Investment Risks

FRS102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS102 as follows:

Credit Risk: This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market Risk: This comprises currency risk, interest risk and other price risk.

- *Currency Risk:* This is the risk that the fair value or future cash flows of financial assets will fluctuate because of changes in foreign exchange rates.
- *Interest Rate Risk:* This is the risk that the fair value or future cash flows of financial assets will fluctuate because of changes in market interest rates.
- *Other Price Risk:* This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risk, including credit risk and market risk within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Investment Strategy

The general investment objectives for the Scheme are to:

- acquire assets of appropriate liquidity to generate income and capital growth which, together with contributions from the Employer and members, meet the cost of current and future benefits which the Scheme is required to provide in accordance with the terms of the Trust Deed and Rules;

- limit the risk of the assets failing to meet the accrued liabilities of the Scheme as determined by the most recent actuarial valuation;

- outperform the benchmarks established for the investment of funds under each asset class by a defined percentage per annum over rolling three-year periods; and

- minimise the long-term funding costs of the Scheme by maximising the return on assets whilst having regard to the other objectives above.

To achieve the objectives, it is the Trustee's policy to see that the Scheme's assets are invested in a mixture of real and monetary assets. Although the returns on real assets are expected to be greater over the long term than those on monetary assets, they are likely to be more volatile.
A mixture across asset classes should, nevertheless, provide the level of returns required by the Scheme to meet its liabilities at an acceptable level of risk for the Trustee and an acceptable level of cost to the employing companies and, where applicable, members of the Scheme.

The Trustee sets the investment strategy taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the Scheme, and the funding agreed with the Employer.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include any annuity insurance policies or AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

11. Investment Risks (continued)

Credit Risk

The Scheme is subject to credit risk as the Scheme invests in bonds, OTC derivatives and has cash balances. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on any financial instruments held by the pooled investment vehicles.

31 December 2020 **Analysis of direct credit risk**	**Investment Grade £m**	**Non-Investment Grade £m**	**Unrated £m**	**Total £m**
Bonds	2,846	-	-	**2,846**
OTC Derivatives	62	-	-	**62**
Pooled Investment Vehicles	-	-	545	**545**
Cash	34	-	-	**34**
	2,942	**-**	**545**	**3,487**

31 December 2019 **Analysis of direct credit risk**	**Investment Grade £m**	**Non-Investment Grade £m**	**Unrated £m**	**Total £m**
Bonds	1,982	-	-	**1,982**
OTC Derivatives	57	-	-	**57**
Pooled Investment Vehicles	-	-	1,039	**1,039**
Cash	93	-	-	**93**
	2,132	**-**	**1,039**	**3,171**

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds which are rated at least investment grade. The Trustees manage the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer. Credit risk on other investments is mitigated by investment mandates requiring counterparties to have at least investment grade credit quality.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps and forward foreign currency contracts is reduced by collateral arrangements (see note 10).

The Longevity swap is subject to credit risk via the reinsurer, and the Trustee monitors the credit rating of Munich Re across three rating agencies on a quarterly basis.

Cash is held within financial institutions which are at least investment grade credit rated. This is the position at the year-end.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments among a number of pooled arrangements. The Fiduciary Manager, Willis Towers Watson, carries out due diligence checks on the appointment of any new investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the manager.

11. Investment Risks (continued)

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicle. The risk is mitigated by only investing in funds which hold at least investment grade credit rated investments.

The nature of the pooled investment vehicles held by the Scheme can be found in Note 9 on page 31.

Market Risk

(i) Currency Risk

BlackRock continued to manage the portfolio's currency hedging arrangement over the majority of 2020. The currency hedge covered 90% of the Scheme's equity related exposure to the US Dollar and 100% of the equity related exposure to the Japanese Yen and Euro. As the currency hedge was set up to limit currency risk associated with the Scheme's global equities, the arrangement was closed out following the full redemption of the global equities mandate in late 2020.

(ii) Interest Rate Risk

The notes to the accounts disclose the value of UK Government bonds held by BlackRock as £1,956m, and interest rate, inflation rate and total return swaps as £51m. The Scheme is subject to interest rate risk, as some of the Scheme's investments are held in bonds, interest rate swaps and inflation swaps. However these assets are held as part of the Scheme's matching portfolio because their sensitivity to changes in interest rates and inflation mitigate liability risk, as further explained below. The Trustees had a target allocation for investment in their matching portfolio of 95% of the total investment portfolio as at 31 December 2020. Within this, there was a target allocation of: 50% specifically to gilts, index-linked gilts and swaps (LDI portfolio); 30% to UK corporate bonds, which have some UK interest rate exposure as well as exposure to other countries interest rates; and 15% allocated to secure income assets. Under this strategy, if interest rates fall the value of LDI investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise the LDI investments will fall in value as will the actuarial liabilities because of an increase in the discount rate. At the year end the LDI portfolio represented 58.9% of the total investment portfolio (2019: 43.6%).

(iii) Other Price Risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles and hedge funds. The Scheme has a target asset allocation of 5% of investments being held in return-seeking investments. The allocation at the year-end was 7.9%.
The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

12. Investment management expenses

	2020 £m	2019 £m
Administration, management and custody	**2**	2

13. Debtors

	2020 £m	2019 £m
Prepayments	**4**	4
Contributions due – Employer	**1**	3
Total Debtors	**5**	7

For 2020, the contributions due of £1m relate to the month of December 2020 and were paid in full to the Scheme, within the timescale required by the Schedule of Contributions currently in force.
For 2019, £3m of the contributions due relate to the month of December 2019 and were paid in full to the Scheme, within the timescale required by the Schedule of Contributions currently in force.

14. Bank balances

	2020 £m	2019 £m
Scheme deposit account	**7**	7

15. Creditors

	2020 £m	2019 £m
Accrued professional and administration fees	**1**	1
Benefits payable	**1**	1
Total Creditors	**2**	2

16. Employer-related Investments

There were no direct employer-related amounts within the meaning of section 40(2) of the Pensions Act 1995. There were employer-related investments of less than 0.1% included within pooled investment vehicles.

