

# SUMMARY FUNDING STATEMENT 2013

## FUNDING UPDATE

The Trustee board recently received their annual actuarial report as at 5 April 2013. The report showed the Scheme has an estimated deficit of £208 million. This is higher than the £117 million deficit that was identified in the 2011 valuation but is lower than the deficit estimated on 5 April 2012.

	5 APRIL 2011	5 APRIL 2012	5 APRIL 2013
<b>Assets</b>	£667m	£794m	£941m
<b>Liabilities</b>	£784m	£1,005m	£1,149m
<b>Shortfall</b>	£117m	£211m	£208m
<b>Funding level</b>	85%	79%	82%

You will see that the Scheme assets have continued to grow, due to deficit reduction contributions and positive investment returns. However the liabilities have grown too, due to new benefits being accrued and movements in interest rates.

The funding deficit has reduced slightly since the last annual update, mainly due to positive investment returns and deficit reduction contributions offsetting the movements in interest rates.

The Scheme changed its investment advisers in 2012 and revised its investment strategy in order to further reduce the risks to the Scheme of adverse movements in the markets.

The next full valuation will take place as at 5 April 2014. In the lead up to the 2014 valuation, the Trustee board will monitor the deficit on a monthly basis.

## RECOVERY PLAN

The Recovery Plan requires the employers to pay a lump sum each year until 2020 to make good the deficit. The amount to be paid each year is set out in the Recovery Plan and varies between £10.4m and £18.2m.

## 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 2011) the estimated funding ratio on this measure stood at 54% (an improvement from 45% in 2009).

## 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](http://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](http://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](mailto: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](mailto:pensions@agustawestland.com) or on the Yeovil site in building 212.

The Scheme address is: AgustaWestland UK Pension Scheme, Lysander Road, Box 205, Yeovil, BA20 2YB