NW Pension Plan (1977)

Summary Funding Statement August 2019

What's this statement for?

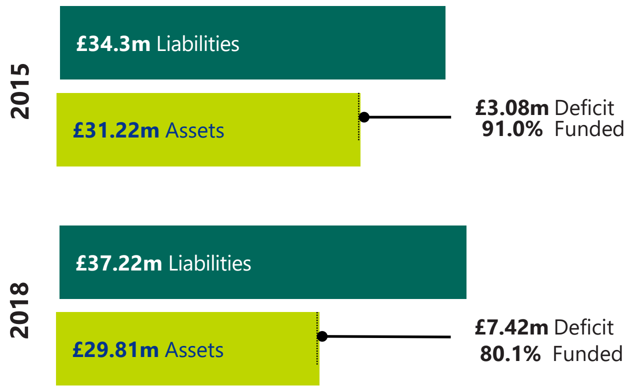
The Trustees are required to provide you with this statement giving you an update about the Scheme's financial security. We hope you find it useful and easy to understand, but if you have any questions please contact Shirley Dowling:

Email: shirley.dowling@rqhi.com
Dial: +44 (0) 1603 753952

The last actuarial valuation at 1 January 2018

An actuarial valuation is an exercise to compare how much money the Scheme has (its 'assets') with how much it needs to be able to pay everyone the benefits they are entitled to (its 'liabilities'). If the Scheme's assets are more than its liabilities, there is a 'surplus'; if they are less, there is a 'shortfall' or 'deficit'.

Full valuations usually take place every three years and the last one was on 1 January 2018. The result of the 2018 and 2015 valuations can be seen on the right.



Summary of the Recovery Plan

Because there was a shortfall at the 2018 valuation, the Employer has agreed to pay extra contributions of £795k every year for 6 years, with an initial payment of £1.4m.

Change in funding position since previous statement

The funding of the Scheme has declined since the previous statement, mainly due to a change in methodology in deriving the discount rate and changes in financial conditions affecting actuarial assumptions. The effect of this was partially offset by lower inflation values than expected and changes in demographic assumptions, placing lower value on liabilities.

Payment to the Employer

We have to tell you that there has not been any payment made to the Employer out of the Scheme's assets since the last summary funding statement.

Winding-up

If the Scheme winds up, the duty to pay all members' benefits may be transferred to an insurance company. In the 2018 valuation it was estimated that the amount needed to secure all the Scheme's benefits was £52.58m, which was £22.20m more than the Scheme's assets. This is just an indication and does not mean that the Trustees or the Employer are considering winding up the Scheme.

How the Scheme works

This section has some information about this statement and the Scheme. If you would like any more information about the Scheme or your benefits, please contact Shirley Dowling:

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How is my pension paid for?

The Scheme is a defined benefit pension arrangement. This means members build up benefits based on length of service and their salary. The Scheme has a pool of money (assets) to pay for these benefits as they become due; it does not hold assets separately for each individual. The Trustees' goal is for the Scheme to have enough money to pay all members their benefits, both now and into the future.

How do you work out how much the Scheme needs?

As part of the three-yearly actuarial valuation, the Trustees agree a funding plan (the Statement of Funding Principles) with the Employer, which aims to make sure there is enough money in the Scheme to pay for pensions now and into the future. Members who are still building up benefits pay a proportion of their salary towards this cost, and the balance is paid by the Employer. This is why the Scheme relies on the Employer's continuing support.

What would happen if the Scheme started to wind up?

Whilst the Scheme is still running, even though funding may temporarily be below target, benefits will still be paid in full. If the Scheme did start to wind up, benefits may be secured with an insurance company. If there weren't enough assets to secure all the benefits, the Employer would have to make up the difference. You might not get all of the benefits you have built up, especially if the Employer is not there to pay for any shortfall. In this case, the Pension Protection Fund ('PPF') might be able to take over the Scheme and pay compensation to members. Further information is available at www.pensionprotectionfund.org.uk

Why don't the Trustees aim to have enough money to secure benefits on wind up?

Insurers take a very cautious view of the future and need to make a profit; they will also take into account the future cost of running the Scheme. This means the cost of securing pensions in this way is considerably more expensive than if the Scheme runs normally with the continuing support of the Employer. Aiming to have enough money to cover that cost would likely mean that the Scheme will have far more than it actually needs if it keeps running.

The Pensions Regulator

In certain circumstances the Pensions Regulator can:

- Direct how the Scheme's liabilities must be calculated
- Set the period for removing any funding shortfall
- Set the level of Employer contributions to be paid
- Change the way members build up benefits in the future

None of these things have happened in the Scheme.

How are the Scheme's assets invested?

The Trustees' policy is to invest in a broad range of assets, targeting the following splits:

Diversified Lending	12%
Absolute Return Funds	50%
Private Markets	10%
Liability Driven Investments	13%
Cash	2%
Equities	13%

Thinking of leaving the Scheme?

If you are thinking of leaving the Scheme for any reason, you should talk to an independent financial adviser before doing so; you can find one local to you at www.unbiased.co.uk

Stay in touch

If any of your personal details are changing, such as your name or address, please tell Shirley Dowling.