17. Related Party Transactions

During the year £574,000 (2019: £574,000) was paid by the Scheme to Willis Group Services Limited, a company within the Group, for pensions administration and payroll, financial accounting, company secretarial, Trustee expenses and treasury services, of which £48,000 (2019: £48,000) was outstanding at 31 December 2020 and reported in current liabilities. Insurer fees payable under the Longevity Swap contract were paid to Galapagos IC Limited in the sum of £0.5m. Fees paid to the Trustees are referred to in Note 7.

One director of the Trustee serving during the year was an active member of the Scheme and Employer contributions for this Director were made by the Group in accordance with the Rules of the Scheme.

One serving Trustee director during 2020 (2019: one) received a pension during the Scheme year which was paid in accordance with the rules of the Scheme.

There were 6 participating employer companies (including the principal employer, Willis Group Limited) of the Scheme during the year, all of which are subsidiaries of the Willis Group:

(i) Willis Group Limited
(ii) Willis Limited
(iii) Willis Towers Watson Management (Isle of Man) Limited
(iv) Willis Towers Watson Management (Guernsey) Limited
(v) Willis Towers Watson Insurances (Ireland) Limited
(vi) Willis Group Services Limited

18. Guarantees

Two formal guarantees are currently in place between the Group and the Pension Scheme, as disclosed below.

The Employer has assured the Trustee that the strength of the guarantees will not be weakened by the proposed Aon combination. The Trustee and its advisers are monitoring this issue closely

A guarantee, originally dated 25 April 2012 (as amended on 31 December 2015 and 13 April 2018) is in place between Willis Towers Watson plc (formerly Willis Group Holdings plc), certain Willis subsidiary companies (in each case as guarantors) and Willis Pension Trustees Limited. This guarantee has the effect that if any of the participating employers fail to make payments as required under the terms of the Schedule of Contributions, the guarantors are required to make good the shortfall.

A guarantee dated 31 December 2015 is in place between Willis Towers Watson plc (formerly Willis Group Holdings plc) and Willis Pension Trustees Limited. Under this guarantee, Willis Towers Watson plc guarantees all present and future obligations of participating employers up to a maximum amount equal to the entire aggregate liability of all Scheme employers were a debt to arise under Section 75(2) of the Pensions Act 1995. This guarantee has the effect that, in the event of a Section 75 debt arising in relation to a participating employer which has not been paid, Willis Towers Watson plc is required to make the payment.

19. GMP Equalisation

On 26 October 2018 the High Court ruled in the Lloyds Banking Group case that inequalities in scheme benefits arising from Guaranteed Minimum Pensions (GMP) should be removed. The Trustees are currently working with the Employer to assess the adjustments to benefits (if any) required. As a result, the Trustees have not yet arrived at a reliable estimate of any backdated benefits and related interest that might be payable, however the impact on the Scheme is not expected to be material.

As a result, the cost of any such payments has not been recognised in these financial statements. It will be recognised once the Trustees are able to reach a reliable estimate.

Summary of contributions payable

SUMMARY OF CONTRIBUTIONS PAYABLE DURING THE YEAR ENDED 31 DECEMBER 2020

During the year ended 31 December 2020 the contributions payable to the Scheme under the schedule of contributions were as follows:

	£m
Employer normal contributions	**16**
Employer deficit funding	**16**
Member normal contributions	**1**
Total contributions under schedule of contributions	**33**
Other contributions	
Member additional voluntary contributions	**1**
Total contributions	**34**

Approved by the Trustee Board on 6 July 2021 and signed on behalf of Willis Pension Trustees Limited:

P Routledge

Chairman of the Trustee Board

Keith Greenfield

Trustee Director

Independent Auditor's Statement about Contributions, under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the Trustee of the Willis Pension Scheme

Statement about contributions payable under schedule of contributions
We have examined the summary of contributions payable to the Willis Pension Scheme on page 41, in respect of the scheme year ended 31 December 2020.

In our opinion the contributions for the scheme year ended 31 December 2020 as reported in the summary of contributions on page 41 and payable under the schedule of contributions have in all material respects been paid at least in accordance with the Schedules of Contributions certified by the actuary on 30 March 2018 and 28 August 2020.

Scope of work on statement about contributions
Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 39 in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and Auditor
As explained more fully on page 18 in the Statement of Trustee's Responsibilities, the scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

Use of our Statement
This statement is made solely to the scheme's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's Trustee those matters we are required to state to the Trustee in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme and the scheme's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

8 July 2021

Actuary's certification of schedule of contributions

The Willis Pension Scheme

This certificate is provided for the purpose of Section 227(5) of the Pensions Act 2004 and Regulation 10(6) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 31 December 2019 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 28 August 2020.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature:	[redacted]	**Date:**	28 August 2020
Name:	Jeremy Dell	**Qualification:**	Fellow of the Institute and Faculty of Actuaries
Address:	95 Wigmore Street London W1U 1DQ	**Name of employer:**	Lane Clark & Peacock LLP

Actuarial certification of the calculation of technical provisions

Actuary's certification of the calculation of technical provisions

The Willis Pension Scheme

This certificate is provided for the purpose of Section 225(1) of the Pensions Act 2004 and Regulation 7(4)(a) of the Occupational Pension Schemes (Scheme Funding) Regulations 2005

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme's technical provisions as at 31 December 2019 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustee of the Scheme and set out in the Statement of Funding Principles dated 28 August 2020.

Signature:	[redacted]	**Date:**	28 August 2020
Name:	Jeremy Dell	**Qualification:**	Fellow of the Institute and Faculty of Actuaries
Address:	95 Wigmore Street London W1U 1DQ	**Name of employer:**	Lane Clark & Peacock LLP

COMPLIANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

Constitution

The Willis Pension Scheme is governed by a Trust Deed and Rules in each case as scheduled to a deed of consolidation and amendment dated June 2011 and as subsequently amended. The Pension Scheme Registry Number for the Scheme is 10110667.

Pensions Acts

The Trustee has implemented the main procedures necessary to comply with the current requirements of the above Acts.

Ownership of Willis Pension Trustees Limited

Willis Pension Trustees Limited has issued share capital of one hundred ordinary shares of £1 each. These shares are held by Willis Group Limited. There were no transactions in the year between Willis Pension Trustees Limited and Willis Group Limited.

