WATTS OF LYDNEY LIMITED
PENSION & ASSURANCE SCHEME

Summary Funding Statement

August 2020

Introduction

All pension schemes are required to provide members with information about how their benefits are funded. We will normally provide an updated statement once a year, although the month of issue is likely to vary.

How benefits are funded

The Employers are responsible for paying contributions to the Scheme, so that the Scheme can pay pensions to members when they retire. Since the Scheme is currently in surplus, the Trustees and the Employers have agreed that no further contributions are required at this time.

The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How the Scheme's assets are invested

The Scheme's assets are invested in a number of funds covering a range of asset classes including equities, bonds and cash. The Trustees' investment policy is detailed in the Statement of Investment Principles.

How the funding position is calculated

The Scheme Actuary provides regular valuations of the benefits earned by members. The Trustees discuss the results of each actuarial valuation with the Employers before they decide on the level of future contributions. The Trustees set out how they intend to fund the Scheme and how they decide on the assumptions to use in the Statement of Funding Principles.

The importance of the Employers' support

The Trustees' objective is to have enough money in the Scheme to pay pensions now and in the future. However, the success of the plan relies on the Employers continuing to support the Scheme because:

- The funding level can fluctuate, and when there is a funding shortfall, the Employers will usually need to put in more money; and

- The funding target may turn out not to be enough, so the Employers will need to put in more money.

The latest Scheme funding positions

An approximate update of the Scheme's funding position was carried out as at 29 February 2020. The results are set out in the table below, with comparative figures from the full valuation as at 28 February 2019:

Table 1

	28 February 2019 £ million	**29 February 2020 £ million**
Assets	17.232	**18.564**
Amount needed to provide benefits	14.917	**15.892**
Surplus/(shortfall)	2.315	**2.672**
Funding percentage	116%	**117%**

Change in funding position

The surplus has increased slightly between 28 February 2019 and 29 February 2020. The main reason for the increase is that investment returns were higher than assumed at the 28 February 2019 valuation.

This gain has been partially offset by the change in financial yields over the 12-month period, in particular the fall in interest rates, which increases the amount of money needed to provide benefits.

How the Trustees and the Employers are funding the Scheme

As the Scheme was in surplus at the 2019 valuation date, no deficit reduction contributions from the Employers are required at the present time. The Trustees and the Employers have also agreed that, due to the positive funding position, the expenses of administering the Scheme can be paid from the Scheme assets rather than being met by the Employers.

The funding position will be reviewed regularly, with the next approximate update due with an effective date of 28 February 2021. We will let you know the results of this update once they are available.

What would happen if the Scheme started to wind up

If the Scheme should wind up, the Employers would be required to pay enough into the Scheme to enable benefits to be completely secured by purchase of annuity contracts from an insurance company. This is known as the solvency position.

The cost of purchasing annuity contracts is higher than the amount needed to provide benefits from the Scheme. This is because insurers have to reserve and invest much more cautiously in order to guarantee all future benefit payments. The amount of surplus in the Scheme based on the solvency position (Table 2) is therefore lower than the surplus based on the Scheme's funding position (Table 1).

The estimated solvency position as at 28 February 2019 is set out below:

Table 2

	28 February 2019 £ million
Assets	17.232
Amount needed to purchase annuities	16.335
Surplus/(shortfall)	0.897
Funding percentage	105%

If the Employers became insolvent and could not meet any shortfall in full, the Pension Protection Fund might be able to take over the Scheme and pay compensation to members, but this compensation is likely to be lower than the benefit you are entitled to under the Scheme.

However, the Trustees feel that winding up while there is a shortfall of assets is an unlikely event. Furthermore, whilst the Scheme remains ongoing, benefits will continue to be paid in full.

Further information and guidance is available on the Pension Protection Fund's website at www.ppf.co.uk. Or you can contact the Pension Protection Fund by telephone (0345 600 2541) or by email (information@ppf.co.uk).

Why the funding plan does not call for full solvency at all times

The full solvency position assumes that benefits will be secured by buying insurance policies. Insurers are obliged to take a very cautious view of the future and need to make a profit. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, our funding plan assumes that the Employers will continue in business and support the Scheme.

Coronavirus (COVID-19)

Despite the many difficulties caused by the pandemic, Scheme administration is continuing as normal, including the regular payment of pensions, and the provision to members of retirement benefit illustrations. The Trustees are monitoring the regular updates that the Pensions Regulator is issuing on this matter.

Required statements

The Trustees are required to confirm that no payments of surplus have been made to the Employers out of the Scheme assets since the date of the last summary funding statement. The Trustees can also confirm that the Pensions Regulator has not had to use any of its powers to intervene in the Scheme's funding plan.

Pension scams - Don't lose your money to pension scammers!

Pension scams are becoming increasingly common, especially during the current COVID-19 pandemic. Scammers try to persuade pension savers to transfer their entire pension savings, or to release funds from them, by making attractive sounding promises they have no intention of keeping.

The pension money is often invested in unusual, high risk investments with promises of high returns. Sometimes they may promise that you can take your pension savings before the normal minimum pension age of 55 but, if you do, you will face a hefty bill from HMRC. Sometimes the scammers simply steal all a person's pension savings.

If you are contacted about transferring your defined benefit pension benefits by anyone other than the Trustees, the Employers or HPW (as administrator to the Scheme), please be cautious and consider whether it is a scam.

The Pensions Regulator and the Financial Conduct Authority have launched an online initiative called ScamSmart which can help provide you with additional support. For information, please refer to www.fca.org.uk/scamsmart and www.thepensionsregulator.gov.uk/pension-scams.

Further information

If you have any other questions, or would like any more information, please contact us. A list of more detailed documents that provide further information is given below. If you want us to send you any of these documents please let us know.

Please help us to keep in touch with you by telling us if you change your address

Additional documents available on request:

- The *Actuarial Report for the Watts of Lydney Limited Pension and Assurance Scheme as at 29 February 2020.*
- The full version of the *Actuarial Valuation of the Watts of Lydney Limited Pension and Assurance Scheme as at 28 February 2019*. This gives details of the Actuary's check of the Scheme's situation.
- The *Statement of Investment Principles*. This explains how the Trustees invest the money paid into the Scheme.
- The *Statement of Funding Principles*. This explains how the Trustees intend to fund the Scheme.
- The *Schedule of Contributions*. This shows how much money is being paid into the Scheme.
- The *Annual Report*. This shows the Scheme's income and expenditure in the year up to 29 February 2020.

Issued on behalf of the Trustees of the Watts of Lydney Limited Pension and Assurance Scheme, c/o Mrs Greta Jones, Watts of Lydney Group Limited, Althorpe House, High Street, Lydney, Gloucestershire, GL15 5DD

July 2021