

# MORGAN GROUP SENIOR STAFF PENSION AND LIFE ASSURANCE SCHEME

## SUMMARY FUNDING STATEMENT 2022

Morgan Group Senior Staff Pension Trustees Limited, the Trustee of the Morgan Group Senior Staff Pension and Life Assurance Scheme ("the Scheme") is pleased to provide members with this Annual Summary Funding Statement setting out the funding position on 31 March 2022, following receipt of the 2022 triennial scheme funding report.

Issuing these statements is one of the Trustee's responsibilities under the Pensions Act 2004, and we urge you to read this Statement to better understand the level of funding that supports your pension.

### 1. UNDERSTANDING YOUR SCHEME'S FUNDING STATEMENT

The Scheme pays members' pensions and other benefits when they fall due.

The Trustee regularly checks the financial position of the Scheme and the contributions being paid to the Scheme to ensure that the Scheme will have enough money to meet future benefits as they fall due. Every three years, the Scheme Actuary is asked to carry out an actuarial valuation, with updated funding positions being calculated annually.

### 2. WHAT A VALUATION DOES

In a valuation, the Actuary compares two values:

- I. The assets - these are the Scheme's investments, bank balances and any money owed to the Scheme*
- II. The liabilities – these are the estimated amounts the Scheme needs now to pay out the benefits in future.*

An actuarial valuation will look at more than one possible situation. As the Scheme is ongoing, the most relevant method is the "ongoing basis". By law the valuation must also cover other situations, such as the "solvency" basis, which sets out the position if the Scheme was to wind-up.

### 3. ANNUAL FUNDING REPORT AT 31 MARCH 2021

The annual funding report disclosed a funding deficit of £20.8m, a decrease of £14.1m since 31 March 2020. The funding position has improved due to an improvement in the financial conditions, contributions paid by the Morgan Advanced Materials plc ("the Company") (£5.2m) and the returns on the Scheme's investments, which were higher than expected by £3.8m.

## 4. ACTUARIAL VALUATION AT 31 MARCH 2022

The actuarial valuation disclosed a funding deficit of £11.1m, an improvement of £9.7m when compared to the estimated position at 31 March 2021.

The improvement in the funding position reflected the continued contributions paid by the Company (£5.4m) and the changes to the financial conditions.

The table below shows the assets, liabilities, funding deficit and funding level over the last three years:

	31 Mar 2022 £m	31 Mar 2021 £m	31 Mar 2020 £m
<b>Assets</b>	145.9	147.9	147.0
<b>Liabilities</b>	157.0	168.7	181.9
<b>Deficit</b>	<b>(11.1)</b>	<b>(20.8)</b>	<b>(34.9)</b>
<b>Funding level</b>	93%	88%	81%

In March 2008, the Trustee agreed to purchase a bulk annuity policy to secure the pensions in payment at that time with Lucida, an insurance company. (Lucida was subsequently purchased by Legal & General in 2014.) It should be noted, however, that members' benefits remain entirely unaffected. The estimated current value of this annuity policy is included in the total assets and liabilities of the Scheme.

## 5. MORGAN'S SUPPORT FOR THE SCHEME

The Scheme relies on the Company and its financial support to:

- I. Pay contributions to remove the funding deficit.*
- II. Pay the Pension Protection Fund levy and meet the expenses of running the Scheme, subject to a suitable cap that is agreed with the Trustee each year.*

Following completion of the actuarial valuation, the Trustee and the Company agreed a Recovery Plan to target the removal of the funding deficit by 29 December 2022.

Under the Recovery Plan, the Company has paid two quarterly instalments of £1,372,483 in July and October 2022 and agreed to make a contribution of £8.6m on 29 December 2022 to the Scheme.

