The Guide Dogs for the Blind Association Pension Scheme ("the Scheme")

Statement of Funding Principles

This Statement of Funding Principles has been adopted by the Trustee of The Guide Dogs for the Blind Association Pension Scheme (the "Scheme") for the purposes of the Scheme Funding Assessment as at 31 December 2023 (the Effective Date) after obtaining the advice of Martin West, the Scheme Actuary. This statement has been agreed by The Guide Dogs for the Blind Association (the "Employer"). The "Trustee" is GDBA (Pension Fund Trustee) Limited.

This statement is dated September 2024 and replaces any earlier version. The statement allows for:

- Recent information regarding the strength of the Employer's covenant.
- Recent mortality information published by the Continuous Mortality Investigation.
- The potential impact of GMP equalisation.

1. The Statutory Funding Objective

This statement sets out the Trustee's policy for securing that the Scheme meets the Statutory Funding Objective of Part 3 of the Pensions Act 2004, which is that the Scheme must have sufficient and appropriate assets to cover its Technical Provisions, which is defined as the amount required on an actuarial calculation to make provision for the Scheme's liabilities.

2. Funding Objectives in addition to the Statutory Funding Objective

There are no funding objectives other than the Statutory Funding Objective.

3. Directions by the Pensions Regulator

The Pensions Regulator has made no directions under section 231(2) of the Pensions Act 2004 as to the funding of the Scheme.

4. The Technical Provisions

Method

The actuarial method used in the calculation of the Technical Provisions is the Defined Accrued Benefit Method (DAB), as the Scheme is closed to new entrants and future accrual. Additional Voluntary Contributions (AVCs) which secure benefits on a money purchase basis are not included in the calculation of the Technical Provisions and, equally, are excluded from the asset value against which the Technical Provisions are compared.

Assumptions

Legislation requires that the assumptions used to calculate the Technical Provisions must be chosen prudently. The Trustee and the Employer have agreed to choose the assumptions on the basis that the Employer will continue to support the Scheme over its remaining lifetime. Appropriate margins are included to provide security against the effect

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of adverse deviations in the actual experience of the Scheme compared with the best estimates for the various assumptions.

The approach is based on the following principles:

- The development of the Scheme's investment strategy as its liabilities mature is allowed for by using different assumed investment returns pre- and post- retirement. The return post-retirement is based on a prudent assessment of future returns from assets considered appropriate to back pensions in payment. The return pre-retirement is based on a prudent assessment of future returns from assets considered appropriate to back pensions which will not come into payment for some time.
- Price inflation is assessed by considering the relative redemption yields available on suitably dated fixed interest and index-linked gilts, Bank of England inflation targets, swap market data and other relevant published information.
- Expected future mortality experience takes into account statistics published by the Continuous Mortality Investigation. Other demographic assumptions are based on a prudent assessment of likely future experience.
- In terms of overall margins for adverse deviation, the Trustee should take into account their assessment of the strength of covenant of the Employer, the level of risks inherent in the Scheme's investment strategy and the Scheme's solvency position.

The following assumptions are adopted by the Trustee for the funding assessment as at 31 December 2023. All market-related yields are taken at the close of business on the last working day immediately prior to the Effective Date.

Discount rates	The post-retirement discount rate will be set as the Moody's spot gilt yield curve plus 0.5% pa at all durations. The pre-retirement discount rate will be set as the Moody's spot gilt yield curve plus 1.25% pa., i.e. the post-retirement discount curve with an addition for potential outperformance on the assets of 0.75% pa simple at each duration. These assumptions are deemed to be net of all investment expenses.
RPI and CPI inflation rates	The RPI inflation assumption will be set at the implied rate of RPI inflation from the Moody's implied inflation yield curve directly for the duration of each cashflow at all durations. The CPI inflation assumption is the assumed rate of RPI inflation less a deduction of 1.0% pa until 2030, and CPI inflation is assumed equal to RPI inflation thereafter.

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Increases to pensions in payment	Annual increases to the component of each pension corresponding to pensionable service completed are assumed to be as follows: 1. Pre-6.4.88 GMP: no assumption is required (this element of pension is either non-increasing or increases at a fixed rate of 3% p.a.) 2. Post-5.4.88 GMP: each year's forward rate is capped at 3% on the CPI curve. For Pre-1 January 1996 joiners, this element of pension increases at a fixed rate of 3% p.a. 3. Non-GMPs accrued pre-6.4.97: no assumption is required (this element of pension increases at a fixed rate of either 3% p.a. or 5% p.a.) 4. Pension accrued post-5.4.97: each year's forward rate is capped at 5% on the RPI curve. The assumed rates of increase in each case are assessed using the Black-Scholes model with a volatility parameter of 1.4% pa.
Increases to pensions in deferment	Future annual increases to deferred pensions in excess of GMPs, which are subject to statutory revaluation, are assumed to apply in line with the CPI assumption, subject to a cumulative maximum of 5% pa for service up to 5 April 2009 or 2.5% pa for service after 5 April 2009. The cumulative maximum is applied over the entire period of deferment, and therefore includes any historic increases applied to the member's pension.
Mortality before and after retirement	The mortality rates are assumed to be in line with the S3NxA tables, with a scaling factor of 100% being applied for both males and females and adjusted for each members year of birth. The allowance for future improvements is to be based on the CMI_2022 core projection model, with a 1.5% pa long term improvement for males and females and 0.75% pa initial addition to mortality improvements.
New entrants	The Scheme is closed to future accrual effective from 31 December 2012.
Age at retirement	All members are assumed to retire at their Normal Retirement Age (NRA).
Age difference of dependants	Wives are assumed to be three years younger than their husbands.
Marital status	80% of members are assumed to be married at death.
Expenses	The Scheme's operational expenses and regulatory levies are payable by the Employer. Investment management fees are assumed to be borne by the Scheme.
Commutation	A specific allowance is made for members to exchange pension for cash at retirement. Members are assumed to take 75% of the HMRC maximum-permitted tax-free cash lump sum using the Scheme's conversion terms that applied at the Effective Date.
Discretionary benefits or increases	No allowance is made for the future award of discretionary benefits, discretionary pension increases or augmentations in the calculation of the Technical Provisions.

