JANUARY
2024

# PENSIONS FOCUS

A newsletter for members of the
*Fuller, Smith & Turner Pension Plan*

www.fullers.co.uk/defined-benefit-pension-plan

ESTABLISHED 1845
FULLER'S

# CHAIR'S INTRODUCTION

I am pleased to introduce our latest annual newsletter for members of the Fuller, Smith & Turner Pension Plan, which provides an update on the progress of the Plan. Hopefully you like the new look and noticed the new name 'Pensions Focus'!

Last year my introduction focussed on the financial volatility that we were all experiencing, including the widespread increase in the cost of living. The Plan's funding updates showed a regular improvement in the funding position up to 30 July 2021, but we were waiting on the 2022 position from the three-yearly valuation process. We also had the fallout from the mini-budget in autumn 2022 which we knew wouldn't be reflected in those results. However, even with those issues in mind, the Trustees did not have any concerns about the security of the benefits in the Plan.

I'm pleased to confirm that we now have the results of the 2022 valuation, and the subsequent annual update in 2023, and the funding position has continued to improve. The results are shown on **page 4**.

You'll see that the Plan's asset values dropped significantly in the year up to 30 July 2023, but the 2023 funding update shows that the value of the liabilities reduced by a greater amount. Along with the Company deficit contributions, this has led to a further improvement in the funding position. This was mainly due to the Plan's Liability Driven Investment (**LDI**) strategy, which is designed to protect the funding level in volatile market conditions.

As a reminder, you can access Plan documents at www.fullers.co.uk/defined-benefit-pension-plan, including the latest Statement of Investment Principles which sets out the Trustees' approach to investing the Plan's assets. There are other useful Plan documents and some helpful links to pension information.

I appreciate some of the content of this newsletter may be complicated, so if you need help with anything or have general questions about your benefits, please contact XPS, the Plan administrators, using the details on the **back page**.

It is important that you stay in contact with XPS so they can pay your benefits when they are due and keep you up to date with the latest news on your pension. Please supply your email address when contacting XPS so that they can reach you more easily in the future.

Stephen Yandle
**Chair of the Trustees, on behalf of Zedra Governance Services Ltd**

# WHAT'S BEEN HAPPENING IN PENSIONS?

## Updates from the Budget

As you may have heard, the 2023 Budget included several changes to Government policy that affect pensions. In particular, the Lifetime Allowance (a limit on the amount of pension savings you can make over your lifetime that can receive tax relief) is being abolished, and the Annual Allowance (the amount of tax-relieved savings you can make into a pension plan each year) is being increased.

These changes, which will reduce or remove pensions tax charges, are not expected to impact the vast majority of Plan members.

Visit www.gov.uk/government/publications/abolition-of-lifetime-allowance-and-increases-to-pension-tax-limits or scan the QR code to find out more.

## Mansion House reforms

The Chancellor's July 2023 Mansion House speech included the following key pensions proposals which could be implemented over the next six years.

***Scheme funding*** - The Government has called for evidence to help it develop new options for defined benefit (**DB**) schemes that have funding surpluses. The use of pension surpluses is tightly controlled, but the Government would like companies to have more discretion over how they are used.

The Government also wants to consider the role of DB schemes in productive finance, i.e. investment that can provide capital to sustain other businesses.

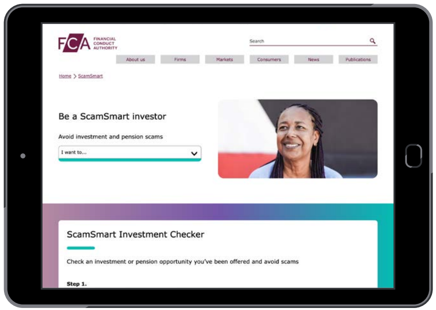
***DB superfunds*** - Superfunds are the grouping together of pension schemes to make them cheaper to run. There is only one DB superfund in the UK, but the Government wants to encourage more.

***Trusteeship*** - The Government wants to promote effective decision making by trustees and has called for evidence around ways to increase this.

## The reality of scams

With help from our administrators, we do everything we can to help you recognise when you're being targeted by a pension scam. This can mean that processing a transfer of your benefits will take a bit longer, but it is important that XPS follows these steps to make sure you don't lose your savings.

Visit www.fca.org.uk/scamsmart for more information on what to look out for and what to do if you think you've been targeted.



