

# **The Guide Dogs for the Blind Association Pension Scheme**

Actuarial Report as at 31 December 2022

**10 March 2023**

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## 1. Introduction

- 1.1 As the Scheme Actuary, I have been commissioned by the Trustee of The Guide Dogs for the Blind Association Pension Scheme (the “Scheme”) to prepare an actuarial report in accordance with section 224 of the Pensions Act 2004 as at 31 December 2022 (the “Effective Date”).
- 1.2 This actuarial report is addressed to the Trustee of the Scheme and should be read in conjunction with the Scheme Funding Report dated 17 August 2022 on the Scheme Funding Assessment as at 31 December 2021 (the “Previous Assessment”).
- 1.3 The purpose of this report is to provide an approximate indication of the Scheme’s financial position at the Effective Date on a Technical Provisions basis which is consistent with the Statement of Funding Principles (the “SFP”). The period under review is the 12 months ended on the Effective Date. However, if the Trustee wish to make any decisions on funding, contribution requirements or benefit levels, they should contact me for further advice.
- 1.4 As part of the Previous Assessment, the Trustee adopted the SFP and a Schedule of Contributions. In my view, the method and assumptions used for this report are consistent with the SFP. It is possible, however, that the Trustee and Guide Dogs for the Blind Association (the “Employer”) may agree a different set of assumptions (with a consequential change in results) if a full valuation were to be carried out with the same Effective Date as this report.
- 1.5 The Previous Assessment contained an estimate of the solvency position. The solvency basis is different from the Technical Provisions basis. An updated estimate of the solvency position is not included in this report.
- 1.6 This report does not take account of any change in the Employer since the effective date of the Previous Assessment. The Trustee should continue to monitor the Employer’s ability to meet the funding requirements of the Scheme. The Pensions Regulator’s code of practice requires Trustee to be alert to circumstances which may indicate the need to revise their scheme’s current funding arrangements.

## 2. Data

### Benefits provided by the Scheme

- 2.1 A brief note referring to the Scheme's benefit structure was provided in the report on the Previous Assessment. I am not aware of any subsequent benefit changes.

### Assets and summary revenue account

- 2.2 The Scheme's asset value of £213,162,000 at the Effective Date has been taken from the value of the investment portfolio as obtained from the Scheme's investment managers and the Trustee's bank account balance as obtained from the Scheme's administrators. This value excludes the members' Additional Voluntary Contributions.
- 2.3 The value of the Scheme's assets, has developed during the period under review as follows:

	£'000s
<b>Value of assets at 31 December 2021</b>	<b>350,557</b>
Contributions	1,000
Benefit payments	(9,301)
Net return on investments	(129,094)
<b>Value of assets at 31 December 2022</b>	<b>213,162</b>

### Membership data

- 2.4 No allowance has been made in this report for any membership movements since the effective date of the Previous Assessment. A summary of the membership data at that date was provided in the report on the Previous Assessment.

### 3. Actuarial assumptions

- 3.1 The financial assumptions in the SFP were set by the Trustee and are based on Market data. The main financial assumptions used to calculate the Technical Provisions are set out in the table below. They have been derived in accordance with the SFP, re-calibrated in line with market conditions at each measurement date. Charts showing how the inflation and gilt curves differ between 31 December 2021 and 31 December 2022 are shown in Appendix I.

	Assumption
Discount Rate: Pre-retirement	Gilt yield curve plus 1.75% pa
Discount Rate: Post-retirement	Gilt yield curve plus 0.5% pa
RPI Price inflation	Inflation yield curve
CPI Price inflation	Pre 2030: Inflation yield curve less 1.0% pa Post 2030: Inflation yield curve

- 3.2 All of the demographic assumptions used for this report, as well as the methodology for setting pension increase assumptions, are as set out in the SFP.

## 4. Results

4.1 The Technical Provisions have been calculated on an approximate basis at the Effective Date using the data set out in Section 2 and the assumptions set out in Section 3.

