

# Aalberts Surface Technologies Heat Ltd Group Pension Scheme

## Your 2023 Summary Funding Statement

We are writing to you as the Trustees of the Aalberts Surface Technologies Heat Ltd Group Pension Scheme (“the Scheme”) to provide you with an update of the funding position of the Scheme. This statement is for information only, and is being sent to all pensioners and other members who are entitled to benefits from the Scheme.

### Background

The Scheme is overseen by Atkin Trustees Ltd, a company which provides professional independent trustee services to pension schemes.

We, as Trustees, seek to have sufficient money to continue to pay full pension entitlements to all members. In order to do this, we aim for the Scheme to become and remain fully funded on a scheme-specific basis (in accordance with the Pensions Act 2004). This means that we would, in normal circumstances, have enough money over time to meet all the commitments of the Scheme as they fall due.

To achieve this, the Trustees will:

- agree from time to time the contributions to be paid by Aalberts Surface Technologies Heat Ltd (“the Employer”), based on the periodic actuarial valuations;
- oversee a prudent investment policy designed to match the funding required by the Scheme.

We recognise that we will also need the Employer to continue as a solvent employer so that contributions can be paid to the Scheme as required.

No pension benefits can ever be completely secure. This statement gives information on the actions the Trustees and the Employer are taking to ensure the Scheme can pay all pensions in full, and the additional protection available from the Pension Protection Fund.

Note that no payments have been made from the Scheme to the Employer over the period since your last Summary Funding Statement, and there has been no need for intervention from The Pensions Regulator.

### The Scheme’s funding position

For each year you were an active member of the Scheme, you will have built up benefits payable to you on retirement. All contributions paid to the Scheme are held in a common fund known as the Scheme’s assets. The benefits which you, and other members, are entitled to are known as the Scheme’s liabilities.

- If the Scheme’s assets exceed the Scheme’s liabilities, the Scheme is said to have a “surplus”.
- If the Scheme’s liabilities exceed the Scheme’s assets, the Scheme is said to have a “shortfall”.

Every three years, our Scheme Actuary, a qualified and independent professional, will estimate the value of the Scheme’s liabilities using a set of assumptions for the future and compare this with the value of Scheme’s assets. Within each three

year period, the Scheme Actuary will check the funding position of the Scheme annually and report this to the Trustees so they can monitor how the position changes.

## Latest funding information

The latest formal actuarial valuation of the Scheme showed that on 31<sup>st</sup> December 2021 the Scheme had a shortfall as shown below. The shortfall had increased since the last formal valuation on 31<sup>st</sup> December 2018. An approximate funding update at 31<sup>st</sup> December 2022 will be conducted in 2023 and the Trustees anticipate that this will reveal a very significant reduction in the deficit.

Type of Valuation	Formal actuarial valuation	Formal actuarial valuation
Date	31/12/2018	31/12/2021
Value of the Scheme's assets	£10,364,000	£13,045,000
Value of the Scheme's liabilities	£14,445,000	£20,875,000
Surplus/(shortfall)	(£4,081,000)	(£7,830,000)

The change in the Scheme's funding position between the formal actuarial valuations of 2018 and 2021 is primarily due to:

- A strengthening of the assumptions used to calculate the Scheme's liabilities. The Trustee has revised the funding strategy to one that assumes that investment risk is gradually reduced over a ten-year period.
- Changes in market conditions indicating lower expected investment returns in future.

The impact of these factors was offset to a degree by the additional contributions paid by the Employer to the Scheme during the period and investment returns being in excess of the amount assumed in the 2018 valuation.

The next full actuarial valuation is due as at 31<sup>st</sup> December 2024.

## Financial support for the Scheme

A document entitled the "Schedule of Contributions" is produced following each formal Actuarial Valuation of the Scheme whereby the Scheme Actuary estimates the contributions required by the Employer to meet the cost of providing all benefits in the Scheme.

The Schedule of Contributions is reviewed and updated at each formal Actuarial Valuation.

Whenever the Scheme Actuary estimates there is a shortfall in the Scheme, the Employer will be asked to make additional contributions. These are detailed in the document entitled the "Recovery Plan".

## The Trustees' Recovery Plan

In order to improve the Scheme's financial position, the Employer has agreed a plan with the Trustees to pay additional contributions as follows:

- 2022 £51,000 per month
- 2023 £55,000 per month
- 2024 £59,000 per month
- 2025 £63,000 per month
- 2026 £63,000 per month
- 2027 £63,000 per month (January and February only)

Note that Scheme expenses, the cost of further benefit accrual, insurance premiums and PPF levies are paid by the Employer in addition to the above.

The Recovery Plan is reviewed by the Trustees and the Employer as part of each actuarial valuation. Following this exercise, the valuation results and Recovery Plan are submitted to The Pensions Regulator.

