

CHARLES TAYLOR & CO LTD RETIREMENT BENEFITS SCHEME

SUMMARY FUNDING STATEMENT

This **Summary Funding Statement** provides you with an update about the financial security of the Scheme. The Trustees will send you a similar statement following each Annual Funding Update, as well as after the Actuarial Valuation that usually takes place every three years.

Last year we reported on the 2019 Actuarial Valuation in comparison to the 2016 Actuarial Valuation. The results of the 30 June 2020 Funding Update, which was completed in Q2 2021, are shown within this statement.

How is the financial position of the Scheme measured?

The financial position is determined by comparing the estimated value of the Scheme's Liabilities against the current value of the Scheme's Assets. This is called the **Actuarial Valuation**.

A full actuarial valuation is completed every three years; there is an interim review in other years through what is known as an **Annual Funding Update**.

Latest Actuarial Valuation & Funding Updates

The results of the latest Annual Funding Update, as at 30 June 2020, are noted below together with a note of the previous two Actuarial Valuations:

	30 June 2020 Annual Funding Update	30 June 2019 Actuarial Valuation	30 June 2016 Actuarial Valuation
Scheme assets	£88.60m	£82.57m	£64.88m
Scheme liabilities	£117.73m	£105.64m	£101.43m
Funding surplus/ (shortfall) of	(£29.1m)	(£23.0m)	(£36.55m)
Funding level of	75%	78%	64%

Why has the Funding level changed during this period?

Since the 2019 Actuarial Valuation, the main reasons for the reduction in funding was the result of the significant fall in gilts; this is reflected in reductions in the assumptions for future investment returns, which substantially increases the values of the Scheme's liabilities.

It should be noted that funding valuations are just a snapshot of the value of the Scheme's assets and liabilities at that point in time.

Meanings:

- **Company** – Charles Taylor Administration Services Ltd. Charles Taylor Administration Services Limited (CTAS) is a wholly owned subsidiary of Charles Taylor Limited which in turn is owned by Jewel BidCo Limited (LMP Bidco), a company formed on behalf of funds advised by Lovell Minnick Partners (LMP).
- **Scheme Liabilities** - The estimated cost of providing the Scheme benefits that you have earned to date is known as the **Scheme's Liabilities**. This includes the Scheme benefits accumulating of members currently in pensionable service, as well as the preserved benefits of deferred members (members who are not yet receiving benefits, whether or not they are

still employed by the Company) and the benefits in payment of members who are currently receiving pensions.

- **Scheme Assets** - The Company is currently paying recovery plan deficit contributions into the Scheme, as well as contributions for those members who are still actively participating in the Scheme. The Trustees invest this money into a pool of assets, known as **Scheme Assets**, to provide you with your Scheme benefits.
- **Actuarial Valuation** – In order to check the financial security of the Scheme, the Trustees compare the value of the liabilities against the assets. If the assets are less than the liabilities, then there is said to be a ‘shortfall’ (also known as a ‘deficit’).

The Trustees are required to undertake this in-depth look at the Scheme’s funding level every three years; this is called an **Actuarial Valuation**. The Trustees ask a qualified, independent professional, known as a **Scheme Actuary**, to undertake the calculations.

- **Annual Funding Update** - The Annual Funding Updates provides an update of the Scheme’s funding level in between the triennial Actuarial Valuations. This is done by rolling forward the liabilities at the last Actuarial Valuation and updating the assumptions to allow for market conditions at the effective date of the Annual Funding Update. (Assumptions are evidence based estimates of factors such as member mortality and future interest rates which are decided upon by the Trustees to allow the Actuary to calculate the Scheme’s future liabilities).

What is the Trustees’ funding plan?

Following the Actuarial Valuation as at 30 June 2019, the Trustees agreed with the Company that the 2019 shortfall (‘the deficit’) of £23m should be dealt with by increasing the annual contributions to the Scheme. These annual deficit contributions increase each year as follows:

Period	Regular Contribution £	Additional Contribution £	Paid in full
1 October 2020 to 31 December 2020	1,123,548	700,000	Yes
1 January 2021 to 31 December 2021	4,658,899	Nil	
1 January 2022 to 31 December 2022	4,831,844	Nil	
1 January 2023 to 31 December 2023	5,013,436	Nil	
1 January 2024 to 31 December 2024	5,204,108	Nil	

To date, the Company has paid the deficit contributions in full and on time to the Scheme. The regular contributions are paid in monthly instalments.