4.2 The results of the calculations are set out in the table below.

		£'000s	
		31 December 2022	31 December 2021
Assets	A	213,162	350,557
Technical provisions	TP	212,485	339,607
Surplus/(deficit)	A – TP	677	10,950
Funding level	A / TP	100.3%	103.2%

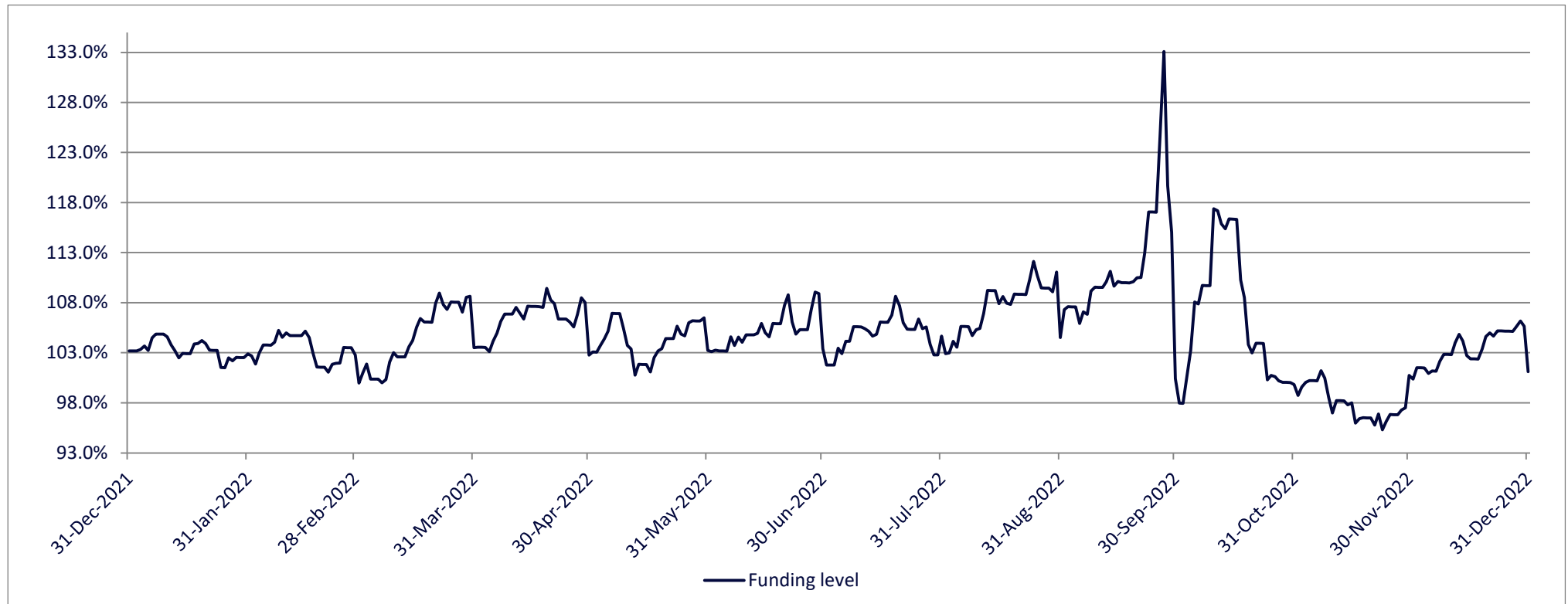
4.3 A chart of the Scheme's funding level over the entire period since the Previous Assessment is provided in Section 5.

### Events since the Effective Date

4.4 I am not aware of any significant events that have occurred since the Effective Date. However, the Trustee should note that markets have been particularly volatile during 2022 and could remain volatile for some time. Over the year, long-dated gilt yields rose by c.3% which meant that assets and liabilities fell significantly. Inflation was also over 10% which led to a decrease in the surplus.

## 5. Funding level since the Previous Assessment

5.1 Our actuarial software enables the Scheme's funding level to be continuously tracked, on an approximate basis, from the date of the Previous Assessment.



*\*Due to significant volatility in financial markets in September and October some of the tracking in this period is unreliable.*

## 6. Development of the Scheme's funded status

6.1 The table below shows the development of the Scheme's funded status during the period under review:

	£'000s
<b>Value of assets at 31 December 2021</b>	<b>350,557</b>
Plus contributions	1,000
Less benefit payments	(9,301)
Plus expected investment return on assets	5,621
Variance between actual and expected investment return	(134,715)
<b>Value of assets at 31 December 2022</b>	<b>213,162</b>
<b>Technical Provisions at 31 December 2021</b>	<b>339,607</b>
Plus interest on Technical Provisions	5,397
Less benefit payments	(9,301)
Change in financial conditions	(123,218)
<b>Technical Provisions at 31 December 2022</b>	<b>212,485</b>



- 6.2 The main reason for the decrease in the funding level over the year to 31 December 2022 was the lower than expected investment returns. This has been offset to a large extent by the change in market conditions, in particular gilt yields have increased over the period which has led to a higher discount rate and therefore decreased the value of the Technical Provisions.

