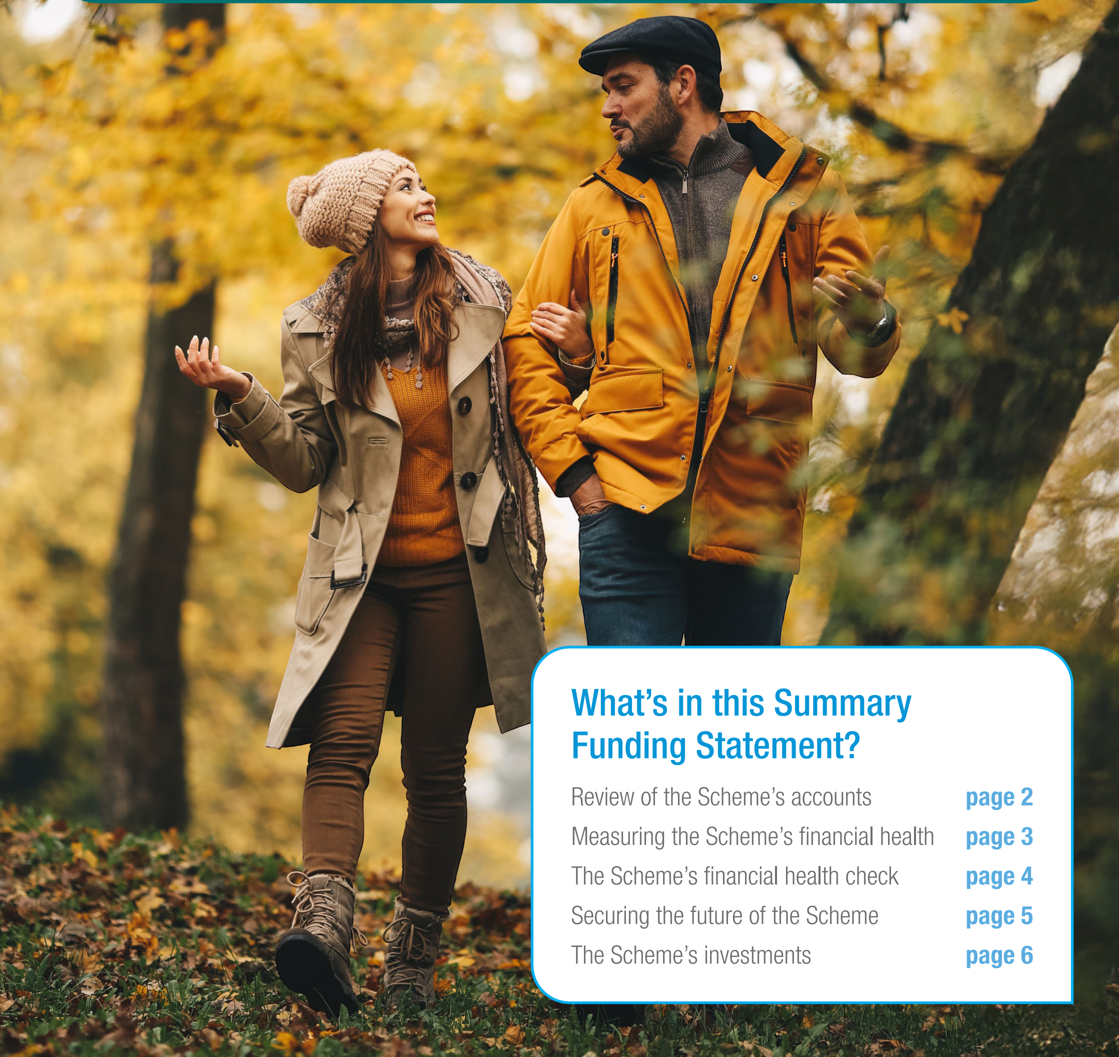
2024

VAILLANT GROUP PENSION SCHEME

Summary Funding Statement

Your Defined Benefit Scheme (the Scheme)

Based on results from the Actuarial Report as at 5 April 2024 and information from the Scheme's 2024 Report and Accounts.



What's in this Summary Funding Statement?