Taxation Status

The Scheme was an exempt approved Scheme under the provisions of Chapter 1 of Part XIV of the Income and Corporation Taxes Act 1988 and as such under the provisions of Schedule 36 of the Finance Act 2004 is a Registered Pension Scheme. Accordingly under the provisions of sections 186 and 187 of the Finance Act 2004 its income and investment gains are free of taxation. However, income from a trading activity is not investment income and so will be assessed to tax in the normal way.

Contracted-Out Status

Up until 5 April 2016 members of the Scheme were covered by a contracting-out certificate issued by the National Insurance Contributions Office on behalf of the Commissioner for the Inland Revenue under Part 111 of the Pension Schemes Act 1993. As a result, both the members and the employing companies paid reduced National Insurance contributions and the Scheme undertook to provide each member with Protected Rights in respect of their period of contracted-out service. Since 6 April 2016 it is no longer possible to contract out of the State Second Pension and from that point members and the Employer re-joined the state pension system in full and have been paying full rate national insurance contributions.

Pension Increases

The Scheme provides for increases to pensions in payment depending on:
- when the member joined the Scheme; and
- when the pension was earned, as summarised below:

Date pension earned:	**Date member joined:**	
	Before 1 January 1995	**On or after 1 January 1995**
Before 6 April 1997	Guaranteed 3% increase	In line with RPI but subject to a 3% maximum
Between 5 April 1997 and 1 January 2006	In line with RPI but subject to a 3% minimum and a 5% maximum	In line with RPI but subject to a 5% maximum
After 31 December 2005	In line with CPI but subject to a 2.5% maximum.	

If RPI or CPI is negative then the increase is set to zero except where guaranteed increases apply.

Compliance Statement

The increases granted by the Scheme in the past ten years and the relevant RPI figures are shown below:

	Pre 1995 members			**Post 1995 members**			**RPI**	**CPI**
	Pre'97 benefits	Post'97 benefits	Post 2005 benefits	Pre'97 benefits	Post'97 benefits	Post 2005 benefits		
2010	3.0%	4.7%	2.5%	3.0%	4.7%	2.5%	4.7%	
2011	3.0%	5.0%	2.5%	3.0%	5.0%	2.5%	5.2%	4.5%
2012	3.0%	3.0%	2.5%	2.9%	2.9%	2.5%	2.9%	2.5%
2013	3.0%	3.3%	2.5%	3.0%	3.3%	2.5%	3.3%	2.7%
2014	3.0%	3.0%	1.5%	2.4%	2.4%	1.5%	2.4%	1.5%
2015	3.0%	3.0%	0%	1.1%	1.1%	0%	1.1%	1.5%
2016	3.0%	3.0%	0.6%	1.8%	1.8%	0.6%	1.8%	1.6%
2017	3.0%	3.9%	2.5%	3.0%	3.9%	2.5%	3.9%	2.9%
2018	3.0%	3.5%	2.5%	3.0%	3.5%	2.5%	3.5%	2.7%
2019	3.0%	3.0%	1.7%	2.6%	2.6%	1.7%	2.6%	1.7%
2020	**3.0%**	**3.0%**	**2.0%**	**0.5%**	**0.5%**	**2.0%**	**3.1%**	**2.6%**

Benefits Statements

Benefit statements are normally sent to contributing members each year.

Deferred Pensions

Deferred pensions are increased between the date of leaving and date of retirement in line with the Scheme's Rules.

Transfers

Individual transfer values paid during the year under review in respect of transfers to other pension schemes have been calculated and verified in accordance with Section 97 of the Pension Schemes Act 1993. In 2020 these amounted to £41 million (2019: £38 million). No allowance is made for any discretionary benefits in the calculation of transfer values. No transfer values were paid at less than the cash equivalent.

Codes of practice issued by the Pensions Regulator

The Board of Directors consider each code of practice when it is issued by the Pensions Regulator and ensures the Scheme is compliant, within a reasonable time of each code being issued.

Changes to Scheme's Constitution, Rules or Basic Information

There have been no changes during the year.

Nomination of Beneficiary / Dependent(s) forms

The payment of death in service benefits is at the discretion of the Trustee. It is important for members to inform the Trustee of the person(s) to whom they would like their lump sum death benefit paid on their death. This can be done by completing an 'Expression of wishes' Form and sending it to the Scheme's administrator.

Data Protection
The Scheme's current privacy notice may be found at
https://info.willis.com/site/WillisPensionScheme/Documents/Willis Pension Scheme Privacy Notice.pdf

Anti-Money Laundering

The HMRC anti-money laundering regime requires certain service providers, including some paid Trustee Directors, to put systems in place that prevent money laundering and report any suspicious transactions to the Serious Organised Crime Agency. The Scheme's legal advisors have provided guidance on the requirements to enable the Trustee to comply with the anti-money laundering regulations.

Pension Protection Fund (PPF)

A fund set up under the Pensions Act 2004 to provide benefits to members of defined benefit schemes that wind up due to the employer's insolvency with insufficient assets to pay benefits. The PPF can be contacted at:

Renaissance,
12 Dingwall Road
Croydon CR0 2NA
www.pensionprotectionfund.org.uk
Tel: 0345 600 2541

The Pensions Advisory Service ("TPAS") and Pensions Ombudsman

If Scheme members have any queries or complaints concerning their benefits they should contact the Scheme's Administrator by writing to the address shown on page 1.

If a member has a complaint against the Scheme which has not been resolved to their satisfaction, they have the right to refer the complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.
Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the event(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.
The Pensions Ombudsman can be contacted at;

10 South Colonnade
Canary Wharf, London E14 4PU
enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk
Tel: 0800 917 4487

Members can also submit a complaint form online: www.pensions-ombudsman.org.uk/our-service/make-a-complaint/.
General requests for information or guidance concerning pension arrangements contact:
The Pensions Advisory Service
11 Belgrave Road, London, SW1V 1RB
Telephone: 0300 123 1047
Website: www.pensionsadvisoryservice.org.uk/

Compliance Statement

The Pensions Regulator

The Pensions Regulator can intervene if it considers that a scheme's trustee, advisors, or the employer are not carrying out their duties correctly. The address for the Pensions Regulator is:

Napier House
Trafalgar Place
Brighton
BN1 4DW
www.thepensionsregulator.gov.uk
Tel: 0870 606 3636

APPENDIX I – INVESTMENT PERFORMANCE

The performance of the investments over different periods compared to the benchmark is as shown in the table below. Figures are shown gross of fees.

