THE PENSION AND LIFE ASSURANCE PLAN OF H BURDEN LTD

PENSION AND LIFE ASSURANCE PLAN OF H BURDEN LIMITED
SUMMARY FUNDING STATEMENT

Background

You are a member of the Pension and Life Assurance Plan of H Burden Limited and are entitled to receive pension benefits from the scheme. We, the trustees of the scheme, have a duty to look after the interests of all the members and their beneficiaries. After each actuarial assessment we will send you a statement like this to give you information about the funding of the scheme.

In what follows, the sponsoring employer, LGUA17 Limited, is referred to as ‘the employer’.

Summary of the funding position

The most recent funding assessment as at 1 October 2016

The most recent funding assessment of the pension scheme showed that on 1 October 2016 the position was as follows:

	Value (£,000s)
Total market value of assets	480
Total technical provisions	(670)
Surplus/(deficit)	(190)
Funding Level	72%

Technical provisions are our estimate of the assets needed at any particular time to make provision for benefits already earned under the scheme. We are required to be prudent when setting them. For more information, please see ‘How is the amount the scheme needs worked out?’ later in this statement.

The employer aimed to eliminate the shortfall of £190,000 over 3 years and 7 months from 1 October 2017 by paying additional contributions of £42,300 each year from 1 October 2017 to 30 September 2020 and a payment of £24,675 between 1 October 2020 and 30 April 2021 subject to review at future actuarial assessments.

There has not been any payment to the employer out of scheme funds since the last statement was issued.

Change in funding position since the previous funding assessment

We last wrote to you with a summary of scheme funding at 1 October 2013 and this statement updates the position to 1 October 2016. The movement in the funding position between two dates is influenced by investment returns, bond yields and inflation expectations. Over the period between 1 October 2013 and 1 October 2016 our investment return has been greater than the rate assumed. In the same period, long term bond yields have reduced and this increases the technical provisions for benefits not linked to inflation. Expected future inflation has reduced and when taken together with the movement in bond yields means that the technical provisions for inflation-linked benefits have increased. In addition, some of the terms to secure benefits have altered which increases the technical provisions. The contributions paid as part of the recovery plan have a positive effect on the funding position. The overall effect is that the funding level at 1 October 2016 has worsened.

Since 1 October 2016, investment returns have been around the rate expected, bond yields have not changed significantly and expected future inflation has not changed significantly. Overall, the funding position has not changed significantly (based on conditions in March 2018). We are unable to say how the funding position will appear at the next funding assessment as this will depend on what happens between now and then and on decisions we make at the time.

Involvement of the Pensions Regulator

The Pensions Regulator has not:-

- issued any direction on the method and assumptions to be used to calculate technical provisions. These have been chosen by the trustees
- imposed a schedule of contributions
- exercised its power to require future benefits to be modified.

How the scheme operates

How is my pension paid for?

The employer pays money (contributions) into the pension scheme so that the scheme can pay pensions to scheme members when they retire. The money to pay for members' pensions is held in a communal fund. It is not held in separate funds for each individual.

How is the amount the scheme needs worked out?

The scheme's technical provisions are calculated by the scheme actuary at least every three years to determine whether or not the scheme assets are sufficient to provide the benefits as they fall due (known as a funding assessment). If they are not, action may need to be taken to rectify the situation. The scheme actuary's advice is based on our aims with regard to how the pension scheme is to be funded. Using this information, we come to an agreement with the employer on future contributions to the scheme. The amount of money to be paid into the scheme changes from time to time, depending on the decisions reached following such assessments.

Is my pension guaranteed?

Our aims for the scheme are to have enough money in the scheme to pay pensions now and in the future. However, this plan relies on the employer carrying on in business and continuing to support the scheme because:

- the funding level can fluctuate, and when there is a funding shortfall, the employer will usually need to put in more money;
- the target funding level may turn out not to be enough so that the employer will need to put in more money; and
- the employer will be paying the future expenses of running the scheme on an annual basis.

However, if the scheme winds up, you might not get the full amount of pension you have built up even if the scheme were fully funded on an ongoing basis under our plan. The latest assessment as at 1 October 2016 revealed that there was not enough money in the fund at that time to guarantee that everyone would get their full pension benefits. However, whilst the scheme remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full.

If the scheme were to start to wind up, employers are required by law to pay enough into the scheme to be able to fully guarantee members' benefits by securing them with an insurance company. It may be, however, that your employer would not be able to pay this full amount. If an employer became insolvent, the Pension Protection Fund might be able to take over the part of the scheme for that employer and pay compensation to members.

Further information and guidance 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, Surrey CR0 2NA.

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

The estimated additional funds needed to fully guarantee the benefits for all members if the scheme had been wound up at 1 October 2016 was around £250,000. This is given for information only. The employer is not thinking of winding-up the scheme. 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 build in margins for adverse experience. The cost of securing pensions in this way also incorporates the future expenses involved in administration. By contrast, our funding plan assumes that the employer will continue in business and support the plan.

Where can I get more information?

You do not need to take any action because of this statement. If you have any questions, or would like any more information, please contact us at the address shown on the first page of this statement. A list of more detailed documents which provide further information is shown below. If you would like to inspect or receive a copy of any of these documents (which may be subject to a small charge to cover copying, packing and postage), please let us know.

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

Finally, if you are not in receipt of pension and are thinking of leaving the scheme for any reason, you should consult a professional adviser, such as an independent financial adviser, before taking any action.

Yours sincerely

Signature redacted

Chairman of the Trustees

The Pension and Life Assurance Plan of H Burden Limited

Additional documents available on request

The Statement of Funding Principles. This explains how the trustees have set the technical provisions that lead to the contributions to be paid to the scheme.

The S*chedule of Contributions*. This shows how much money is being paid into the scheme.

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The *Recovery Plan.* This explains how the deficit is expected to be met.

The *Annual Report and Accounts* of the Pension and Life Assurance Plan of H Burden Limited, which shows the scheme's income and expenditure in the last scheme year for which audited accounts have been prepared.

The *Scheme Funding Report* prepared following the actuary's check of the scheme's funding position as at 1 October 2016.

The *Pension Scheme Information Booklet* (you should have been given a copy when you joined the scheme, but we can give you another copy).