

Guidance Pension Scheme

Your 2022 Summary Funding Statement

We are writing to you as the Trustee of the Guidance 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 Capital Cranfield Pension Trustees Limited (“the Trustee”), a professional Trustee company.

We, as Trustee, 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 Trustee will:

- agree from time to time the contributions to be paid by Babcock Training Limited (“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 Trustee 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 Trustee so they can monitor how the position changes.

Latest funding information

The latest annual funding update of the Scheme showed that on 5 April 2022 the Scheme had a shortfall, results noted in the table below. This was a decrease in the shortfall compared to the last approximate funding update as at 5 April 2021 discussed in our previous Funding Statement. The table below also shows that as at 5 April 2022 the shortfall had decreased significantly since the formal actuarial valuation of the Scheme at 5 April 2020.

Type of Valuation	Formal actuarial valuation	Annual actuarial update	Annual actuarial update
Date	5 April 2020	5 April 2021	5 April 2022
Value of the Scheme's assets	£17,457,000	£20,954,000	£22,434,000
Value of the Scheme's liabilities	£29,838,000	£29,122,000	£28,054,000
Surplus/(shortfall)	(£12,381,000)	(£8,168,000)	(£5,620,000)

The improvement in the Scheme's funding position since the last Summary Funding Statement that we sent to you (based on the 5 April 2021 update) is primarily due to a combination of changes in market conditions indicating higher expected investment returns in the future, higher than expected investment returns achieved over the year to 5 April 2022 and the payment of deficit contributions by the Employer.

The Scheme Actuary's actuarial valuation report and the actuarial update report as at 5 April 2020 and 5 April 2022 respectively gives further information about how the funding position has changed since the last statement. The next full actuarial valuation is due as at 5 April 2023.

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 Trustee's Recovery Plan

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

- £50,000 per month until 30 September 2021 followed by £75,000 per month until 30 November 2028.
- This may be reassessed if the Scheme is deemed by the Scheme Actuary to be surplus in the future on a prudent funding basis.

In addition to the above, the Employer has agreed to meet all expenses and levies associated with running the Scheme.

The Recovery Plan is reviewed by the Trustee 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”. As of 1 October 2020, it became a legal requirement that schemes must publish their SIP on a publicly available website. The SIP can be found on the following website:

<https://members.pensionpal.co.uk/GuidancePensionScheme>).

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

Asset type	5 April 2021	5 April 2022
Pooled investment vehicles	68%	57%
Fixed interest securities	32%	9%
Index linked securities	-	30%
Derivatives	-	3%
Cash	-	1%

Since the valuation date, the Trustee appointed a specialist investment manager, Schroders (previously named River and Mercantile), and adopted an investment objective of reaching full funding on a low-risk basis. Once achieved, the Scheme can significantly reduce its investment risk and will, therefore, be less reliant on the Employer to make up any shortfall. In order to achieve this target, Schroders, have the flexibility to invest in a wide range of investment classes which includes Liability Driven Investments which provide protection against changes in long term market expectations. The Trustee believes the new investment strategy will produce a less volatile funding position whilst still generating a reasonable level of returns.

Changes to the Scheme

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

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. From 6 April 2015, 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. Regulations banning pensions cold-calling came into force on 9 January 2019. These rules mean firms cannot 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 Trustee, then hang-up the phone.

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 Trustee's privacy notice to members explaining how we process and protect member personal data.

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 5 April 2020, it was estimated that an additional £20.3m 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, 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.

- **Trustee of the Guidance Pension Scheme**
c/o Atkin Pensions
Cornwall House
Blythe Gate
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 **Trustee's 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 5 April 2020.
- The **Actuarial Update at 5 April 2022** illustrates the change in the Scheme's funding position since the 2021 Actuarial Update.
- The **Member's explanatory booklet** would have been provided to you previously, but we can provide you with another copy if required.

Trustee of the Guidance Pension Scheme

December 2022