# SUMMARY FUNDING STATEMENT 2023

Each year, the Trustees of the Plan issue a Summary Funding Statement to update you on the financial position of the Plan. Rather than communicating this information separately, details of this Statement are included in this newsletter.

This Summary Funding Statement details the funding position of the Plan as at 30 July 2023, which is the first annual update following the 30 July 2022 actuarial valuation.

The chart to the right summarises the accrued funding position as at 30 July 2023, assuming that the Plan continues to operate as an ongoing concern and is not wound up. Comparative figures from the previous full actuarial valuation at 30 July 2022, and the annual update at 30 July 2021, have also been provided.

The value of the liabilities represents the Trustees' estimate of the amount needed to pay all the benefits built up by the members at the date of valuation.


** Plan assets include insured pensions and exclude AVCs*

## Change of funding position

This is the first *Summary Funding Statement* since the 2022 actuarial valuation. The valuation showed that there was a shortfall of **£20.7 million** as at **30 July 2022** which was broadly unchanged since **30 July 2021**. The increase in the return on Gilts (UK Government Bonds) over the year led to a fall in the value of liabilities and assets, due to the Plan's liability matching strategy. Assets also underperformed over the period.

The funding level improved to an estimated shortfall of **£5.1 million** as at **30 July 2023**. The return on Gilts continued to increase over the year, leading to a further decrease in the value of liabilities, which was partially offset by a fall in the assets. Deficit Reduction Contributions of **£2.4 million** were also made by the Company.

## Funding the Plan

The Plan closed to future accrual on **1 January 2015**. Therefore, contributions in respect of future service benefits were only payable until **31 December 2014**. To help meet the funding shortfall at the last valuation, the Trustees and the Company agreed that contributions will be paid to the Plan at a rate of around **£2.2 million** per year, in equal monthly instalments, for a period of 9 years and 9 months.

The amount of the monthly contributions are adjusted each year at **1 January** by the change in the Consumer Price Index (**CPI**) over the 12 months to the previous **30 September**, unless the change is negative.

The schedule of contributions sets out the mechanism that these contributions may be suspended, reduced, recommenced or increased. But, in summary, if a quarterly update shows a funding level of 100% or more, the shortfall contributions are suspended immediately. If a quarterly update subsequently reveals a funding level of less than 98%, the contributions recommence immediately.

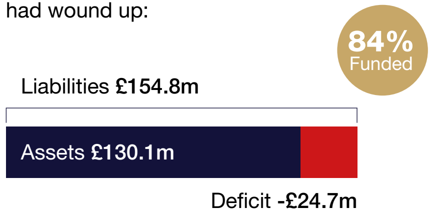
The funding shortfall is expected to be eliminated by no later than **30 April 2032**, by a combination of contributions being paid into the Plan by the Company and returns on the Plan's invested assets.

In addition, the Plan has additional security of **£30 million** over three freehold properties owned by the Company. This is a contingent asset which means it will only go to the Plan under certain circumstances. The value of the asset will be reassessed at each full actuarial valuation.

## Winding Up

As required by legislation, and as part of the formal valuation of the Plan, the Scheme Actuary assessed the funding position if the Plan had been wound up as at 30 July 2022. This is known as the 'solvency level'.

The following summarises the position at that date, assuming that the Plan had wound up:




* *Plan assets include insured pensions and exclude AVCs. The insured pensions are valued on a buy-out basis.*

The shortfall is an estimate of the additional sum that would have been required from the Company to ensure that all members' benefits could have been paid in full had the Plan wound up on 30 July 2022. Providing 'winding up' information is a formal legal requirement and does not imply that the Company was considering winding-up the Plan.