	1-year	3-year	5-year	10-year	Since Inception
Total Scheme	**11.91**	**7.50**	**9.77**	**10.20**	**6.87**
Benchmark	**11.71**	**7.43**	**10.46**	**10.03**	**6.27**
Performance over/(under) benchmark	**0.20**	**0.07**	**-0.69**	**0.17**	**0.60**
Blackrock Cash	0.32	0.60	4.35	5.89	5.59
GBP LIBID 7 Day	0.04	0.36	4.94	5.47	4.04
Performance over/(under) benchmark	**0.28**	**0.24**	**-0.59**	**0.42**	**1.55**
Blackrock – Gilts (erstwhile BGI)	12.49	7.60	11.17	14.11	12.39
Custom Blackrock Gilts benchmark	12.49	7.60	11.17	14.11	12.39
Performance over/(under) benchmark	**0.00**	**0.00**	**0.00**	**-0.00**	**-0.00**
Willis Pension Scheme - Longevity Swap	-	-	-	-	-1.59
Portfolio GOF	-	-	-	-	-1.59
Excess Return	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
CBREI	0.72	5.11	6.97	-	6.55
CBRE Property Custom benchmark	10.65	7.25	10.15	-	10.57
Performance over/(under) benchmark	**-9.93**	**-2.14**	**-3.18**	**0.00**	**-4.02**
CBREI Secure Income Alternatives	35.05	3.14	3.03	-	3.97
FTSE Actuaries UK ILG Over 15 Years Historical +3%	25.86	12.47	15.34	-	12.61
Performance over/(under) benchmark	**9.19**	**-9.33**	**-12.31**	**0.00**	**-8.64**
MandG Core Credit	10.74	6.45	-	-	5.49
MandG Core Credit Benchmark	10.74	6.45	-	-	5.49
Performance over/(under) benchmark	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
TW Secure Income Fund	3.81	3.81	-	-	4.05
FTSE Actuaries UK Index-Linked Gilts Over 15 Years + 3%	18.70	10.29	-	-	11.09
Performance over/(under) benchmark	**-14.89**	**-6.49**	**0.00**	**0.00**	**-7.04**
Towers Watson Partners LP	9.08	5.48	7.72	6.77	7.68
UK CPI + 2%	2.66	3.37	3.75	4.03	4.46
Performance over/(under) benchmark	**6.42**	**2.11**	**3.98**	**2.74**	**3.22**
TWIM GEFF	16.04	-	-	-	13.87
Benchmark based on MSCI World (Net)	12.28	-	-	-	12.39
Performance over/(under) benchmark	**3.76**	**0.00**	**0.00**	**0.00**	**1.47**

Returns over 1 year are annualized

**Annualised return for the Total Scheme (data available since 1 January 2000)*

APPENDIX II – SUMMARY FUNDING STATEMENT 2020

The Trustee is required by law to provide members (including deferred members and pensioners) with information on the Pension Scheme's funding position each year.

How is the Scheme's financial security measured?

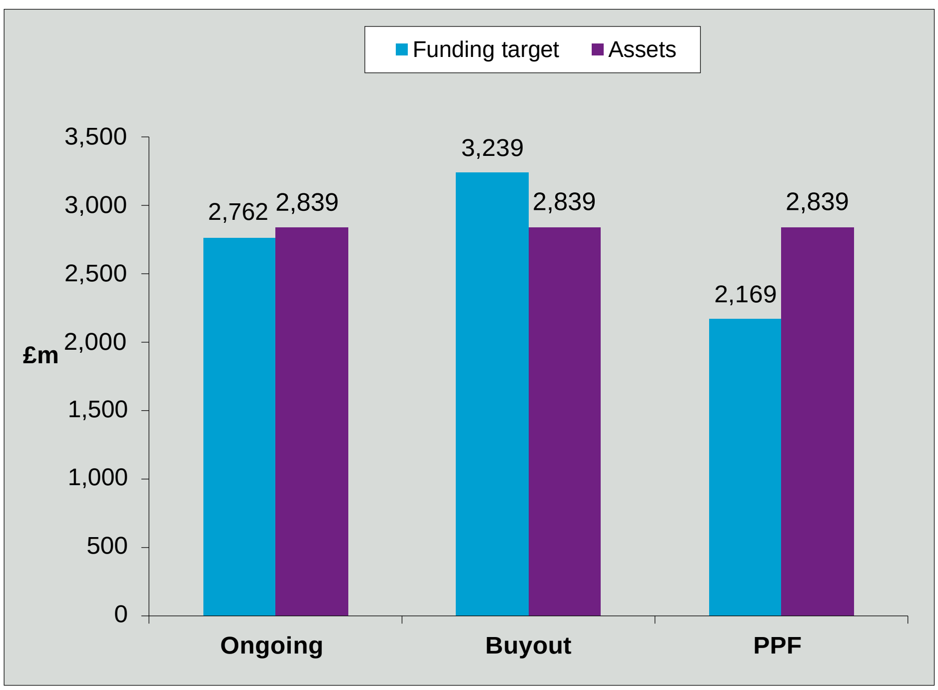
Every three years the Scheme's Actuary is required to perform an actuarial valuation. The latest completed triennial valuation was as at 31 December 2019. During an actuarial valuation the actuary investigates the financial position of the Scheme in order to assess whether there is enough money in the Scheme to pay the pension benefits accrued to the date of valuation. If the assets are less than required then deficit contributions may be needed to fund the shortfall. The assumptions used are set by the Trustee.

Following each actuarial valuation the Trustee and the Employers agree the level of contributions, if any, needed to pay for pensions being earned currently and to pay for any shortfall of assets to fund the pension benefits earned to date. This is then recorded in a Schedule of Contributions.

In addition, the Trustee requests annual interim actuarial reports (except in valuation years), and has access to daily updates of the approximate ongoing funding position.

