THE FIRST UK BUS PENSION SCHEME
SUMMARY FUNDING STATEMENT 2023

The purpose of this statement is to provide you with an update on the funding position of the Defined Benefit Section of The First UK Bus Pension Scheme ('the Scheme') following the completion of the latest annual update prepared by the Scheme Actuary.

Background

An in-depth financial review (or 'actuarial valuation') of the Scheme's finances is carried out at least once every three years. This compares the value of the Scheme's assets with the amount required to provide the benefits under different scenarios, including:

- On an 'ongoing basis', which assumes that, as intended, members will continue receiving benefits through the Scheme for the foreseeable future;
- On a 'full solvency' basis, which assumes the Scheme was wound-up on the date of the valuation. This notional scenario is prepared to comply with legal requirements.

In the intervening years, formal updates on the Scheme's funding position are provided by the Scheme Actuary. These 'annual updates' do not have the same degree of reliability as actuarial valuations, but they are a useful tool for the Trustee to see how the Scheme's funding position is developing.

The last actuarial valuation was carried out as at 5 April 2021 and we reported the results of this, alongside the annual update as at 5 April 2022, in last year's Summary Funding Statement.

Annual update as at 5 April 2023

During the year to 5 April 2023 long-term interest rates rose significantly, reducing both the value of the Scheme's assets and the amount needed to provide members' benefits.

The most recent annual update, as at 5 April 2023, showed that on that date:

- the Scheme's assets were estimated to be worth £1,088 million;
- the amount needed to provide all of the benefits built up by members on an ongoing basis (also known as the Scheme's 'Technical Provisions') was estimated to be £1,224 million.

As a result:

- the Scheme's funding level was estimated to be **89%** (a fall of around 1% since the previous update);
- the Scheme's deficit was estimated to be **£136 million** (a reduction of around £37 million since the previous update).

Our funding plan

As reported in last year's Summary Funding Statement, the Company agreed to make the following contributions into the Scheme in order to address the deficit on the ongoing basis revealed at the 2021 actuarial valuation:

- Contributions of £2.75 million a month from 6 April 2021 until 5 July 2021;
- A one-off contribution of £220 million to be paid into the Scheme before 5 August 2021.

These contributions have now been paid, and they have contributed to the significant improvement in the funding position that we have seen since the last actuarial valuation.

In addition, the Company paid a further lump sum of £95 million into a Limited Partnership, held jointly with the Trustee. Under the terms of the Partnership, the proceeds will be paid into the Scheme if there remains a deficit in the Scheme at the conclusion of the 2024 actuarial valuation. To the extent that the full amount is not required, any excess will be returned to the Company at that point.

These contributions, together with expected investment returns on the Scheme's assets, were intended to restore the Scheme's ongoing funding level to 100% by 5 January 2027. They will be subject to review as part of the next actuarial valuation of the Scheme, which is due to take place as at 5 April 2024. We expect to be in a position to report the results of the 2024 actuarial valuation in 2025.

The 'full solvency' position

As at 5 April 2021, the Scheme had a funding level of 62% on the full solvency basis. These calculations are not updated in the years between actuarial valuations, however the position is likely to have improved significantly since 2021 due to the additional contributions referred to above.

It is usual for a scheme's funding level on the full solvency basis to be less than 100%. This is because the full solvency basis has to allow for the high price of insurance company annuity policies, which take into account factors such as likely future administration costs and insurance company profit margins.

Further information

We must also tell you if there have been any payments to the sponsoring employers out of Scheme funds in the last twelve months. There have not. The Pensions Regulator can change the Scheme, give directions about working out its technical provisions or impose a schedule of contributions. We are pleased to say that to date it has not needed to use its powers in this way for your Scheme.

The Task Force on Climate-related Financial Disclosures report can be found in the header of the Scheme's website under the heading ‘TCFD Report’. The website address is: https://firstbuspensionschemetrustee.co.uk

If you require any further information about the Scheme or a hard copy of the TCFD Report, please contact First Pensions on 0370 850 0712.