Review of the accounts

On this page, you can see the Scheme's receipts and payments for 2023/2024. These are audited figures which may differ from those shown on **page 4**.

Net assets at beginning of year
(06/04/2023) £465.5m

+

Cash received

Company contributions	£21.9m
Investment income received (net of fees)*	£2.2m
Total	**£24.1m**

−

Change in investment value	**(£0.74m)**
Investment management expenses	**(£1.32m)**

−

Cash paid

Benefits paid	(£32.5m)
Transfers	(£0.16m)
Total	**(£32.6m)**

=

Net assets at end of year
(05/04/2024) £454.9m

Note: The figures in this table have been rounded up. Figures in brackets represent minus figures.
*Where these are directly invoiced to Scheme.

As at 5 April 2024, the net assets of the Scheme were **£454.9m**. This means there was a decrease of **£10.6m** since the last Actuarial Report as at 5 April 2023.

This decrease in assets was also paired with a decrease in long-term liabilities, which means the Scheme's overall funding level has increased significantly between April 2023 and April 2024. This means the Scheme is now closer to its aim of full funding. You can find out more about the funding level on **page 6**, along with more information about the Scheme's financial health.

Jargon buster

Assets – the money available to the Scheme, built up from contributions from members and the Company, plus any investment returns (minus any expenses paid by the Scheme).

Liabilities – the estimated cost of providing pensions currently in payment and future benefits that have been promised to members (or their dependants) who have not yet retired.

Shortfall/Deficit – when the value of the Scheme's assets is less than the value of its liabilities.

Measuring the Scheme's financial health

What is an Actuarial Valuation?

Every three years, an actuary carries out a financial health check on the Scheme – this is called an actuarial valuation and it lets us know how well funded the Scheme is. The last full actuarial valuation was as at 5 April 2022, and we recently communicated these results to you through the Special Valuation Newsletter which we issued to all members in November 2023.

What is an Actuarial Report?

In between valuations, an actuary creates a report which allows us to track the Scheme's financial health in the years between full actuarial valuations. Though actuarial reports aren't as detailed or accurate as full actuarial valuations, they allow us to effectively track and monitor the Scheme's funding level year on year, and this informs the Trustees as to whether additional actions need to be taken, or whether extra measures need to be put in place to continue to protect the benefits (and prospective benefits) of all our members.

Why do we have actuarial valuations and reports?

It's important to check the Scheme's funding levels and financial security regularly because this allows us to decide whether we need to take any action in members' best interests. Regular checks also help us to identify any future funding risks and give us a clear picture of how the Scheme's assets compare to its liabilities.

How do we measure the Scheme's financial health?

Both actuarial valuations and actuarial reports measure the difference between the Scheme's assets and liabilities – this difference is expressed as a percentage which we call the funding level. If the Scheme's assets are greater than its liabilities, it has a surplus, and its funding level would be expressed as 100% or more. If the Scheme's assets are less than its liabilities, it has a shortfall or deficit, and its funding level would be less than 100%. If there is a shortfall in the Scheme's funding, the Trustees take action to reduce it.

As well as our goal of achieving a funding level of 100%, we have set a longer-term target for the Scheme that looks beyond this to help secure members' assets even further into the future, without the need to rely on the Company to pay additional contributions. We call this longer-term target "self sufficiency" and it is a target that is much closer to "buying out" all of the benefits with an insurance company. We also measure the Scheme's financial security against this longer-term target as well as the goal of reaching full funding.

When will the next full actuarial valuation take place?

The next actuarial valuation will take place as at 5 April 2025.

The Scheme’s financial health check

On this page you can see the findings from the latest Actuarial Report as at 5 April 2024 compared with the Actuarial Report figures from 2023 and the Actuarial Valuation figures from 2022.

The last full Actuarial Valuation was carried out as at 5 April 2022. At that point, the Scheme’s funding level was 91% (meaning the Scheme’s assets covered 91% of its liabilities).

The Actuarial Report as at 2023 showed a funding level of 85% and the most recent Actuarial Report, as at 5 April 2024, showed a funding level of 92%.