## Scheme asset information

The Scheme is a “Final Salary” arrangement and the money to pay for members’ benefits is held in a common fund. It is not held in separate funds for each individual. These funds are invested in line with the agreed “Statement of Investment Principles”. The SIP can be found on <https://www.mypension.com/hht/hauck-heat-treatment-limited-group-pension-scheme/>

At the date of the latest audited Scheme accounts, the Scheme’s assets were broadly invested as follows:

Asset type	31 <sup>st</sup> December 2021
Equities	51%
Property	2%
Bonds	23%
Cash	9%
Other	15%

## Changes to the Scheme

We do not intend to make any changes to the Scheme in the near future.

Part of your benefit may include an element known as Guaranteed Minimum Pension (GMP) which would have been built up as a result of you being contracted-out of the State Earnings Related Pension Scheme (SERPs). In a case concerning the Lloyd’s Bank pension schemes, the High Court ruled that benefits for members who have Guaranteed Minimum Pension (GMP) must have their benefits adjusted to ensure that benefits are equal from 17<sup>th</sup> May 1990. The calculation of GMP is governed by statute so it is the law that has meant that these benefits were unequal between men and women. The decision in the Lloyd’s case means that benefits must be equalised to allow for GMP.

If you are receiving benefits from the Scheme and an element of that pension includes GMP, your benefits may be adjusted in the future. Any adjustment due will increase your pension although this is likely to be small in most cases and not all members will receive additional benefits. The Trustees will write to you once there is further clarity on this matter.

## **Transferring your benefits**

If you are thinking of moving your benefits from the Scheme for any reason, the Scheme administrator can provide you with a transfer value. Any member whose transfer value is over £30,000 must take appropriate independent advice before a transfer can proceed.

## **Be aware of Pension Scams**

One of the most common methods used by scammers to commit pension fraud is through cold-calling. The new rules mean firms will no longer be able to make unsolicited marketing calls about pension schemes. Firms found flouting the ban will face enforcement action from the Information Commissioner's Office and could be fined up to £500,000. Despite the cold-calling ban, it is thought that fraudsters may ignore the ban and so it is important to remain vigilant and be aware of the dangers of pension scams. If you receive a call concerning your pension from anyone other than Atkin or the Trustees then hang-up the phone. Similarly, be cautious of any unsolicited approaches via e-mail or social media about your pension benefits

## **Data Protection changes**

The Data Protection Act has been replaced by the General Data Protection Regulations (GDPR) with effect from 25 May 2018. As a result, you will have received a copy of the Trustees' privacy notice to members explaining how we process and protect member personal data.

Note that the Scheme Actuary is considered a joint data controller, along with the pension scheme trustees, under GDPR. The Trustees have agreed a division of responsibilities as part of this joint role. This doesn't change the way your data is held or processed. This information has been included in this statement as it is required by law.

## **Winding-up position**

In the event that the Scheme were to start winding up, the Employer would be required to pay enough into the Scheme to enable all members' benefits to be secured with an insurance company. At 31<sup>st</sup> December 2021 it was estimated that an additional £16.3million would be required (on top of the value of the Scheme's assets) to secure all members' benefits. If the Employer became insolvent, it may be that the Employer would not be able to pay this amount in full. Under those circumstances, The Pension Protection Fund may be able to take over the Scheme and pay some compensation to members.

Further information is available on the Pension Protection Fund's website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk), alternatively you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon CR0 2NA.

The information above does not mean the Employer is considering winding-up the Scheme. It has been included above as it is required by law.

## **Further information**

We would be grateful if you could keep us up to date with any changes in your name or address by writing to us at the address below. If you have any questions or would like any further information, please contact us.

**Trustees of the Aalberts Surface Technologies Heat Ltd Group Pension Scheme**  
**Atkin Trustees Ltd**  
**Cornwall House**  
**Blythe Valley Park**  
**Solihull**  
**B90 8AF**

The following documents can be provided upon request:

- The **Statement of Funding Principles** sets out the actuarial assumptions adopted in estimating the value of the Scheme's liabilities.
- The **Statement of Investment Principles** details how the assets of the Scheme are invested.
- The **Schedule of Contributions** shows how much is being paid into the Scheme.
- The latest **Trustees' Annual Report and Accounts** shows the Scheme's income and expenditure over the Scheme year.
- The **Actuarial Valuation** details the Scheme's funding position as at 31<sup>st</sup> December 2021
- The **Actuarial Update at 31<sup>st</sup> December 2022** illustrates the change in the Scheme's funding position since the Actuarial Valuation.
- The **Member's explanatory booklet** would have been provided to you previously, but we can provide you with another copy if required.

**Trustees of the Aalberts Surface Technologies Heat Ltd Group Pension Scheme**

**February 2023**