Goldman Sachs

GOLDMAN SACHS UK
RETIREMENT PLAN

Trustee Update and Summary Funding Statement 2021

December 2021

Summary Funding Statement

The Trustee works closely with its advisers and Goldman Sachs International (the 'firm') to maintain the long-term financial health of the Defined Benefit (DB) Section of the Goldman Sachs UK Retirement Plan (the 'Plan'). The aim is to ensure there are enough funds available to provide members' benefits, whenever they fall due.

This Summary Funding Statement is an update on the Plan's financial health following the completion of the actuarial report as at 31 December 2020.

It reflects developments since the valuation as at 31 December 2018 and the actuarial report as at 31 December 2019, as communicated to you last year.

Assessing the financial health of the Plan

What is a valuation and an actuarial report?

A valuation is a financial health check of the Plan that an actuary carries out every three years. When carrying out a valuation, an actuary compares the amount of money the Plan has available to the amount of benefits it is expected to pay out in the future. The Plan is then given a funding level percentage.

Between each three-yearly valuation, actuarial reports take place (these are smaller-scale financial health checks).

Why do we have a valuation and actuarial reports?

The amount needed to pay benefits changes as people's lives change – things like the economic outlook and life expectancy all have an impact on how much money the Plan is likely to need in order to pay benefits in the future. A full valuation is a thorough look at the Plan's finances in light of these changes to make sure there'll be enough money available to pay the benefits due. Valuations and actuarial reports are legal requirements that help the Trustee to identify any possible future funding risks and consider whether any appropriate steps should be taken.

Contents

We're moving to online communications

You can read more about this on page 11 and find out what to do if you'd prefer to continue receiving communications in the post.

In brief

The actuarial report as at 31 December 2020:

The market value of the Plan's assets
£2,368m

The Plan's liabilities
£2,095m

The resulting surplus
£273m

The funding level
113%

Key terms

What are liabilities?

The estimated cost of providing pensions currently in payment and future benefits that have been promised to members who have not yet retired (or their dependants).

What is a surplus?

A surplus is the value of the assets over and above the Plan's liabilities. If there aren't enough assets to cover the liabilities, there would be a 'deficit' as opposed to a 'surplus'.

The Plan's ongoing funding level

At 31 December 2020, the Plan's actuary estimated that the Plan's ongoing funding level was 113%. This is a slight decrease of 2% since the 2018 full valuation (as at 31 December 2018) and a decrease of 8% since 2019's actuarial report.

The table below shows a comparison of results from 31 December 2018 to 31 December 2020, and highlights the changes in the position compared to that most recently communicated to you (as at 31 December 2019).

	The market value of the Plan's assets	The liabilities	The surplus or (deficit)	The funding level
Valuation at 31 December 2018	£1,817m	£1,585m	£232m	115%
Actuarial report at 31 December 2019	£2,039m	£1,680m	£359m	121%
Actuarial report at 31 December 2020	£2,368m	£2,095m	£273m	113%
The change since 31 December 2019	£329m	£415m	(£86m)	-8%

Note: some of these figures have been rounded so calculations may not add up exactly.

Retail Price Index (RPI) Reform

It was announced in 2020 that, from 2030, the UK Government and the UK Statistics Authority (UKSA) intend to adjust the calculation of RPI and align it to the Consumer Price Index including an allowance for Housing (CPIH).

As at 31 December 2020, this caused an increase in the value placed on accrued defined benefit liabilities by almost 6%. This is the main reason for the decrease in funding level over the year to 31 December 2020.

Changes explained

Since the most recent update sent to members in October 2020, the Trustee has completed the 2020 actuarial report. The 2018 valuation indicated that the Plan's assets were expected to be more than needed to meet members' benefits in full. As a result, the firm was not required to pay any additional contributions into the Plan. As the Plan's funding level was above 100%, running costs are no longer being paid by the firm - instead, they are being met from the Plan's assets.

The Plan's change in financial position since the 2019 actuarial report to the last actuarial report in 2020 is mainly due to:

- A decrease in the discount rate used relative to assumed RPI inflation
- Updates made to future pension increase assumptions following the latest Government announcements on RPI reform.

These impacts were partly offset by investment returns.

In brief – if the Plan were to discontinue

The actuarial report as at 31 December 2020:

The market value of the Plan's assets on a discontinuance basis
£2,368m

The Plan's liabilities on a discontinuance basis
£3,552m

The resulting deficit on a discontinuance basis
£1,184m

The funding level on a discontinuance basis
67%

Another point of view:
The Plan's discontinuance funding level

As part of a valuation or actuarial report, the actuary is also required to look at the funding level in the event that the Plan were to wind up immediately. This is called the 'discontinuance' basis and it involves calculating how much money the Plan would need to secure 100% of its DB obligations by purchasing annuities (incomes for life) with an insurance company. The liabilities in the table below are therefore the estimated cost of buying these insurance policies to cover the cost of DB benefits already built up by members.

The Plan has no intention of winding up – the law requires that we make you aware of the discontinuation results.