Valuation results

The results of the latest completed actuarial valuation as at 31 December 2019 are as follows:



The "Ongoing" figures (also known as "technical provisions") illustrate the funds required to meet the benefits promised to date assuming that the Scheme continues in its current form going forward. The ongoing funding level as at 31 December 2019 was 103% meaning a surplus on the ongoing funding basis of £77 million as at 31 December 2019.

The “Buyout” figures illustrate the assets needed in order to secure the pension benefits for all scheme members with an insurance company. The buyout funding level as at 31 December 2019 was 88%. This is equivalent to a shortfall of £400 million.

The Pension Protection Fund (PPF) figures illustrate the cost of securing the PPF compensation with an insurance company. On the PPF basis the Scheme was in surplus by £670 million as at 31 December 2019 and would therefore likely be able to secure with insurance company benefits in excess of 100% of the PPF compensation.

Latest ongoing funding position

An approximate valuation was carried out at 31 December 2020 for the Scheme’s annual actuarial report. The results of this and the 2019 valuation for comparison are shown in the table below:

Valuation Date	Ongoing Funding Level	Surplus
31 December 2019 (actual valuation results)	103%	£77m
31 December 2020 (annual actuarial report)	101%	£16m

The main reason for the deterioration in the funding position between 31 December 2019 and 31 December 2020 is lower than expected future investment returns (which increases the value of the liabilities). This was partially offset by higher than anticipated returns from the Scheme’s assets over the year and lower expectations for future inflation.

Benefits for current employees

In order to meet the cost of benefits being earned each year in the Scheme by current employees, the Trustee and Employer have reached an agreement for the Employers to pay into the Scheme 36.3% of pensionable salaries up to August 2020, and 40.3% from September 2020.

What is being done to reduce the shortfall?

Following the completion of the 2019 valuation, it was not necessary for the Trustee to agree a new recovery plan with the Employers because the Scheme was in surplus at the valuation date. Deficit contributions being paid by the Employers of £2.08m per month were therefore ceased with effect from September 2020.

Willis Pension Scheme

Further Protections for Members

In addition to the agreement regarding funding any shortfall, the Trustee also have guarantees from Willis Towers Watson providing further security for members. Willis Towers Watson provides a guarantee so that, if any of the Scheme's sponsoring employers is unable to honour its commitments to the Scheme, Willis Towers Watson plc can be called upon to honour that employer's commitment to the Scheme.

The Trustee can confirm that no payment has been made to the Employers out of a surplus in the pension fund and that no statutory funding directions imposed by the Pensions Regulator are in force in relation to the Scheme.

What would happen if the scheme was wound up?

We are required to communicate to you the position should the Scheme be wound up but **it should be noted that the Trustee currently has no intention to wind up the Scheme whilst the Employers continue to pay contributions**. If the Scheme were to wind up the Employers are required to pay enough into the Scheme to ensure members' benefits are fully secured with an insurance company. In the event that this was not possible, for example in the unlikely event of insolvency, then the Pension Protection Fund pays compensation to members of eligible defined benefit pension schemes (such as The Willis Scheme) when there is a qualifying insolvency event in the relation to the sponsoring employer and where there are insufficient assets in the pension scheme to cover Pension Protection Fund levels of compensation. Whilst the Scheme continues your benefits will continue to be paid in full even though the funding may be temporarily below target. It should be noted that the Pension Protection Fund provides lower compensation than the full member's expectation. In summary:

- Pensions in payment where the member has reached the scheme's normal retirement age will receive 100% of their pension however they will only receive pension increases on pension accrued post 5 April 1997 in line with inflation subject to a maximum of 2.5% pa. They will receive no pension increase on pension accrued pre 6 April 1997.
- Pensions in payment where the member has not reached the scheme's normal retirement age will receive 90% of their pension subject to an overall cap. The earlier you retired, the lower the annual cap is set, to compensate for the longer time you will be receiving payments. The cap at age 65 is **£41,461 pa** from 1 April 2021 (this equates to **£37,315** when the 90% level is applied). For any members who have 21 or more years' service, the cap is increased by three per cent for each full year of pensionable service above 20 years, up to a maximum of double the standard cap. Members receive as a minimum 50% of the value of their accrued pensions. Pension increases are restricted as above.
- Those who have not yet retired will receive 90% of their pension at the scheme's normal retirement age subject to the overall cap as above. Between the dates the scheme enters the PPF and normal retirement age the value of your pension will increase annually in line with inflation subject to cap of 5% for pension accrued prior to 6 April 2009 and 2.5% for pension accrued after 5 April 2009. Once in payment pension increases will be restricted as above.
- For members who die in retirement, eligible spouses, civil partners or relevant partners would receive 50% of the PPF compensation being paid (not 50% of the pension pre commutation).
- For members who have yet to retire, eligible spouses, civil partners or relevant partners would receive 50% of the compensation the member would have received if they had reached their normal pension age the day before they died.

The Secretary of State for Work & Pensions has the power to reduce these levels. For further information you can contact the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA or alternatively visit the Pension Protection Fund's website at **www.pensionprotectionfund.org.uk.**

APPENDIX III - SCHEDULE OF CONTRIBUTIONS

SCHEDULE OF CONTRIBUTIONS FOR THE WILLIS PENSION SCHEME

The participating Employers:	Willis Group Limited (CRN 621757) Willis Limited (CRN 181116) Willis Towers Watson Management (Isle of Man) Limited (20302C) Willis Towers Watson Management (Guernsey) Limited (8802) Willis Group Services Limited (1451456) Willis Towers Watson Insurances (Ireland) Limited (78812)

This Schedule of Contributions has been prepared in accordance with Part 3 of the Pensions Act 2004 and the Occupational Pension Schemes (Scheme Funding) Regulations 2005 (SI 2005/3377).

It sets out the minimum contributions, other than Members' additional voluntary contributions, payable to the Willis Pension Scheme (the "**Scheme**") over the period to 8 years from the date of certification. It also sets out the contributions that have been paid to the Scheme between the effective date of the valuation to the date the Actuary certifies the Schedule.

The Schedule applies to all employees of the Employers participating in the Scheme who are Members of the Scheme.