## 7. Comments and next steps

- 7.1 The results in Section 4 indicate that the Scheme's surplus on the Technical Provisions basis has decreased from £11m at 31 December 2021 to £0.7m at 31 December 2022.
- 7.2 At this stage, I have not reported on the Scheme's solvency buy-out position. This may provide the Trustee with useful insights into the Scheme's financial status and I would be pleased to provide such further updates on request.
- 7.3 There is no legal requirement for the Trustee to review the Schedule of Contributions before the next Scheme Funding Assessment. However, the Trustee should keep the funding arrangements of the Scheme under review and keep the Employer informed of significant developments. Please let me know if you would like me to provide further advice in this regard.
- 7.4 The next actuarial report should have an effective date of 31 December 2023 and the next Scheme Funding Assessment should have an effective date no later than 31 December 2024.
- 7.5 The Trustee should make this report available to the Employer within 7 days of receipt. Within a reasonable time, certainly before 31 March 2024, the updated financial position of the Scheme should be communicated to the membership in a Summary Funding Statement.
- 7.6 Please let me know if you would like to discuss this report.

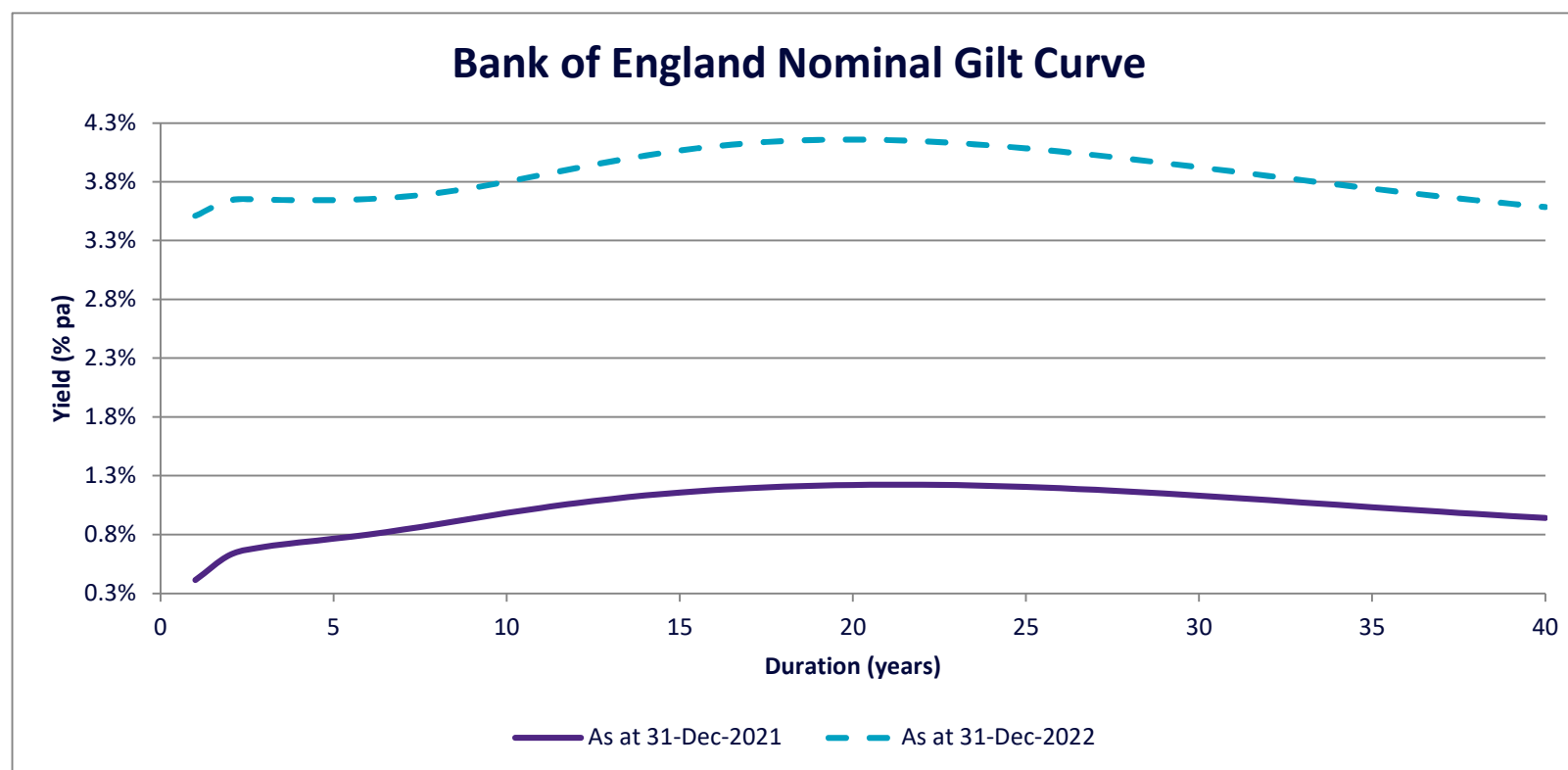


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## Appendix 1: Yield curves and implied inflation

