

# SUMMARY FUNDING STATEMENT 2020

If you're a member of the **AVX Limited Pension Scheme** (the "Scheme"), then you're in the right place and this funding statement is just for you. The Trustees have also included information relating to COVID-19 and the Scheme on the third page of this communication.

It's an important document and it lets you know how the Scheme is doing financially.

## Why is it important?

Because the Scheme's financial health could affect the benefits you receive.

And it's also a legal requirement.

The Scheme must have a full financial check (called a valuation) from an independent expert (called an actuary) at least every three years. The actuary also has to carry out annual funding updates. As Trustees of the Scheme, we send you a summary funding statement to tell you about the results each year.

## How is the Scheme doing?

The last full valuation looked at the funding position as at 5 April 2018 (the "2018 valuation"). The latest annual funding update took place as at 5 April 2020 (the "2020 update") and is shown along with the 2019 update for comparison. As you may be aware, markets were volatile over March 2020 due to COVID-19 and this is reflected in the funding level as at 5 April 2020 shown below. We are required to show the funding position as at 5 April 2020, however to bring you more up to date, the funding position has increased to 100% as at 28 May 2020.



### Assets

The money the Scheme has now.

2018 valuation  
**£ 128.3m**

2019 update  
**£ 134.7m**

2020 update  
**£ 133.7m**



### Liabilities

The estimated cost of providing the promised benefits – now and in the future.

2018 valuation  
**£ 126.0m**

2019 update  
**£ 129.8m**

2020 update  
**£ 140.1m**

The calculation of the liabilities assumes that the Scheme will continue until all future benefits due are paid.

It's an estimate because it depends on assumptions about what will happen in the future, such as the investment return that will be earned on the Scheme's assets and how long members will live for.



### Surplus / (deficit)

The assets minus the liabilities.

2018 valuation  
**£ 2.3m**

2019 update  
**£ 4.9m**

2020 update  
**(£ 6.4m)**



### Funding level

The assets as a percentage of the liabilities.

2018 valuation  
**102%**

2019 update  
**104%**

2020 update  
**95.4%**

This means that since 5 April 2018, the Scheme's funding situation has deteriorated.

This is due to the actual experience, being less favourable than what was assumed as part of the 2018 valuation.

## Another legal requirement for the Scheme...

As part of the valuation, the actuary also has to work out the funding level assuming the Scheme doesn't continue and all the promised benefits are secured ("bought out") by transferring the obligation to pay them to an insurance company.

This kind of funding level (called the solvency funding level) is usually significantly lower than funding levels worked out if we assume the Scheme carries on. This is because insurance companies have to invest in 'low risk' assets and they also have to hold reserves to demonstrate they have enough money to pay out the benefits. This makes buying-out benefits expensive.



### Assets

The money the Scheme has now.

2018 valuation  
**£ 128.3m**



### Buy-out cost

The cost of securing benefits with an insurance company.

2018 valuation  
**£ 144.2m**

The calculation estimates the cost of providing the promised benefits if the Scheme ended on 5 April 2018 and the responsibility of paying the benefits was transferred to an insurance company.



### Deficit assuming a "buy-out"

The assets minus the buy-out cost.

2018 valuation  
**£ 15.9m**



### Solvency funding level

The assets as a percentage of the buy-out cost.

2018 valuation  
**89%**

## So how secure is my pension?

The Trustees aim to have enough money to pay pensions and other benefits to members as they are due.

However, in the event the Scheme was wound-up without enough money to buy all the benefits with an insurer, then, unless AVX Limited could afford to pay the difference, it's unlikely you'd receive the full pension benefits you were expecting.

To help members in this situation, the Government set up the Pension Protection Fund (PPF) in 2005.

The pension you would receive from the PPF depends on your age and when your benefits were earned. Further information and guidance is available on the PPF website at [www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk) - or you can write to the Pension Protection Fund at:

Renaissance, 12 Dingwall Road, Croydon CR0 2NA.

Including this information doesn't mean that AVX Limited or the Trustees are planning to wind up the Scheme. We are required by law to give you this information.

We are also required to tell you if there have been any surplus payments from the Scheme to AVX Limited since the last funding statement, or whether the Pensions Regulator has intervened to change the way benefits build up, the way valuations are worked out, or the way any funding shortfall is being met.

In each instance, the answer is no.

### Where can I get more information?

If you have any other questions about this funding statement, or would like any more information about the Scheme, please contact the Scheme administrator:

[glasgowteam4@mercer.com](mailto:glasgowteam4@mercer.com)

We'll send you a summary funding statement when we have updated information on the Scheme's finances to share with you – if you change address, please let us know by contacting the Scheme administrators.

## Message from the Trustees as a result of COVID-19

As a result of the impact of COVID-19 the Scheme's funding position and investment strategy continue to be monitored by the Trustees and their advisors. While global equity markets and certain wider investments have seen significant falls, the Scheme's investment strategy is well diversified which has helped to mitigate the strain this places on funding. Active decisions have (and continue to be) taken to ensure that the Scheme's funding level is protected as well as possible in these uncertain times, whilst focussing on delivering the returns needed in the long-term to meet benefit payments. The Trustees would like to reassure members that benefits continue to be paid in full, in line with the Rules of the Scheme.

Recent Government and Health Authority advice has also meant that we, and our advisers, have had to change the way in which we work to safeguard the health and wellbeing of the team that administer the Scheme. This, alongside the increased member queries, means that Mercer as the Scheme's administrator, may not be able to respond to you as quickly as we would like, but please be assured that you will receive a response as soon as possible. Please be assured that Mercer will prioritise key processes and payments, and are working to maintain as normal a service as is possible at this time.

## Pension Scams

We would like to take the opportunity to caution all members of a rise in the number of attempted scams being seen across pensions as a whole. Please remember that no party should approach you, or offer you inducements to transfer your pension benefits. If you are contacted, we would strongly advise that you reject the approach and report it immediately. Do not be embarrassed or stay silent about it - contact Action Fraud on 0300 123 2040 or at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

Advice from the Pensions Regulator about pension scams can be found at the link below:

<https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/pension-scams-booklet-members.ashx>

## Additional Support

Our administrators are providing additional resources to employees to aid "Financial Wellbeing" during these uncertain times. The Financial Wellbeing website includes content designed to help you make the most of your money during uncertain times and can be accessed via:

<https://www.uk.mercer.com/our-thinking/dealing-with-the-impact-covid19/financial-wellbeing-employee-toolkit.html>

In addition, the administrators are hosting a general website for pension scheme members, providing helpful articles and links on where to get pension related information. The site can be accessed at:

<https://www.merceroneview.co.uk/covid>

**Issued on behalf of the Trustees of the AVX Limited Pension Scheme.**