1. Member contributions

The following contributions are payable by the Members who are required to pay contributions under Rule 2.1 of the Scheme Rules:

In respect of each calendar month	10% of Pensionable Salaries

2. Employers' Contributions

2.1. Contributions towards ongoing accrual of benefits

The following contributions are payable by the Employers until the end of the Schedule in respect of the ongoing accrual of benefits:

In respect of each calendar month from January 2017 until August 2020 (inclusive)	36.3% of Pensionable Salary
In respect of each calendar month from September 2020 until the end of the Schedule period	40.3% of Pensionable Salary

In respect of each calendar month until the end of the Schedule period, 10% of Pensionable Salaries in respect of members for whom a SalaryPlus Election applies.

APPENDIX III - SCHEDULE OF CONTRIBUTIONS (cont'd)

2.2. Additional contributions

The following additional contributions are payable by the Employers to the Scheme:

£2,083,333 in respect of each calendar month from January 2020 to August 2020 (inclusive).

Any additional contributions as required by the Trustee, having consulted the Actuary, in accordance with the Scheme Rules, to meet benefit augmentations.

Any additional contributions as required by the Trustee, having consulted the Actuary, in accordance with the Scheme Rules, to fund any augmented death in service lump sums provided under the flexible benefit arrangement.

3. Due dates

Contributions from Members are payable monthly and are due (to be received by the Scheme) within 19 days of the end of the calendar month (the due date) in which they were deducted.

Contributions from the Employers in respect of each month are payable directly to the Scheme and are due to be received by no later than 19 days after the end of the calendar month (the due date) in which they are in respect of. Contributions in respect of a month can be paid in advance of the month to which they relate.

Additional contributions in respect of the augmented death in service lump sum are due within 28 days of the payment of salary relating to the benefit.

Otherwise contributions will be due within 28 days of the date agreed by the Trustee and the Employers.

This Schedule of Contributions replaces the Schedule of Contributions signed on 30 March 2018 with effect from the date of certification.

This Schedule of Contributions will be reviewed and if necessary revised (by agreement between the Trustee and the Employers and subject to compliance with statutory requirements) within 15 months of the effective date of the next actuarial valuation of the Scheme or at such earlier time as may be required by law or agreed between the Trustee and the Employers.

APPENDIX III - SCHEDULE OF CONTRIBUTIONS (cont'd)

The Trustee of the Scheme and the Employers have agreed this Schedule, as indicated below by authorised signatories. It may be revised from time to time where the Employers and the Trustee agree revisions and the Scheme Actuary certifies the changes in the rates of contribution.

Agreed on behalf of the Trustee		**Agreed on behalf of the Employers**	
Signed:	[redacted]	Signed:	[redacted]
Name:	Peter Routledge	Name:	Andrew Krasner
Date:	28/08/2020	Date:	27/8/2020

Members' contributions and in some cases Employers contributions are based on Pensionable Salary. Pensionable Salary means Pensionable Salary as defined in the rules, or Part Time Contributory Salary where appropriate, but excludes salaries in respect of which no member contributions are due under the Scheme Rules during periods of absence or where no benefits are being accrued. The definition of SalaryPlus Election is set out in the Scheme Rules.

The Employers' contribution rate includes allowance for insuring death in service benefits, expenses and the PPF levies.

APPENDIX IV – IMPLEMENTATION STATEMENT 2020

Introduction

This document is the Annual Implementation Statement ("the Statement") prepared by the Trustee of the Willis Pension Scheme (the "Scheme") covering the Scheme year to 31 December 2020. The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustee, the engagement policy under the Scheme's Statement of Investment Principles ("SIP") has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustee over the year

The Trustee has sought appropriate advice from its Investment Adviser in drafting the Statement.

The SIP is a document which outlines the Trustee's policies with respect to various aspects related to investing and managing the Scheme's assets including but not limited to: investment managers, portfolio construction and risks.

The latest version of the SIP can be found online at this link.

This Statement reflects the Scheme year to 31 December 2020. The SIP linked above reflects the latest version of the SIP which is dated February 2021. Prior to this version, the SIP dated July 2020 covered the majority of the Scheme year and so is the SIP which is covered as part of this report.

How the trustee has adhered to its engagement and voting policies

Trustee Policies
The Trustee's policies on voting and engagement are set out in Sections 6 and 7 of the Scheme's SIP dated July 2020 SIP. In summary these are:

- The responsibility of exercising ownership rights (including voting rights and stewardship responsibilities) attached to investments is delegated to the Scheme's investment managers (Section 6.2.4).
- As part of its engagement policy, the Trustee monitors the Scheme's investment managers on at least an annual basis in order to assess:
  - the sustainable investment, stewardship (including voting) and ESG characteristics and managers' engagement activities (Section 6.2.5.1)
  - Other relevant matters including capital structure of investee companies and the associated management of actual and potential conflicts, other stakeholders and the ESG impact of underlying holdings (Section 6.2.5.2).
- Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee will engage with the manager further to encourage alignment. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the manager may be replaced (Section 6.2.5).
- Exclusions (banning investments in certain industries/companies) and impact investing (investments with the primary aim of creating a measurable social impact) are not likely to be a material part of investment strategy (Section 6.2.6).
- The Scheme uses a number of different managers and mandates to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement. The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. Where segregated mandates are used, the Trustee will use its discretion, where appropriate, to set explicit guidelines within the terms of the agreement to ensure consistency with the Trustee's policies, where relevant to the mandate (Section 7.1).

- The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. The Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity where possible to drive improved performance over these periods (Section 7.2).
- Investment managers are paid an ad valorem fee, in line with normal market practice, based on the value of assets that they manage for a given scope of services which includes consideration of long-term factors and engagement. Some of the managers may be paid incentive fees based on the performance achieved (Section 7.3).
- The Trustee's policy is to review the costs incurred in managing the Scheme's assets annually, which includes the costs associated with portfolio turnover. In assessing the appropriateness of the portfolio turnover costs at an individual manager level, the Trustee compares actual and expected turnover costs for that mandate (Section 7.4).
- The performance of the Scheme's investment managers is reviewed quarterly and a presentation is made when deemed appropriate to the Trustee. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team (Section 7.5).
- To maintain alignment with the SIP, investment managers are provided with the relevant sections of the most recent version of the Scheme's Statement of Investment Principles on an annual basis and are required to confirm that the management of the assets is consistent with those policies (Section 7.7).
- The Trustee utilises their investment advisers to reflect their investment beliefs in all aspects of investment advice, and monitor and engage with their advisers to ensure appropriate consideration of ESG factors when reviewing investment manager ratings. In doing this, the Trustee relies on the transparency of their adviser's research process, which considers ESG integration, team diversity, documented policies, voting policies, engagement, transparency and alignment of all investment managers that are researched (Section 6.2.3).