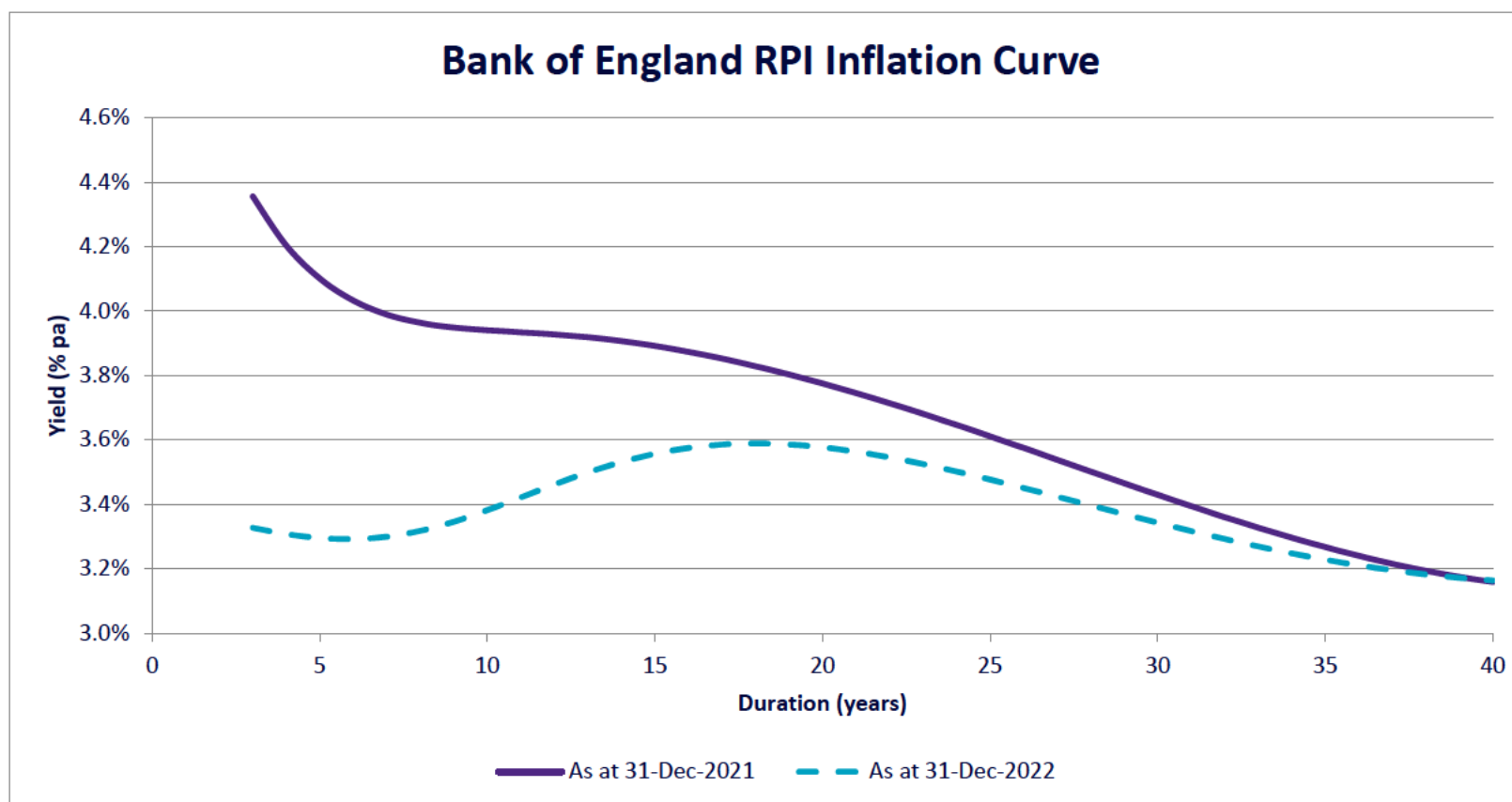
### Nominal gilt yield

The chart below shows the change in gilt yields over the period since the Previous Assessment. These yields are used to determine the pre and post retirement discount rates.



## Implied inflation

This chart shows the change in Bank of England implied inflation over the period since the *Previous Assessment*. The implied inflation is used to determine the assumed increases to pensions in payment and in deferment.



## Appendix 2: Approximations and sensitivity

The Technical Provisions have been updated approximately, based on the calculations carried out for the Previous Assessment.

No allowance has been made for the Scheme's actual membership changes since the Previous Assessment, except to the extent that the calculations allow for the actual benefit outgo during the period.

As discussed earlier, account has been taken of changes in economic conditions since the effective date of the Previous Assessment (ie using actuarial assumptions that are consistent with those set out in the SFP). Allowance has also been made for revaluation orders announced since the date of the Previous Assessment and implemented pension increases.

The above approach will introduce an element of approximation when compared to the results of a full assessment carried out at the Effective Date, based on up-to-date membership data. It may be expected that the level of approximation will increase over time, particularly if there have been volatile financial market movements or significant membership changes.

It would be necessary to carry out a full Scheme Funding Assessment to obtain an accurate statement of the position at the Effective Date.

### Sensitivity and risks

This report does not provide information on (i) the sensitivity of the Scheme's funding level to changes in assumptions or (ii) the nature and significance of the risks associated with the Scheme's current funding arrangements. Information on this can be found in the report on the Previous Assessment.