Change since the last Actuarial Report and Valuation:

As at 5 April 2022 (Actuarial Valuation)		As at 5 April 2023 (Actuarial Report)		As at 5 April 2024 (Actuarial Report)	
Liabilities	£744.9m	**Liabilities**	£549.1m	**Liabilities**	£492.8m
Assets	£676.2m	**Assets**	£465.2m	**Assets**	£455.3m
Funding level	91%	**Funding level**	85%	**Funding level**	92%

Note: Figures are rounded. The Scheme Actuary’s annual report is based on the Scheme’s ‘unaudited’ asset values so the figures in this table will differ from the actual audited asset values on **page 2**.

More detail on what’s happened since the last Actuarial Valuation and Report

The decrease in the value of the Scheme’s assets since 5 April 2023 was primarily due to a reduction in the monthly amount of Recovery Plan contributions being paid by the Company from November 2023. This meant more assets needed to be disinvested to meet the increasing levels of pension benefits being paid to members who are currently receiving their pension.

However, it’s important to note that while the Scheme’s assets decreased between 5 April 2023 and 5 April 2024, there was also a significant decrease in long-term liabilities. This has improved the funding level from **85%** to **92%**, bringing us closer to the long-term target.

The Trustees are confident the Scheme can continue to pay benefits and remains financially stable.

Securing the future of the Scheme

The Scheme currently has a Recovery Plan in place to pay off the shortfall by October 2025 with the help of scheduled contributions from the Company.

Recovery Plan contribution schedule:

Period	Deficit contributions
1 May 2022 – April 2023	£22 million
1 May 2023 – October 2023	£19.35 million
1 November 2023 – 31 October 2025	£12 million

The Company will also continue to pay the vast majority of the administration and running costs of the Scheme.

Looking ahead

The Trustees continue in their efforts to look beyond the Recovery Plan and further into the future with the aim of providing even more security for members' benefits. To this end, we have agreed a long-term target that aims for the Scheme to reach full funding by April 2034. Our goal is to manage the Scheme towards 'self-sufficiency', with far less reliance on the Company's contributions, and with the ultimate objective of securing all benefits through an insurance company.

What if the Scheme were to wind up?

If the Company were to go out of business, we would expect it to pay the Scheme the amount needed to secure your pension benefits with an insurance company. This means the Scheme would 'wind up', or no longer exist.

If the Scheme had wound up on 5 April 2022 (the date of the last full Actuarial Valuation), its assets would have covered around 75% of the estimated costs of paying members' benefits. In the unlikely event that the Company became insolvent, the Pension Protection Fund (PPF) may be able to compensate our members.

The good news is that there are no plans for the Scheme to wind up and we're only including this information because it's a legal requirement.

Additional information

We can also confirm that The Pensions Regulator (TPR) hasn't used any of its legal powers relating to:

- The method or assumptions used to calculate the Scheme's liabilities,
- The length and structure of the Recovery Plan, or the contributions to be paid.

The Scheme's investments

Find out more about the Scheme's investment strategy and the impact recent market events have had on investments.

Recent market events

You may remember that the government's Q4 2022 mini budget had a substantial impact on our funding levels, as hedging protections were negatively affected. This caused UK pension schemes to liquidate assets to meet cash flow demands and collateral calls. The Trustees worked diligently to restore the Scheme's hedging level to 95%, which was successfully achieved by mid-2023.

The Trustees continue to regularly review and monitor the Scheme's hedging strategies and risks, with advice from SEI, our investment adviser and fiduciary manager.

Where does the Scheme invest?

Pooled Investment Funds (by type)	**Market Value at 5 April 2024**
Fixed Income	£260.1m
Equities	£87.2m
Alternatives	£69.1m
Property	£34.9m
Cash (and monies awaiting investment)	£3.6m
AVCs	£0.4m
Total	**£455.3m**

Note: The figures in this table have been rounded up.

Get in touch

The Company's Pensions Team looks after the administration of your benefits. Please get in touch if you want more information about the Scheme or if you have a specific query about your benefits.

Write to: Vaillant Group Pension Scheme, Nottingham Road, Belper, Derbyshire. DE56 1JT

Email: vaillant.pensions@vaillant-group.com **Telephone:** 01773 596 048

! Visit **vaillantpensions.com** for up-to-date information on the Scheme and to find both old and new useful documents.