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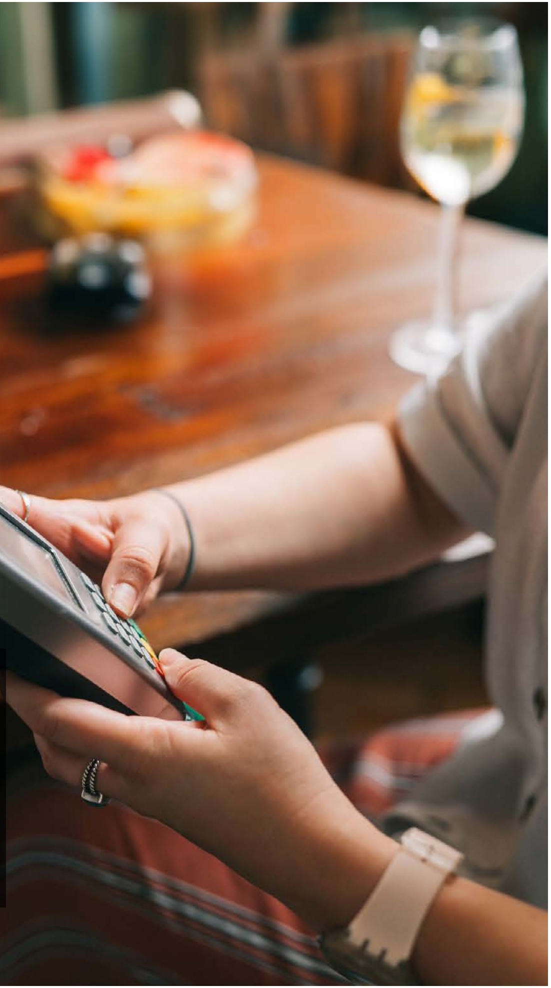
# SUMMARY FUNDING STATEMENT 2023 *CONT.*



## Why are funding figures in the Company's accounts different?

To value the Plan's liabilities, the Scheme Actuary needs to make certain assumptions about the future. The funding results shown on page 4 use assumptions agreed between the Trustees and the Company that have some caution built in. The comparable figures shown in the Company's accounts use assumptions that are based on the most likely expected future experience. This normally results in the liabilities having a lower value.

## Payments to the Company

There has not been any payment to the Company out of Plan funds since the date of the last Summary Funding Statement.

## The next full actuarial valuation

The next full actuarial valuation of the Plan will be completed as at 30 July 2025.

## Market volatility

Investment markets have continued to be volatile due to the impact of the Ukraine crisis, the 2022 mini-budget and high inflationary environment, and previously due to the global pandemic. The Trustees continue to monitor the Plan's funding position.

# SUMMARY OF THE TRUSTEE REPORT AND ACCOUNTS

If you would like a full copy of the Report and Accounts, please contact XPS using the details on the **next page**.

This summary has been taken from the audited accounts of the Plan for the year ended 30 July 2023 (the most recently signed accounts).

The Plan's Auditor, Menzies LLP, reported that the accounts gave a true and fair view of the financial transactions.

| | | |
|---|---|---|
| **Balance at 30 July 2022** | | **£130,602,528** |
| Investment income | | £208,378 |
| Company deficit reduction contributions | | £2,353,828 |
| **Total income** | **+** | **£2,562,206** |
| Pensions | | £3,826,889 |
| Lump sum death benefits | | £246,894 |
| Investment management fees | | £231,681 |
| Individual transfers out | | £745,475 |
| Administrative investment rebate | | £256 |
| **Total outgoings** | **-** | **£5,051,195** |
| **Change in market value of investments*** | **-** | **£19,860,165** |
| **Balance at 30 July 2023** | **=** | **£108,253,374** |

*The reason for the significant fall in the market value of investments is explained on **page 5**. As you will see, the value of the Plan's liabilities fell by more than the value of its assets over the same period, leading to an improvement in the Plan's funding level.

# USEFUL INFORMATION AND CONTACTS

XPS Administration looks after the day-to-day running of the Plan. If you have any questions about this newsletter or would like more information on the Plan, you can contact them on:

fullers@xpsgroup.com

**028 9505 3180**

The XPS Administration postal address has changed but will still go through to the same administration team:

Fuller, Smith & Turner Pension Plan
XPS Administration
PO Box 562
Middlesbrough
TS1 9JA

Please supply your email address when contacting XPS so that they can reach you more easily.

## The Plan Trustees

- Stephen Yandle (Chair)
- Mark Dally (Member Nominated)
- Richard Fuller
- David Moseley
- Rachel Spencer
- Anil Sunda (Member Nominated)

## The Plan advisers

**Administrators** | XPS Administration Limited

**Secretary to the Trustees** | XPS Pensions Limited

**Plan Actuary** | Shelley Jeffery FIA, XPS Pensions Consulting Limited

**Independent Auditor** | Menzies LLP

**Legal Advisers** | Gowling WLG (UK) LLP

**Investment Advisers** | Isio Group Limited

**Banker** | Bank of Scotland PLC

**Investment Managers** | Legal and General Assurance (Pensions Management) Limited

**Investment Custodians** | HSBC Global Investor Services and Citibank

**Investment Managers** | BlackRock Investment Management (UK) Limited

**Investment Custodians** | BNY Mellon