The table below shows a comparison of valuation results (on a discontinuance basis) from 31 December 2018 to 31 December 2020. It highlights the change in the position compared to that most recently communicated to you (as at 31 December 2019).

	Market value of the Plan's assets	Liabilities	The surplus or (deficit)	Funding level
Valuation at 31 December 2018	£1,817m	£2,647m	(£830m)	69%
Actuarial report at 31 December 2019	£2,039m	£2,906m	(£867m)	70%
Actuarial report at 31 December 2020	£2,368m	£3,552m	(£1,184m)	67%
The change since 31 December 2019	£329m	£646m	(£317m)	-3%

Note: some of these figures have been rounded so calculations may not add up exactly.

Additional information

As part of this Summary Funding Statement we are also required to confirm that:

- The Plan has not made any payments to the sponsoring employer (the 'firm') in the last year.
- The Pensions Regulator has not had to intervene in the running of the Plan in any way.

Investment updates from the Trustee

Fiduciary Manager Appointment

In December 2019, the Trustee approved the appointment of two Fiduciary Managers to manage investments on behalf of the Trustee. The responsibilities of these two Fiduciary Managers are set out briefly below:

- **Willis Towers Watson LLP - Fiduciary Strategy Manager:** In this role, Willis Towers Watson LLP will manage the Plan's strategic asset allocation and the Plan's risk overlays. This will be done with the objective of increasing the chances of achieving the investment objective set by the Trustee. The Fiduciary Strategy Manager's discretion is subject to guidelines set by the Trustee.
- **Goldman Sachs Asset Management International (GSAMI) - Fiduciary Implementation Manager:** The primary responsibility of the Fiduciary Implementation Manager is to manage the Plan's assets (on a discretionary basis) in line with the strategic asset allocation set by the Fiduciary Strategy Manager. It is also responsible for the selection, deselection and ongoing management of the relationship with the Investment Managers.

The Trustee completed transitioning the management of the Plan's assets, in-line with the Plan's current strategic asset allocation, by the middle of October 2020.

As part of the new governance structure, the Trustee has also appointed Isio Group Limited as a Fiduciary Manager Oversight Consultant. Their responsibilities include monitoring the performance of the Fiduciary Strategy Manager and Fiduciary Implementation Manager and advising on their ongoing performance and suitability.

Liability Driven Investment Portfolio restructure

In June 2021, the Trustee approved plans to restructure the Liability Driven Investment (LDI) Portfolio. The restructure will:

- Allow for more investment in gilts which will increase the expected long term return of the Plan with minimal risk
- Simplify the portfolio by unwinding a large portion of the existing complex swaps, therefore allowing more efficient operation
- Support the Trustee's investment principle of reducing exposure to the firm.

The Trustee expects to implement this change by the end of 2021.

Investment Disclosure Requirements

In line with regulation, members can access the following documents online at **gspensions.co.uk**

- The Plan's Statement of Investment Principles
- The DC Chair's Statement
- The new Implementation Statement.

These documents have recently been updated following the completion of the Plan's report and accounts as at 31 December 2020.

Coronavirus (COVID-19) update

The COVID-19 pandemic continues to cause widespread disruption to financial markets and normal patterns of business activity across the world.

The Trustee continues to monitor the situation and will manage any risks the Plan could face. At this point in time, the Trustee believes the Plan will continue to operate as normal. You can read more about what the Trustee is doing to help monitor risks below.

As the impact of COVID-19 remains constantly changing, it's not possible to predict how much it will continue to affect the value of investment assets and liabilities in the future. However, the Trustee has taken the time to assess the long-term prospects of the Plan (taking into account its current position, the main risks faced and the measures currently in place to monitor and manage these risks) and will continue to monitor the impact of COVID-19 on the Plan's financial position through the usual governance mechanisms.

To help monitor risks, the Trustee will also:

- Continue to maintain regular oversight of the funding position and other strategic monitoring triggers
- Continually assess the Employer covenant (at this point in time, the Trustee does not believe the pandemic has had a material impact on the covenant)
- Carry on working with the Plan's external providers to ensure continuity of services during the COVID-19 pandemic.

Concerned about COVID-19?

In these uncertain times, it's understandable that people might be worried about their pension savings as well as their health. Your Trustee Board would like to reassure you that they are monitoring market developments regularly and taking expert advice where required.

It's also important to remember that pension investments are long term and the Plan's investment strategy is designed to achieve reasonable returns over the longer term at appropriate levels of risk.

Your Trustee Board

The Plan is managed by a Trustee Board which is currently made up of nine members. Each member of the Trustee Board acts as a director and it's their responsibility to make sure the Plan is run in line with its Trust Deed and Rules and in the best interests of you, its members.

Your Trustee Directors are:

Stephen Davies, retired member
Company Nominated Director
Stephen is the Chair of the Trustee Board and sits on the Finance and Investment Sub-committee.

Liz Chick, Legal Division
Company Nominated Director
Liz sits on the Administration Sub-committee.

Hugh Briscoe, Asset Management Division
Member Nominated Director
Hugh sits on the Finance and Investment Sub-committee.

