mid kent group
pension scheme

Your Summary Funding Statement

The Scheme has a dedicated actuary, Shireen Anisuddin of Hymans Robertson LLP, who helps us make sure the Scheme has enough money to pay members' benefits in full now and in the future. The Trustee receives a report from Hymans Robertson every year, and every three years a full valuation review is undertaken.

The last full valuation was completed as at 31 March 2020 and found that the Scheme had assets of £124.4 million. The cost of paying out all pensions in full was estimated to be £120.8 million, leaving a surplus of £3.6 million. In other words, we had 103% of the money we needed at that time to meet our commitments to our current and future pensioners.

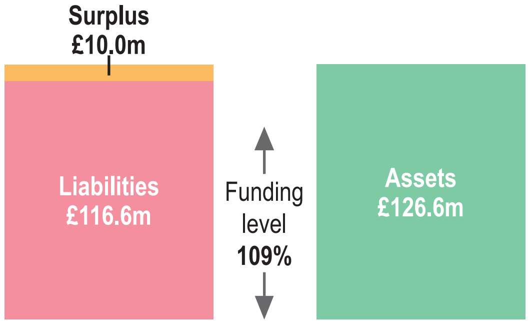
Even though the Scheme is in surplus, the Trustee and Employer have agreed to continue the contributions to help meet the long-term funding objective of having enough funds available to be able to 'buy out' the Scheme with an insurer by 31 March 2030. The Employer has agreed a commitment to pay £1.1 million a year into the Scheme. These payments will continue, increasing in line with the Retail Prices Index, until 31 March 2025. A copy of the schedule of contributions is available upon request from the Scheme Administrator.

As you will see from the chart below, the latest annual update as at 31 March 2021 showed the Scheme having 109% of the money it needed to meet its commitments. This is primarily due to the recovery of the Scheme's investments from the lows hit at the outset of the COVID-19 pandemic in March 2020.

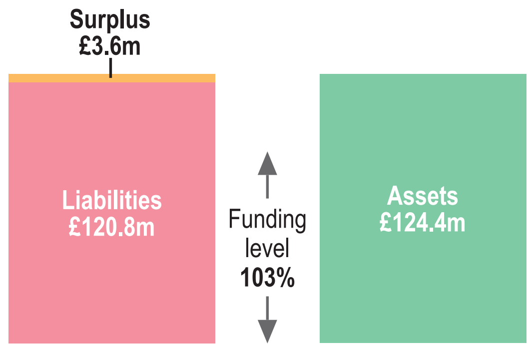
Assets	Liabilities	Surplus	Funding level
The value of the Scheme's investments	The estimated costs* of providing members' benefits	The difference between the assets and the liabilities	Surplus expressed as a percentage
Value as at 31 March 2020	Value as at 31 March 2020	Value as at 31 March 2020	Value as at 31 March 2020
£124.4 million	£120.8 million	£3.6 million	103%
Value as at 31 March 2021	**Value as at 31 March 2021**	**Value as at 31 March 2021**	**Value as at 31 March 2021**
£126.6 million	**£116.6 million**	**£10.0 million**	**109%**

What is the current situation?

The funding position as at 31 March 2021 is shown below.



Results of the Scheme's full valuation as at 31 March 2020



What if the company could no longer support the Scheme?

As part of our reporting responsibilities, we need to let you know what could happen in the event that the Company was no longer able to support the Scheme. Including this information doesn't mean that the Company or the Trustee are planning to wind up the Scheme, it simply forms part of our report.

The Scheme could continue

Pensions would continue to be paid, but the investment strategy would change, and all Scheme expenses would be paid for out of Scheme funds.

The Scheme could be wound up

If the Scheme wound up, its assets would be sold, and the money used to buy policies from an insurance company to pay members' pensions. This is an expensive option and we expect that the cost of buying out members' benefits would be significantly higher than £120.8 million. In fact, at the last valuation, it was estimated that the Scheme would need £140.4 million to buy out members' benefits.

The Pension Protection Fund could become involved

The Pension Protection Fund (PPF) aims to provide compensation to members of final salary pension schemes if their employer goes out of business and the scheme does not have enough to pay the benefits promised. You can find more information about the PPF on their website at: www.pensionprotectionfund.org.uk

And finally,

Legally, we must confirm that the Company has not taken any surplus payments out of the Scheme in the last 12 months. We can also confirm that The Pensions Regulator has not intervened to change the way that benefits build up, how valuations are calculated, or the way the funding shortfall is met.