Trustee activities and actions

As noted above, the Trustee has delegated responsibility for the exercising of voting rights and engagement activities to the Scheme's investment managers. As a result, the Trustee considers that it is its responsibility to:

- Agree and document the overall policies for the Scheme with respect to Sustainable Investment, including the exercise of voting rights and engagement activities.
- To monitor, review and engage with the Scheme's investment managers with respect to how they have undertaken these activities.
- To monitor the overall risks to the agreed objectives presented by Sustainable Investment factors, including climate change, and ensure that these are managed appropriately.

Over the year, the Trustee has undertaken a number of actions in line with the policies documented in the Scheme's SIP, as set out below:

- Received training on the upcoming regulatory developments in Sustainable Investment, including the UK Shareholder's Rights Directive II, which requires the Trustee to report on its policies on engagement. This also included discussion about external collaborative initiatives, which the Trustee may consider subscribing to in the future.
- Received an annual Sustainable Investment review, which covered the activities of the Scheme's investment managers and the Investment Advisor's Sustainable Investment ratings for these mandates. The review included significant information on how each manager is integrating ESG factors in its investment process, engaging with underlying companies and exercising voting rights where relevant. The Trustee considered that the review provided a broadly positive reflection of the underlying managers' approaches and activities. A small number of areas for improvement were identified and noted for future monitoring and discussion with the relevant managers.

Trustee activities and actions (contd)

- Completed an in depth review of the Trustee's beliefs in the area of Sustainable Investment (following an initial review prior to the regulatory changes to the SIP).
- Reviewed investment manager performance on a quarterly basis, with an emphasis on long-term performance rather than short term outcomes. Where relevant, this also included considering changes to the manager research ratings of the managers that the Trustee employs.
- Received an update on the exclusions applied by the Scheme's underlying managers as part of their management of the Scheme's assets. There are currently few exclusions applied and the Trustee does not seek to employ a blanket exclusionary policy.
- Received MiFID II compliant cost reporting on the Scheme's investment managers which covered the management fees, ancillary costs and transaction costs incurred over the year. Following the Scheme year end the Trustee also reviewed the level of portfolio turnover within the Scheme's investment mandates and, with the assistance of the investment advisor, assessed the appropriateness of such data.
- Following the end of the Scheme year, the Trustee provided a copy of the Scheme's SIP to each of the Scheme's investment managers and sought confirmation that their management of the Scheme's assets is consistent with the policies it includes. Going forward, such confirmation will be sought on an annual basis.

Shortly before the end of the Scheme year, the Trustee agreed to appoint Willis Towers Watson as Fiduciary Manager ('FM') for the Scheme's assets. As part of the process of appointing the FM, the Trustee ensured it was comfortable with its approach to Sustainable Investment. Following this change, a key focus for the Trustee will be on how the FM ensures that the Trustee's voting and engagement policies are implemented across the Scheme's assets.

Voting policy and information

As noted earlier in the statement, the Trustee's policy is to delegate the Scheme's voting rights to its investment managers. The Trustee expects the investment managers employed by the Scheme to exercise the voting rights attached to the Scheme's investments and, where appropriate, to engage with the companies in which they invest.
The table below sets out the voting activities of the Scheme's investment managers, including any votes cast on the Trustee's behalf and detail on the Scheme's investment manager's use of proxy voting and examples of votes cast that they deem to be significant.
The Scheme is invested in a diverse range of asset classes. Some of the Scheme's underlying investment strategies, such as fixed income (where these holdings do not have voting rights attached) or secure income investments (where voting is not applicable as the strategy has a high level of ownership and control), have been excluded from the table below. The Scheme's equity holdings are invested with one investment manager, Towers Watson Investment Management ("TWIM"), through the following pooled investment funds:

- **Towers Watson Partners Fund ("TW Partners"):** A Fund of Funds Diversified Growth Fund which invests in a diverse array of return seeking assets such as global equities, diversifying strategies, hedge funds and private equity.
- **Towers Watson Global Equity Focus Fund ("TW GEFF")**: A multi-manager pooled fund which invests in listed global equities and seeks to outperform a market capitalisation based index. The underlying mangers manage a global equity portfolio on an active basis.

TWIM has its own voting policies that determines its approach to voting and the principles it follows when voting on investors' behalf. It also makes use of a proxy voting advisor, which aids in decision-making when voting. Details are summarised below:

Voting policy and information (contd)

- **TW GEFF** - Towers Watson Investment Management (TWIM) has engaged with EOS at Federated Hermes to provide voting recommendation services (via the ISS platform) to enhance engagement and achieve responsible ownership. Voting rights for the TW GEFF's holdings are delegated to TWIM's underlying managers, who are expected to exercise voting rights at all times. TWIM's underlying managers use ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. Where a manager chooses to vote differently to the EOS recommendation, the underlying manager's rationale must be noted and, if required, can be discussed further with EOS.
- **TW Partners** - As the TW Partners Fund is a multi-asset fund, voting rights are reflected differently in each segment of the portfolio. In equities, voting rights are virtually all exercised via the underlying managers, namely the Towers Watson Global Equity Focus Fund (see above) and TWIM's emerging markets managers. For private markets, the underlying fund managers typically own a majority share in the assets they hold with few formal votes taken. Where there are formal votes, typically these are via Investor Advisory Committees (IACs) which are typically made up of larger investors and represent the interests of all investors in the fund. In the credit space, there are no real voting rights, but TWIM's underlying managers may engage with issuers about bond covenants. Finally, in the diversifiers segment, voting rights will vary depending on the strategy, but are typically not applicable due to the elevated portfolio turnover inherent to such strategies.