## Appendix 3: Equalisation

In recent years, a number of legal cases in connection with other pension schemes have called into question the effectiveness of documentation executed, and procedures operated, in respect of those pension schemes, in order to give effect to equalisation of pension ages for men and women. For the purposes of my advice I have assumed that benefits are provided as set out in the rules of the Scheme, and that established administrative practices relating to the calculation of, and payment of, benefits payable from the Scheme accord with the rules. I understand that the rules governing the operation of the Scheme are contained in the Deed of Amendment dated 28 June 2012 (as amended).

Even if the Scheme has equalised effectively the pension ages of men and women, the issue of Guaranteed Minimum Pension (GMP) equalisation has not yet been resolved. Until all equalisation issues have been resolved, there is some uncertainty about the member benefits.

The Department for Work and Pensions has consulted on a methodology for equalising GMPs between men and women and a High Court case ruling on some issues relating to a particular situation was handed down in October 2018. The High Court ruling is expected to have implications for all defined benefit pension schemes that contain GMPs. The calculations carried out for this report, and the results in this report, make only an approximate allowance for equalisation of GMPs between men and women. The Trustee should therefore be aware of and should acknowledge the potential for additional liability that might arise with respect to this issue.

If you have any concerns about the Scheme's position with regard to equalisation of pension ages, or any other aspect of the Scheme's rules, you should seek legal advice.

## Appendix 4: Compliance

### Limitations

The advice contained in the report does not constitute investment advice as defined by the Financial Conduct Authority.

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### Actuarial compliance and regulatory statement

This report and the work supporting it complies with Technical Actuarial Standards 100 and 300 which cover general principles for Technical Actuarial Work and those specific for pensions respectively. These standards are published by the Financial Reporting Council and further information on these standards can be provided on request.

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