

Guidance Pension Scheme

Your 2023 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 formal actuarial valuation of the Scheme showed that on 5 April 2023 the Scheme had a shortfall as shown below. This is a decrease in the shortfall compared to the last valuation at 5 April 2020 and the annual funding update at 5 April 2022 discussed in our previous Funding Statement.

Type of Valuation	Formal actuarial valuation	Annual actuarial update	Formal actuarial valuation
Date	5 April 2020	5 April 2022	5 April 2023
Value of the Scheme's assets	£17,457,000	£22,434,000	£16,015,000
Value of the Scheme's liabilities	£29,838,000	£28,054,000	£19,991,000
Surplus/(shortfall)	(£12,381,000)	(£5,620,000)	(£3,976,000)

Although the Scheme does show a deficit, the funding position has improved. This is despite the significant fall in the value of the assets as this has been matched by an equivalent fall in the value of the liabilities reflecting the higher investment returns the assets are expected to achieve in the future. The improvement in funding has also been as a consequence of the significant deficit recovery contributions paid over the period.

The Scheme Actuary's actuarial valuation report as at 5 April 2023 gives further information about how the funding position has changed. The next full actuarial valuation is due as at 5 April 2026.

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 monthly contributions of £75,000 for the period 5 April 2023 to 31 August 2027. The Employer will also pay non investment expenses and the cost of the PPF levy.

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" which can be found here; [Guidance Pension Scheme Members Site \(pensionpal.co.uk\)](https://www.pensionpal.co.uk).

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

Asset type	5 April 2023
UK Equities	31%
Bonds	3%
Hedge Fund	4%
Multi Asset	42%
Cash	6%
Liability Driven Investment*	14%

* Liability Driven Investment are funds which invest in a mix of long dated bonds, cash and derivatives, the value of which is intended to move in a similar way to the value of the liabilities to changes in long term interest rates and inflation and so help protect the funding position.

Changes to the Scheme

Benefits for members who joined the Scheme prior to April 1997 include a Guaranteed Minimum Pension (GMP) which broadly represents the pension which they would otherwise have accrued under the old State Earnings-Related Pension Scheme (SERPS). As advised in previous newsletters, following a High Court Judgment in October 2018 the “Lloyds Bank” Case, the Trustee is aware that there is now a requirement to adjust some members’ Scheme benefits to address the current inequalities in the calculation of GMPs between men and women. A further High Court Judgment in November 2020 has confirmed that this requirement for equalisation also applies to previous transfers paid out of the Scheme.

We are currently reviewing with our advisers the appropriate way to implement GMP equalisation.

Please note that while this may result in modest increases in benefits for some members, many may see no change, but no member will see the value of their benefits reduce as a result of this Judgement.

Be aware of Pension Scams

The Pensions Regulator has an ongoing awareness campaign to ask pension advisers and trustees to pledge to combat pension scams and review its processes against a minimum standard of best practice.

In the meanwhile, to help protect yourself against a potential scam we recommend you:

- Reject any unexpected pension offers whether made online, on social media or by telephone.
- Check the FCA register or call the FCA contact centre to see if the firm you are dealing with is FCA registered.
- Do not be rushed or be pressured into making a decision.
- Consider getting impartial information or advice.

If you are considering transferring out your benefits, we recommend you review closely the information on The Pensions Regulator and Financial Conduct Authority’s websites available at:

<https://www.thepensionsregulator.gov.uk/en/pension-scams>

<https://www.fca.org.uk/scamsmart>

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 2023, it was estimated that an additional £7.1m 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.

The Pension Protection Fund

To provide a 'safety net' for a pension plan winding up with insufficient assets at a time when the employer is insolvent, the Government established the Pension Protection Fund to ensure the provision of a minimum level of compensation.

More information is available from the Pension Protection Fund's website at:

www.pensionprotectionfund.org.uk

or by writing to:

Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon
Surrey
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 2023.
- 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

May 2024