

MoDo Merchants Pension Scheme

Summary Funding Statement for the funding update as at 30 June 2022

As required under the Pensions Act 2004, this Summary Funding Statement is being issued to give you, as a person entitled to benefits from the MoDo Merchants Pension Scheme (the "Scheme"), an update of the Scheme's funding position. The Trustee of the Scheme is responsible for its overall management and issue a Statement like this to all members each time they receive a formal update on the funding position of the Scheme from the Scheme Actuary.

This Statement has been prepared by the Trustee. The information in this statement is based on the latest funding valuation, which was carried out as at 30 June 2020 and actuarial reports as at 30 June 2021 and 30 June 2022.

Please note that no action is required by you. This Statement is for information only.

Funding update as at 30 June 2022

Formal funding valuations are carried out every three years with the next one due as at 30 June 2023. In the intervening years, an actuarial report is produced providing an update to the funding position. The Trustee also monitors the position on a more regular basis.

The Trustee has recently received an actuarial report providing an approximate update on the funding position as at 30 June 2022. The results were as follows:

	30 June 2022 Actuarial Report	30 June 2021 Actuarial Report	30 June 2020 Valuation
Assets	£27.4m	£34.4m	£37.8m
Amount needed to provide benefits (also known as liabilities and 'Technical Provisions')	£25.3m	£31.5m	£35.3m
Surplus / (shortfall)	£2.1m	£2.9m	£2.5m
Funding level	108%	109%	107%

The funding position deteriorated slightly in the year 30 June 2022. The increase in the gilt yields has increased discount rates which, in isolation, reduces the value of liabilities and leads to an improvement in the funding position. This improvement was more than offset by actual inflation experience over the period plus a fall in asset values, reflecting the increase in gilt yields noted above as well as losses in most growth assets. However, the Scheme remains in surplus on this (Technical Provisions) funding measure.

Whilst the funding level remains above 100%, no further deficit reduction contributions are due under the recovery plan. The next valuation is as at 30 June 2023 when funding and any contributions will be reviewed.

The Employer has agreed to pay the amounts necessary to meet the expenses incurred in the management of the Scheme, including any Pensions Regulator and Pension Protection Fund levies.

What is the position if the Scheme were to be wound up (the 'buy-out' position)?

For each full actuarial valuation, the Scheme Actuary also compares the value of the assets and the liabilities on the buy-out basis. This is a regulatory requirement and assumes that all the liabilities of the Scheme would be secured through an insurance company, based on the Scheme's guaranteed benefits. Insurance companies tend to place a higher value on scheme liabilities than the ongoing

Technical Provisions basis used by the Trustee for funding purposes. The Scheme Actuary's estimate of the funding level on a buy-out basis was 96% as at 30 June 2020.

This position varies over time as it does for the funding basis. It also depends on the level of competition in the insurance market. The actual position can only be known if quotes are obtained from the insurance market. The Trustee is required by law to provide you with this information on the Scheme's solvency position. It does not imply that there is any intention to wind up the Scheme.

What would happen if the Scheme started to wind up?

If the Scheme were to start to wind up, the Employer is required to pay enough into the Scheme to enable the members' benefits to be completely secured with an insurance company. It may be, however, that the Employer would not be able to pay this amount. If the Employer becomes insolvent, the Pension Protection Fund may take over the Scheme and pay compensation to members but note that the compensation may not necessarily be at the same level as the benefits that are provided by the Scheme.

Further information and guidance is available on the Pension Protection Fund's website at www.pensionprotectionfund.org.uk.

Payment to the Employer

We are required to notify you if there have been any payments to the Employer out of the Scheme since the previous summary funding statement. We confirm that there have not been any such payments.

Pensions Regulator intervention

We are required to notify you if the Pensions Regulator has used its statutory powers to intervene in the Scheme. Such an intervention may be:

- to modify the future accrual of benefits;
- to give directions that either set the manner in which actuarial calculations of the Scheme's funding situation are done or set the period in which any funding shortfall must be remedied; or
- to impose a schedule of contributions stipulating what contributions must be paid by the employer and active members and by when they must be paid.

We confirm that there have not been any such Pensions Regulator interventions.

How the Scheme operates

How is my pension paid for?

The Employer and members have paid contributions to the Scheme so that members' pensions can be paid when they retire. The money to pay for members' pensions is held in a common fund. It is not held in separate funds for each individual.

How is the amount the Scheme needs worked out?

The Trustee has a funding plan (the Statement of Funding Principles) agreed with the Employer which aims to make sure there is enough money in the Scheme to pay for pensions now and in the future. The amount of money the Employer pays into the Scheme may go up or down following regular funding assessments by the Scheme Actuary.

The importance of the Employer's support

The Trustee's objective is to have enough money in the Scheme to pay pensions now and in the future. To meet this objective the Scheme relies on the Employer's continuing support because:

- the Employer will be paying the future expenses of running the Scheme;
- the funding level can fluctuate, and when there is a funding shortfall, the Employer will usually need to increase its contribution to the Scheme; and
- the target funding level may turn out not to be enough so that the Employer will need to increase its contribution further to ensure benefits are paid in full.

Where can I get more information?

If you have any other questions, or would like any more information about the Scheme, please contact the Scheme Administrator, Capita Pension Solutions, at the details, in the first instance.

Trustee of the MoDo Merchants Pension Scheme

c/o Capita Pension Solutions: Whitstable operations, PO Box 555, Stead House, Darlington, DL1 9YT

Email: modo@capita.com

Phone: 01227 773 974

Please help us to keep in touch with you by telling us if you change address.

Useful sources of information

The following websites contain useful information regarding pensions and retirement:

www.gov.uk/plan-retirement-income

www.ageuk.org.uk/money-matters/pensions/what-to-think-about-when-planning-for-retirement/

www.thepensionsregulator.gov.uk/individuals.aspx

Important: If you are thinking of leaving the Scheme for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action.

Yours sincerely

The Trustee of the MoDo Merchants Pension Scheme

August 2023

Additional documents available on request:

The *Statement of Funding Principles*. This sets out the Scheme's funding plan.

The *Statement of Investment Principles*. This explains how the Trustee invest the money paid into the Scheme.

The *Schedule of Contributions*. This shows how much money is being paid into the Scheme.

The latest *Annual Report and Accounts* of the Scheme, which shows the income and expenditure.

The full report on the *Scheme Funding Assessment as at 30 June 2020*.

The *Actuarial Report as at 30 June 2021*.

The *Actuarial Report as at 30 June 2022*.

The *Trust Deed and Rules* of the Scheme, which is the governing documentation of the Scheme.