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Allowance for GMP equalisation	It is recognised that there is likely to be an additional cost for the Scheme arising from the need to amend the Scheme's benefits to reflect unequal GMPs, but it is noted that the precise alterations which will be required are currently uncertain. Accordingly, an approximate allowance in regard to GMP equalisation is made amounting to 1% of the otherwise-calculated Technical Provisions.

5. Period within which and manner in which a failure to meet the Statutory Funding Objective is to be rectified

The Trustee and the Employer agree that any funding deficit identified at a Scheme Funding Assessment should be eliminated as quickly as the Employer can reasonably afford. In determining the actual recovery period the Trustee's principles are to take into account the following factors:

- the size of the funding deficit;
- the Scheme's changing liability profile and its effect on the expected cash flows from the Scheme;
- the business plans of the Employer;
- the Trustee's objective assessment of the financial covenant of the Employer;
- any contingent security offered by the Employer; and
- relevant legislation and market practice.

The Trustee would normally expect the recovery period to be no longer than 10 years.

6. Policy on treatment of surplus of assets over Technical Provisions

The Trustee and Employer agree that if the Scheme is assessed to have an excess of assets over Technical Provisions, the excess should be carried forward to the next Scheme Funding Assessment as a margin against adverse experience and to help protect the solvency level on the buy-out basis.

7. Arrangements by a person other than the Employer or a Scheme member to contribute to the Scheme

Payments to the Scheme may be received from the Employer, or any associated subsidiary company thereof, in lieu of contributions otherwise due from the Employer. This will apply at the request of the Employer.

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8. Policy on reduction of cash equivalent transfer values (CETVs)

The Trustee may ask the Scheme Actuary to advise them at each Scheme Funding Assessment of the extent to which assets are sufficient to provide CETVs for all non-pensioners without adversely affecting the security of the benefits of other members and beneficiaries. Where coverage is less than 100% the Trustee may consider reducing CETVs as permitted under legislation, after obtaining actuarial advice as to the appropriate extent.

If at any other time, after obtaining advice from the Scheme Actuary, the Trustee is of the opinion that the payment of CETVs at a previously agreed level might adversely affect the security of the benefits of other members and beneficiaries, the Trustee will commission a report from the Scheme Actuary and will consider whether, and to what extent, CETVs should be reduced.

CETVs are not currently being reduced.

9. Payments to the Employer

If the Scheme is being wound up and the assets exceed the cost of buying out the benefits of all members and beneficiaries using annuity policies purchased from an insurance company, including the expenses of doing so, the Employer may in certain circumstances request a payment of the excess. If the Scheme Actuary certifies that the requirements of the Pensions Act 2004 have been met and certifies the maximum amount that may be refunded, the Trustee will consider whether a refund would be in the interest of the members, and if so, the Trustee will give notice to the members of the proposal.

10. Frequency of Scheme Funding Assessments and circumstances for extra Scheme Funding Assessments

In line with legislative requirements, a full Scheme Funding Assessment under Part 3 of the Pensions Act 2004 has been carried out as at 31 December 2023 and subsequent full assessments will be carried out every two years hereafter. An approximate assessment reporting on developments affecting the Scheme's funding level will be obtained as at each intermediate anniversary of that date.

The Trustee may commission a full Scheme Funding Assessment if, after considering the Scheme Actuary's advice, they are of the opinion that events have made it unsafe to continue to rely on the results of the previous Scheme Funding Assessment as the basis for future contributions. However, the Trustee will consult the Employer before doing so. Commissioning a full assessment in such circumstances may not be necessary if agreement can be reached with the Employer to revise the Recovery Plan and Schedule of Contributions in a way satisfactory to the Trustee after obtaining the advice of the Scheme Actuary.

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11. Monitoring the Employer's covenant

The Trustee will monitor and review the Employer's covenant on a regular basis having regard to the Pensions Regulator's Code of Practice on Funding Defined Benefits.

From time to time, the Employer will present information to the Trustee on operational and projected financial performance. The Employer will also give updates on its position with regards to corporate structure, financial and management risks.

The Trustee will regularly review the need for further information on the Employer's covenant and, where necessary, will seek an independent assessment.

12. Signatures

Signed on behalf of the Trustee:	Signed on behalf of the Employer:
[redacted]	[redacted]
Name: Bruce Gordon	Name: SR Bennett
	Position: CFO
Date: September 20, 2024 | 10:25 BST	Date: September 23, 2024 | 14:12 BST