Petra Monteiro, Finance Division
Company Nominated Director
Petra sits on the Administration Sub-committee.

Nikhil Choraria, GMD
Company Nominated Director
Nikhil sits on the Finance and Investment Sub-committee.

Sara Burigo, GMD
Member Nominated Director
Sara sits on the Finance and Investment Sub-committee.

Kristy Jago, CIMD
Member Nominated Director
Kristy sits on the Administration Sub-committee.

Mike Trokoudes, Risk Division
Company Nominated Director
Mike sits on the Administration Sub-committee.

Richard Mulley, Asset Management Division
Company Nominated Director
Richard sits on the Finance and Investment Sub-committee.

Upcoming Member Nominated Director (MND) elections

This year both Hugh Briscoe and Kristy Jago will be leaving the Trustee Board as their terms of office come to an end.

This means we are looking for two new MNDs to fill their positions as Trustee Directors. The election process to do this is underway and the new MNDs are expected to be confirmed at the March 2022 Trustee Meeting.

All current UK employees and pensioner members of the Plan were sent a communication about the MND election process.

There are three MNDs currently on the board. These are:

Sara Burigo
Kristy Jago
Hugh Briscoe

A final reminder about online communications

We want to make sure you're receiving important information about the Plan and your benefits. By moving towards online communications, we can do this more efficiently and in a way that's better for the environment. This aim to move online, with its positive impact on the environment, is in line with our Environmental, Social and Governance (ESG) policy.

If you have not opted out, communications will move online from 31 March 2022.

Remember to make use of our website

As part of our move towards online communications, we launched a brand-new website for deferred and pensioner members of the defined benefit (DB) Plan in 2020.

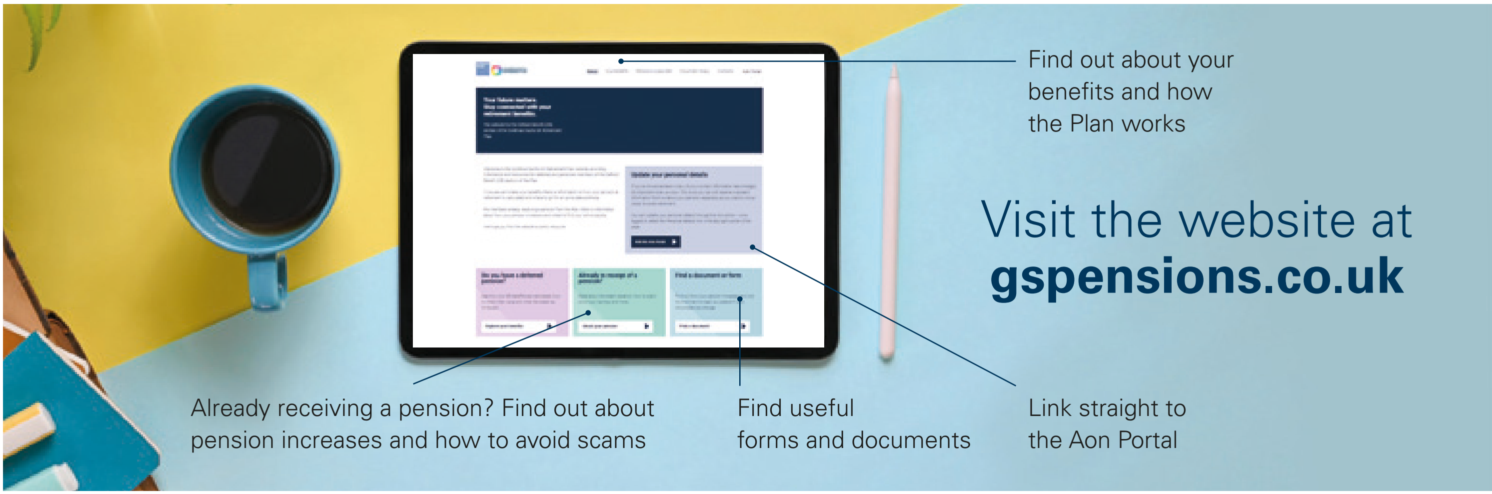
You can use the website to find useful documents and information about the Plan.

The website also links through to your personal account on the Aon portal where you can view your estimated pension and update your personal details.

Action point

If you'd prefer to carry on receiving paper communications from us you can 'opt-out' of online communications by calling Aon on 0370 243 0101 or emailing them at gspensions@aonhewitt.com

This is a reminder for members who would like to opt out of online communications before we move to digital communications in March 2022.



Finding out more

To find out more about the Plan or your benefits go to:

gspensions.co.uk

You can also get in touch by phone or email:

0370 243 0101

gspensions@aonhewitt.com

Last year, we changed the way deferred and pensioner members log into the Aon portal. By now you should have received a communication including your log-in details.

If you're unsure of your log-in details, please contact Aon using the information above.

Action point

It's important to let us know if your details change. This way we can make sure you're receiving important updates and information about the Plan.

You can update your details by logging into the Aon portal or by calling Aon on 0370 243 0101.

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