

GROWTH PLAN SERIES 1, 2 and 3 PENSION OBLIGATIONS DISCLOSURE NOTE 2009

1. **Xxx** participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the state scheme. The Growth Plan is a multi-employer pension plan.
2. Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.
3. The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.
4. The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.
5. The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.
6. If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.
7. The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.
8. **Xxx** paid contributions at the rate of y% during the accounting period. Members paid contributions at the rate of z% during the accounting period.¹
9. As at the balance sheet date there were nnnn² active members of the Plan employed by **Xxx**. **Xxx** continues to offer membership of the Plan to its employees. **Xxx** has closed the Plan to new entrants.³

¹ Insert member and employer contribution rates

10. It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.
11. The valuation results at 30 September 2008 have now been completed and will be formalised shortly. The valuation of the Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.
12. The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%
	per annum
- Investment return pre-retirement	7.6
- Investment return post-retirement	
Actives/deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

² Insert number of active members

³ Delete as appropriate depending on whether or not membership of the Plan is offered to employees

13. In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next ten years.
14. If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.
15. In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the scheme liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within ten years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next ten years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).
16. A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation will be forwarded to The Pensions Regulator in due course.
17. The next full actuarial valuation will be carried out as at 30 September 2011.
18. Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding-up.
19. The debt for the Plan as a whole is calculated by comparing the liabilities for the scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.
20. The leaving employer's share of the buy-out debt is the proportion of the Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to

employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Conditional paragraph ⁵ – potential employer debt is treated as a contingent liability

21. **Xxx** has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2008. ⁶ As of this date the estimated employer debt for **Xxx** was £yyyy.

Conditional paragraph ⁵ – provision is made for the potential employer debt

24. **Xxx** has provided for the potential employer debt on withdrawal from the Plan.

Insert reason, for example the employer had made the decision before year end to close the Plan to future accrual and was therefore demonstrably committed to withdraw from the Plan.

Insert details of the expected timing of the payment to settle the employer debt and details of any uncertainties about the amount or timing of the payment.

	£	<i>Note</i>
Provision at start of accounting period	x	
Provision made (reversed) in the period	x/(x)	A
Provision utilised	(x)	B
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Provision at end of accounting period	x	
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⁶ Estimated employer debt figures as at 30 September 2008 were sent to participating employers on XXX XXX 2009

⁵ Use paragraph 23 if employer debt is treated as a contingent liability and paragraph 24 if provision is made for the employer debt

Notes

- A *The provision should be reviewed at each balance sheet date and adjusted to reflect the current best estimate of the amount required to settle the potential liability.*

- B *The provision can only be utilised once, i.e. on the withdrawal of the employer from the Plan.*