

# Avon Rubber Retirement and Death Benefits Plan

## Summary Funding Statement at 31 March 2022

**This Statement explains the funding that supports benefits in the Avon Rubber Retirement and Death Benefits Plan (“the Plan”). It tells you about the longer-term outlook for the Plan and the financial support the employer provides.**

**Pension scheme valuations are carried out at least every three years in accordance with legislation, with less formal ‘updates’ being carried out annually in between valuations.**

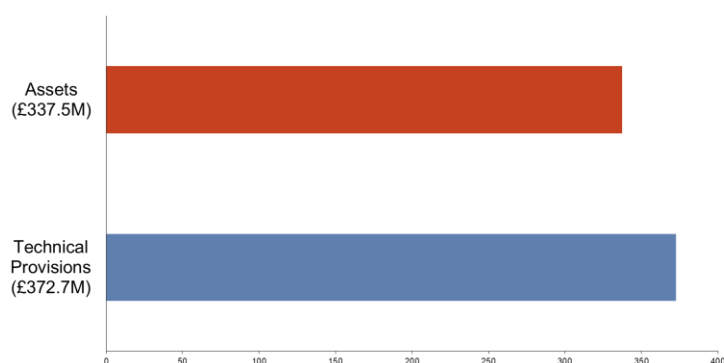
**The purpose of this Statement is to provide the results of the latest formal valuation of the Plan as at 31 March 2022.**

### How well funded is the Plan?

We previously reported the results of the annual update as at 31 March 2021, which showed that the Plan had a shortfall of £58.1 million, which is the same as a funding level of 85%.

At the formal valuation date of 31 March 2022, the Plan’s Actuary found that the Plan had a shortfall of £35.2 million, which is the same as a funding level of 91%.

Funding Position at 31 March 2022



Over the period between 31 March 2021 and 31 March 2022 the funding position has improved. The improvement in funding level (or decrease in deficit) has been driven mainly by asset performance (relative to how the Plan’s liabilities have changed), together with contributions from the Company. In addition some of the assumptions underlying the calculations at 31 March 2022 have been updated. These changes have combined to give the improvement mentioned above.

Since the valuation date there have been significant changes in financial markets which have affected both the assets the Plan holds and the liabilities it is expected to pay. When signing off the formal valuation, the Trustee made partial allowance for the positive experience up to 31 May 2023, at which point both assets and liabilities had reduced by around 30% but the deficit was much smaller. Using this updated information meant that the Trustee started from a deficit of £24.1 million when agreeing the contributions that the Company is required to pay. The £24.1 million deficit equates to a funding level of 91%.

The next Summary Funding Statement we send you will be based on the Plan’s position at 31 March 2023. We appreciate this is a little confusing given that we have already told you about the position at 31 May 2023 above. However, it is a regulatory requirement to send you this statement and the reason for this delay is that we must wait for the Plan’s audited accounts as at 31 March 2023 to be finalised before we send you this update as at the formal scheme year end.

The updated statement will follow later in the year or early in 2024, but you will have the comfort of knowing the funding position at a more recent date.

## Understanding the Statement

As a Trustee Board, we are responsible for developing a funding target (called the “technical provisions” in legislation) for the Plan. We set out our aims, the funding target we believe is suitable for the Plan and how we aim to achieve this. To work out the funding target, the Scheme Actuary looks at the benefits the Plan is currently paying and estimates how the cost of the benefits might change in the future. The Actuary uses assumptions (which have been agreed between the Trustee and Company) in respect of various factors; for example, how long people will live after they retire and how much the cost of living will rise in future.

Then the Actuary looks at the Plan’s assets which are represented by the money the Plan has built up to date from contribution income and investment returns. The Actuary compares the value of those assets at the valuation date with the funding target. If the assets of the Plan are worth more than 100% of the funding target, the Plan has a surplus. If the assets are worth less than 100% of the funding target, the Plan has a shortfall (or deficit).