The Trustees’ objective is to have sufficient funds in the Scheme to pay pensions now and in the future until the time all pensioners and / or their dependants under the Scheme have died. However, the Scheme relies on the Company continuing to support the Scheme because:

- ◆ the funding level can fluctuate and, when there is a funding shortfall, the Company will usually need to put in additional funds:
- ◆ the target funding level may turn out not to be sufficient such that the Company will need to put in more funds to meet the difference.

The Company is legally obliged to support the Scheme and is committed to do so. The Trustees recognise that the best support for the Scheme is to have a strong ongoing Employer and an appropriate funding plan in place. Therefore, the Trustees and the Employer work together to ensure that there is sufficient funding for the Scheme without creating an adverse impact on the Company.

What would happen in the event of Scheme being wound-up?

As part of the triennial Actuarial Valuation, the Scheme's solvency position is also assessed. This is required by legislation. The solvency valuation looks at how much it would cost to secure all members' benefits with an insurance company as at the Actuarial Valuation date. At June 2019 the Scheme's Solvency position was estimated to be 44% funded on such a solvency basis.

Pension Protection Fund:
Further information on the Fund is available on their website at www.ppf.co.uk

In the event of the Scheme being wound-up, the Company is required to pay sufficient funds into the Scheme to enable the members' benefits accrued to date to be completely secured with an insurance company. It may be the situation, however, that the Company would not be able to pay this amount in full. If the Company were to become insolvent, the Pension Protection Fund should be able to take over the Scheme and pay pension benefits due to members (this is subject to strict entry conditions and may limit to the amount of benefit payable to individual members).

Alternatively, you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, Surrey, CR0 2NA.

It is important to highlight that the calculation of this figure is a legal requirement and should not be interpreted as either the Company, or the Trustees, considering wind-up as a future course of action. This information is provided as a matter of information only.

How are the Scheme's assets invested?

The Trustees invest contributions in a broad range of assets, predominantly comprising shares in UK and global companies, corporate bonds (i.e. contracts under which companies pay an agreed rate of interest on money invested with them and pay back the original investment when the contract reaches its agreed end date) and gilts (similar to corporate bonds but issued by the UK Government).

The Trustees monitor the range of assets held to ensure they remain appropriate given the nature of the Scheme's liabilities. The Trustees also closely monitor the performance of the investment managers, who have been appointed to oversee the investments, in order to ensure that they are performing in line with the mandates that have been put in place.

Where can I get more information?

If you have any other questions or would like any more information, please contact the Scheme's Administrators:

Tracy Wooderson Charles Taylor & Co Limited Retirement Benefits Scheme Cartwright Benefit Consultants Ltd Farnborough Business Park Farnborough Hampshire, GU14 7JP charlestaylorpensions@cartwright.co.uk Telephone: 01252 894883

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional financial adviser before taking any action

A list of more detailed documents which provide further information is contained in the following list. If you would like to receive copies of any of these documents, please contact the Scheme Administrator (as noted above).

- ◆ *The Statement of Investment Principles.* This explains how the Trustees invest the money paid into the Scheme.

- ◆ *The Statement of Funding Principles*. This explains the Trustees' principles governing the funding of the Scheme.
- ◆ *The Schedule of Contributions*. This shows how much money is being paid into the Scheme.
- ◆ *The Annual Report and Accounts of the Charles Taylor & Co Limited Retirement Benefits Scheme*. This shows the Scheme's income and expenditure in the year.
- ◆ The full report on the *Actuarial Valuation* following the Scheme Actuary's review of the Scheme's funding level as at 30 June 2019.
- ◆ *Scheme Information Booklet* (You should have been given a copy when you joined the Scheme, but the Scheme Administrator can let you have another copy, if required).

Some of the documents noted above can be found on the members' website:

<https://members.pensionpal.co.uk/CharlesTaylorPensions>

August 2021