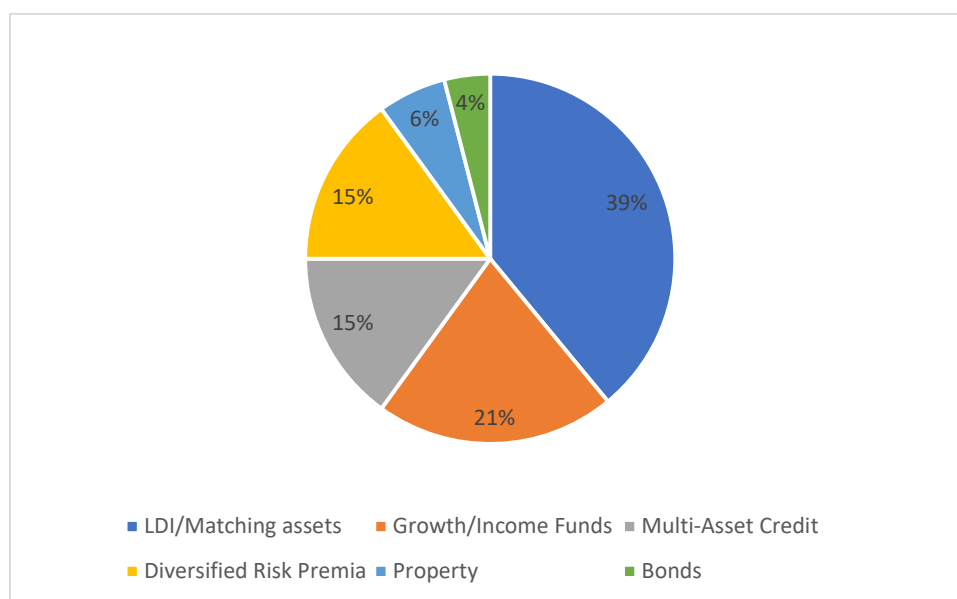
Furthermore, the Company has agreed to make an additional payment (above that required to remove the funding deficit) of £7.4m on 29 December 2022.

At the next valuation (31 March 2025), the Actuary will reassess the funding position and review the level of contributions required from the Company.

## 6. INVESTMENT STRATEGY

The Trustee invests the Scheme's assets to generate investment returns and monitors the performance of the underlying investment managers at each quarterly meeting. As part of the discussions for the 31 March 2022 valuation, the Trustee and Company agreed to increase the level of inflation and interest rate hedging in place.

The asset allocation of the investment portfolio at 31 March 2022 was as follows:



## 7. THE SOLVENCY BASIS

**Note: the information regarding the solvency basis is required to be provided to members and is for information only. It does not mean that the Company is thinking of winding-up the Scheme.**

This assumes the Scheme ceased at the valuation date and the benefits built up to that date for deferred members and for pensioners were bought out with an insurance company. This is what happens when a scheme winds-up.

The cost of providing all the benefits immediately is likely to be higher than the cost of paying them gradually over future years. Insurers are obliged to take a very cautious view of the future and the insurance policy pricing will include administration charges and the insurance company profit margin. Therefore, a scheme that is fully funded on an ongoing basis, is likely to be less than 100% funded on a solvency basis.

At 31 March 2022, based on the solvency basis, the Scheme had a funding level of 78%.

## **8. WHAT WOULD HAPPEN IF THE SCHEME STARTED TO WIND-UP?**

If the Scheme were to be wound up, you might not get the full amount of pension you had built up even if the Scheme was to be fully funded on the ongoing basis.

If the Scheme were to wind-up, the Company would be required to pay additional contributions to the Scheme to enable members' benefits to be completely secured with an insurance company.

If the Company was to become insolvent, and was not able to pay this additional contribution, the Pension Protection Fund might be able to take over the Scheme and pay some compensation to members, to cover part of the shortfall.

Further information and guidance are available on the Pension Protection Fund's website at: [www.ppf.co.uk](http://www.ppf.co.uk). Or you can write to the Pension Protection Fund at Knollys House, 17 Addiscombe Road, Croydon, Surrey, CR0 6SR.

## **9. OTHER STATUTORY REQUIREMENTS**

We are also required by legislation to confirm to you that no payments have been made from the Scheme to the Company, nor has the Scheme been modified in any way by the Pensions Regulator.

## **10. WHERE CAN I GET MORE INFORMATION?**

If you have any other questions about the funding of the Scheme, please contact:

**The Secretary to the Trustee of the Morgan Group Senior Staff Pension and Life Assurance Scheme:**  
**Barnett Waddingham LLP,**  
**Pinnacle, 67 Albion Road,**  
**Leeds,**  
**LS1 5AA**

Should you have any queries or concerns regarding your own situation and the options that you have regarding your benefits, then you may want to consider taking professional advice from an Independent Financial Adviser.