### Terminology

- **Technical provisions** – The funding target for the Plan agreed as part of the actuarial valuation
- **Recovery plan** – A plan for making good any deficit relative to the technical provisions
- **Solvency estimate** – Represents the cost of purchasing annuities to meet the Plan’s benefits at the valuation date from an insurance company
- **Statement of Funding Principles** – Document setting out the Trustee’s policy for meeting the statutory funding objective
- **Schedule of Contributions** – Document setting out the contributions payable by the Company

## The Company’s support

The funding target we agree for the Plan meets the requirements of the Pensions Act 2004 and is called the technical provisions. It aims to produce a prudent reserve of money to hold against the Plan’s future needs. We have discussed our funding plan with Avon Protection plc (the Company), and they have accepted the target and agreed to a Recovery Plan to make good the shortfall. The Plan relies on Avon Protection plc and its financial support to:

- make contributions when there is a funding shortfall; and
- put in more money if the target set for funding the Plan turns out to be too low.

To address the shortfall disclosed in the 31 March 2022 valuation, the Company agreed to continue to pay the contributions agreed following the 2019 actuarial valuation and to make some additional payments. The contributions the Plan expects to receive are therefore:

- £1.45M between 1 April 2022 and 30 September 2022
- £3.05M by 30 September 2022
- £3.0M by 31 December 2023
- £1.6M between 1 October 2023 and 31 March 2024
- £3.5M between 1 April 2024 and 31 March 2025
- £3.9M between 1 April 2025 and 31 March 2026
- £4.3M between 1 April 2026 and 31 March 2027
- £4.7M between 1 April 2027 and 31 March 2028
- £5.2M between 1 April 2028 and 31 March 2029
- £2.3M on 1 April 2029

We can confirm the payments due in 2022 have been received.

The Company will also pay up to £900,000 each year to cover the expenses of running the Plan.

There is also a commitment for the Company to discuss with the Trustee the ability to pay additional funds into the Plan in certain circumstances, including if special dividends are paid to Company Shareholders. The details of this commitment have been documented in a Memorandum of Understanding.

We must also tell you if there have been any payments to Avon Protection plc out of Plan funds in the last twelve months. There have not.

The Pensions Regulator can change the Plan, give directions about working out its technical provisions or impose a schedule of contributions. The Pensions Regulator has not exercised these powers.

### **What if the Plan started to wind up?**

Even though funding may temporarily be below target, the Plan will continue to pay benefits in full as long as it continues. As part of the valuation, the actuary must also look at the Plan's solvency estimate – the position if it started to wind up (come to an end). This does **not** mean that the Company is thinking of ending the Plan.

The actuary looked at whether the Plan had enough money at the valuation date to buy insurance policies to provide members' benefits. Insurance companies have to invest in 'low risk' assets, which are likely to give low returns and policy prices will include administration charges and a profit margin. This means that even if a plan is fully funded on the technical provisions basis, the solvency figure is likely to be less than 100%.

If the Plan had started winding up at 31 March 2022, the actuary estimates that the amount the Plan would need to ensure benefits were paid in full (the full solvency position) is £469.9 million. On this basis the Plan's shortfall was £132.4 million.

### **The Pension Protection Fund**

If the Plan starts to wind up, Avon Protection plc has to pay whatever the Plan needs to buy the insurance policies for members. If Avon Protection plc becomes insolvent, the Pension Protection Fund (the PPF) may step in and pay some compensation to members. There are more details of this process on the PPF website at [www.ppf.co.uk/](http://www.ppf.co.uk/).

### **Any questions?**

If you have any questions about the Plan or your benefits, please contact us. You can also ask to see the Plan's formal documents, including our Statements of Funding and Investment Principles. We may make a charge to cover the cost of photocopying, postage and packaging if we need to send you copies. The latest audited accounts and actuarial report, as well as the Schedule of Contributions are also available.

Please contact:

- <https://contact.mercer.com/>
- Avon Rubber Retirement & Death Benefits Plan, c/o Mercer Limited, Maclaren House, Talbot Road, Stretford, Manchester, M32 0FP
- Tel: 0800 046 6183

By law, we cannot give you advice about your pension arrangements. If you are thinking about any changes, you may want to obtain independent financial advice.