

SUMMARY FUNDING STATEMENT 2014

FUNDING UPDATE

The Trustee board recently finalised their triennial actuarial valuation as at 5 April 2014. The report showed the Scheme has an estimated deficit of £123 million. This is slightly higher than the £117 million deficit that was identified in the 2011 valuation but is lower than the deficit estimated on 5 April 2013.

	5 APRIL 2011	5 APRIL 2013	5 APRIL 2014
Assets	£667m	£941m	£915m
Liabilities	£784m	£1,149m	£1,038m
Shortfall	£117m	£208m	£123m
Funding level	85%	82%	88%

From April 2013 to April 2014, the return seeking assets in the portfolio produced a 4.9% return. However, the liability matching portfolio reduced in value, and this has resulted in a reduction in the total asset value and a negative total portfolio return. However, the liability matching portfolio moves broadly in line with Scheme liabilities, so liabilities fell by a similar amount.

As part of the 2014 valuation there were also some changes made to the assumptions used to value the liabilities which resulted in a decrease to the liability value.

Overall, we have seen an improved funding position over the year, from 82% to 88% at 5 April 2014.

The Trustee board will monitor the deficit on a quarterly basis. The next full valuation will take place as at 5 April 2017.

RECOVERY PLAN

The Recovery Plan requires the employers to pay a lump sum each year until 2024 to make good the deficit. The amount to be paid each year is set out in the Recovery Plan and broadly reduces over time from £15.9m to £3.6m.

THE COVENANT

The Trustee is able to manage the Scheme on the “ongoing” basis because of the continuing support of AgustaWestland UK. This is crucial because in a defined benefit scheme like ours, all of the money is held in a common fund and ultimately, if there is not enough money to pay the benefits, the employers are required by law to put more in. This means that we can carry on paying benefits in full while the funding level is below 100%.

As part of the research for the valuation the Trustee board reviewed the financial strength of AgustaWestland UK. To do this we reviewed information from a number of different sources. This year we have obtained independent analysis of the accounts of both AgustaWestland UK and its ultimate parent company, Finmeccanica.

For the avoidance of doubt, the Trustee has made no payments to any participating employer out of Scheme funds other than those required for the pension administration services provided by employees of AgustaWestland Limited.

THE SOLVENCY POSITION

The funding numbers (left) are from the “ongoing” valuation. It assumes that the Scheme will continue with the support of AgustaWestland.

In addition the Trustee is required to review the position if that support was no longer available.

The “solvency” position is what might happen if the Scheme stopped and the benefits were instead passed to an insurance company.

The solvency position is worse than the ongoing one because an insurance company would manage the money much more cautiously than the Trustee is currently able to do with the ongoing support of AgustaWestland UK. A margin is also built in for the insurance company’s expenses and profit.

At the valuation date (5 April 2014) the estimated funding ratio on this measure stood at 54% (which is the same as the ratio in 2011).

WORST CASE SCENARIO

The “solvency” position illustrates the amount of money the employers would need to pay to the Scheme if they ever wanted to wind up the Scheme. The Scheme is also required to pay levies to the Pension Protection Fund (PPF).

In the unlikely event that the participating employers became insolvent, the Trustee could call upon the PPF to compensate members, which currently provides up to 90% benefit protection in most cases.

If you would like more information about the Pension Protection Fund you can visit their website at www.pensionprotectionfund.org.uk.

The Pensions Regulator has various powers which it can exercise if it thinks that the Scheme’s recovery plan is not appropriate. These powers include (1) ordering modifications to future benefits, (2) giving directions on how liabilities are measured and (3) ordering a change to the schedule of contributions. The Trustee can confirm that the Pensions Regulator has not used any of its powers in relation to the Scheme.

GETTING IN TOUCH

Further information can be found on the Scheme website, www.awpensions.co.uk

If you have questions about your benefits you can speak to our third party administrators, Aon Hewitt, direct on 0845 600 8796 or you can email them at westland@aonhewitt.com

Alternatively for questions to the Trustee or other matters you can contact the Pensions Department on 01935 705353, by email pensions@agustawestland.com or on the Yeovil site in building 212.

The Scheme address is:
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Box 205, Yeovil, BA20 2YB