Know your investments

How is the Scheme invested?

We work with our advisers to decide where to invest the Scheme's assets. Over the year, we have invested in a new asset-backed securities fund. We are confident that the updated strategy spreads the investments efficiently between growth assets to achieve returns that outperform inflation, and matching assets which give more stable returns providing cashflows that match the movement of the Scheme's liabilities. Full details are in our Statement of Investment Principles which is available upon request from the Scheme Administrator.

Type of investment	Allocation as at 31 March 2021	Target allocation
Growth assets		
Global Equity	9.1%	7.5%
Absolute Return	4.7%	5.0%
Higher Risk Absolute Return Bonds	13.5%	12.5%
Multi-Asset Credit	7.0%	7.5%
Total growth assets	**34.2%**	**32.5%**
Matching assets and other investments		
Asset Backed securities	2.1%	67.5% (total)
Lower Risk Absolute Return Bonds	27.5%	
Gilts/Liability Driven Investments	29.4%	
Buy-in	4.4%	
Total matching assets	**63.4%**	**67.5%**
Other investments		
Cash	2.4%	0.0%
Total other investments	**2.4%**	**0.0%**
Total	**100%**	**100%**

The percentage holding doesn't always match the Scheme's target allocation because the values of these assets are changing all the time and so the allocations will naturally drift away from their targets.

How have the funds performed?

The returns on the Scheme's investments (net of charges) is shown below against the benchmark.

Period to 31 March 2021	Fund return	Benchmark return
1 year	5.0%	1.1%
3 years (% a year)	4.8%	5.5%

In absolute terms, the Scheme's investments saw growth at 5.0% over the last year, and by 1.1% a year over the last three years.

Technical corner

Absolute Return
This approach aims to produce positive returns in all market conditions by investing across a wide range of different types asset classes.

Absolute Return Bonds
This approach aims to produce positive returns in all market conditions by investing across a range of different types of investment fixed income securities such as bonds.

Asset-Backed Securities
Bonds that are backed by a pool of underlying loans such as mortgages.

Corporate Bonds / Gilts
Bonds are loans to companies which are repaid at the end of an agreed period. Gilts are loans to the UK Government.

Equity
Equity funds invest in stock markets. So, for example, our global equity fund invests in companies around the world.

Liability Driven Investments
These aim to react to changes in the Scheme's liabilities (the cost of providing benefits).

Multi-Asset Credit
This fund generates returns by lending to businesses through a variety of different investments such as loans and corporate bonds.

Buy-in
This is an insurance policy held by the Trustee to cover the cost of some of the pension payments the Scheme makes.

Money matters

Payments into and out of the Scheme between 1 April 2020 and 31 March 2021.

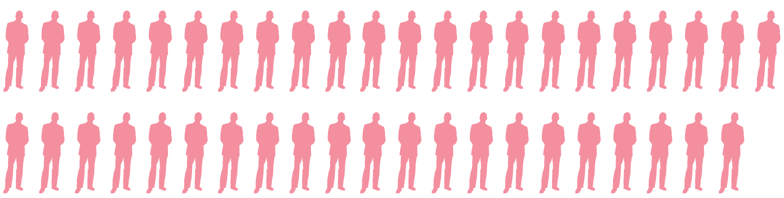
Net assets as at 31 March 2020		**£124,355,000**
+	Contributions received	£1,398,000
+	**Total income**	**£1,398,000**
-	Benefits	(£4,567,000)
-	Leavers	(£505,000)
-	Administrative expenses	(£261,000)
-	**Total expenditure**	**(£5,333,000)**
+	Investment income	£1,692,000
+	Change in market value of investments	£4,757,000
-	Investment management expenses	(£258,000)
+	**Net return on investments**	**£6,191,000**
Net assets as 31 March 2021		**£126,611,000**

Our members

Here's a breakdown of the Scheme membership as at 31 March 2021:

Members who haven't retired: 199

Pensioners: 404



Contact details

For queries relating to individual benefits or changes to personal details, such as name or address, please contact the Scheme Administrator, Hymans Robertson:

Mark Dance or James Bownes at:

Mid Kent Group

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