Voting activities of the Scheme's investment managers

The table below sets out the voting activity of the Scheme's investment managers, on behalf of the Trustee over the year:

Manager and strategy	**Portfolio structure**	**Voting activity (Over the year to 31 December 2020)**
Towers Watson Investment Management Global Equity Focus Fund	Multi-Manager Pooled equity fund (0% of Scheme assets as at year end)	Meetings eligible to vote at: 161 Number of eligible votes: 2679 % of eligible votes cast: 99% % of votes with management: 90% % of votes against management: 10% % of votes abstained from: 0% % of meetings for in which at least one vote was against management: 58% % of resolutions voted contrary to proxy adviser recommendation: 11%
Towers Watson Investment Management Partners Fund	Diversified Growth Fund (Fund of Funds) (8% of Scheme assets as at year end)	Meetings eligible to vote at: 446 Number of eligible votes: 5891 % of eligible votes cast: 98% % of votes with management: 87% % of votes against management: 7% % of votes abstained from: 6% % of meetings for in which at least one vote was against management: 25% % of resolutions voted contrary to proxy adviser recommendation: 8%

Note: Voting statistics are out of total eligible votes and are sourced from the investment manager

Significant votes

Outlined below are a number of significant votes cast by the Scheme's investment managers on the Trustee's behalf. All significant votes apply to the Scheme's investments in TW GEFF and TW Partners. The commentary below is provided by TWIM on the votes cast:

TWIM reported on the most significant votes cast within the funds managed on behalf of the Scheme over the year to 31 December 2020, including the rationale for the voting decision and the outcome of the vote. A number of these key votes are set out below. The votes shown were chosen taking account of the size of the allocations to the companies affected as a percentage of each pooled fund, whether the votes were against management resolutions and whether the votes were significant in their expected impact on the long-term value of the Company.

Company: Cigna Corporation

Meeting date: 22 April 2020

Company summary: Cigna is an American global health services organisation.

1. **Summary of resolution:** Report on Gender Pay Gap

- **Company management recommendation:** Against
- **How the manager voted:** For
- **Rationale:** We believe the disclosures requested would be very low cost to for the company to produce and that shareholders would benefit from additional information allowing them to better measure the progress of the company's diversity and inclusion initiatives, with significant benefits for the company related to employee and customer satisfaction as it would demonstrate that the company took the concerns seriously.
- **Outcome:** Fail with 21% voting For

2. **Summary of resolution**: Reduce Ownership Threshold for Shareholders to Call Special Meeting

- **Company management recommendation:** Against
- **How the manager voted:** For
- **Rationale:** Shareholder proposal promotes enhanced shareholder rights. We have engaged with Cigna multiple times regarding enhancements we believe it should make to its shareholder rights and Gender Pay gap disclosures. This vote was significant as the 2019 resolution to provide shareholders the right to act by written consent passed with 64% of Yes/No votes. Cigna responded to that vote by instead instituting the ability for shareholders to call a special meeting at a 25% threshold; we generally support thresholds of no more than 10%. We continue to engage with the company to encourage them to continue moving in a positive direction.
- **Outcome:** Fail with 45% voting For

Significant votes (contd)

Company: Facebook **Meeting date:** 27 May 2020 **Company summary:** Facebook is an American technology conglomerate. 1. **Summary of resolution:** Require Independent Board Chair • **Company management recommendation:** Against • **How the manager voted:** For • **Rationale:** We believe the company would benefit from independent oversight to help manage potential conflicts of interest between management and shareholders. • **Outcome:** Fail with 20% voting For
Company: Amazon **Meeting date:** 26 May 2020 **Company summary:** Amazon is a multinational technology company which focuses on e-commerce, cloud computing, digital streaming and artificial intelligence. 1. **Summary of resolution:** Shareholder proposal for report on lobbying payments and policy • **Company management recommendation:** Against • **How the manager voted:** For • **Rationale:** Promotes transparency • **Outcome:** N/A **Meeting date:** 27 May 2020 1. **Summary of resolution:** Shareholders proposal requesting an additional reduction in threshold for calling a special meeting. Shareholders are requesting 20%. Current threshold is 30%. • **Company management recommendation:** For • **How the manager voted:** For • **Rationale:** We support managements recommendation in decreasing the current threshold from 30% to 25% was in the best interests of the Company and its shareholders. Lowering the threshold to 20% as suggested increases the risk of special meetings being called by a few shareholders focused on narrow or short-term interests. • **Outcome:** Defeated

Significant votes (contd)

Company: Citigroup **Meeting date:** 21 April 2020 **Company summary:** Citigroup is an American multinational investment bank and financial services corporation. 1. **Summary of resolution:** Report on Lobbying Payments & Policy • **Company management recommendation:** Against • **How the manager voted:** For • **Rationale:** We are against any form of political payments, a policy which has been part of our voting policy for a number of years. • **Outcome:** Only 13% voted for
Company: Pegasystems Inc. **Meeting date:** 18 June 2020 **Company summary:** Pegasystems is an American software company which develops software for customer relationship management, digital process automation and business process management. 1. **Summary of resolution:** Election of Peter Gyenes as Director • **Company management recommendation:** For • **How the manager voted:** Against • **Rationale:** While Mr. Gyenes is a technology industry veteran and is well-acquainted with PEGA's business (having held a board seat since 2009), his most recent executive experience dates back to fifteen years ago. As such, the company may be better served by appointing a director with more recent experience and positive diversity attributes. • **Outcome:** Director elected

Conclusion

As a result of the activities set out in this document, the Trustee believes that the Scheme's engagement policy as outlined in the SIP has been adhered to over the Scheme year. In particular, the Trustee would highlight the following:

- It is satisfied that it has met the engagement policies over the Scheme year as set out in the SIP.
- It is satisfied with the ESG integration and levels of engagement of the Scheme's investment managers.
- Levels of engagement amongst credit managers are typically lower than in equity, and the Trustee expects this to improve over time. The Trustee will engage with credit managers where they do not feel that the levels of engagement are sufficient.
- It will continue to monitor the investment managers' voting and engagement practices on an ongoing basis.