

Scheme Valuation Special – December 2023

Every three years the Scheme actuary completes a detailed funding valuation of the Scheme. The purpose of the valuation is to review the financial position of the Scheme and, if applicable, to set employer contribution rates. The current valuation (as at 30 June 2022) was formally signed off by the Trustee, the Company and Scheme Actuary in September 2023.

The Scheme actuary estimates the amount of assets that will be required to meet the benefit payments owed to members as they fall due. The formal valuation exercise is complex. The actuary needs to make assumptions about future rates of inflation, salary increases, longevity and investment returns.

Funding Position – Scheme remains in Surplus

The latest formal valuation as at 30 June 2022, showed a funding position for the ZPen Section of 102%. The surplus has increased from £63m at the last valuation to £135m at this valuation.

For the ES Executives' Section, the surplus has increased from £17.9m at the last valuation to £25.1m at this valuation. The funding level increased to 117%.

The results of this formal valuation are summarised in the following table:

<i>See the Trustee's Report and Accounts for further details</i>				
<i>An estimate of the amount needed to pay benefits, using the assumptions specified by the Trustee</i>				
Active liabilities	760	478	-	-
Deferred liabilities	3,451	2,657	8.9	-
Pensioner liabilities	3,455	3,392	172.6	147.5

Want more information about the results?

A copy of the full valuation results can be downloaded from the Library section when you log into the member area on the scheme website www.zpen.info.



Contributions

There is an asset backed contribution arrangement in place for the ZPen Section of the Scheme, which has continued to operate as expected since the previous valuation. This involved the establishment of a Scottish Limited Partnership (SLP) which generates income for the Scheme of £60m per annum. This was valued at £554m at 30 June 2022 and is included in the total audited value of assets for the ZPen Section of £6,662m. More information regarding this can be found in the full valuation report.

What happens if the Scheme winds up?

Our Scheme is supported by a strong company but if the Scheme were to wind up the law requires the employers to make sure that there is enough money in the Scheme to enable the trustees to secure members' benefits with an insurance policy.

There is a safety net set up to protect pension Schemes where employers go out of business. First of all the company itself has to try and pay the amount needed to top up the funds required to secure the benefits. If the company was insolvent and could not pay this debt, the government's Pension Protection Fund (PPF) might be able to take over the Scheme and pay benefits to members.

As part of the 2022 valuation, the Scheme Actuary estimated that, if the Scheme had wound up at 30 June 2022, there would be enough money to secure 74% of members' benefits in ZPen and 117% in the ES Exec section.

You can get the full picture by reading the full valuation report.

Payments to the company

The company settles all administration costs and invoices as the Trustee's agent and the Trustee reimburses the company accordingly. No other payments have been made to the company out of scheme funds over the last year. The scheme is not subject to any directions by the Pensions Regulator.

What's Next?

The Trustees and the Scheme Actuary will keep monitoring the Scheme funding and provide yearly updates in the annual Newsletter.

Further information

Should you require any further information, please contact the team by email (zpenteam@uk.zurich.com).