Apportionments of Assets Report for the member trustees of The Singleton Engineering Pension Scheme

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1. Actuarial Valuation Report 2004

The purpose of the actuarial valuation report is to assess a funding rate for the pension scheme in order that the members do not exceed HM Revenue & Customs (HMRC) limits. It's purpose is not to determine how members benefits should be apportioned.

HMRC limits under the tax regime for pension schemes up to 5th April 2006 are assessed against a members salary and service to retire date, with an overall maximum that pensions could not exceed $2/3^{rd}$'s final pay at the point of normal retirement.

Since 5th April 2006, the rules have change, there is no longer a cap linked to pay and term of service but a link against an overall lifetime allowance. That allowance for the current tax year is £1.65 million per member. The contribution basis set out in the valuation report for the scheme since 6th April 2006 is therefore no longer relevant given the new funding rules.

The actuarial valuation report provided a share of fund split, which it termed an "actuarial interest". This was based on the self invested assets at the last valuation, together with contributions paid since then on behalf of that member plus accrued interest to the valuation date. In addition, each member's notional share of fund arising from GE Life policies was added.

The fund split at the last actuarial valuation report was:

Peter 31.16% Martin: 29.35% David: 19.22% Duncan 20.27%

This is inclusive of the split of GE Life policies.

2. The approach to member benefit provision

There are a number of approaches to how pension schemes could be funded, for example each member is funded for benefits equally or each member is funded for benefits relative to their term of service and earnings; this approach gives senior and longer term employees a larger pension on retirement. An alternative basis is simply to create "pots" into which contributions are paid and benefits paid out for each member. The investment return is then adjusted against the overall return on scheme investments, since investment assets are not earmarked.

Using the approach at the last valuation report, we adopted the method of notional accounts; the four accounts or pots are expressed as a fraction or percentage of the share of fund. Added to that member's account are the contributions paid and adjusted for payment of pension over the course of the scheme year for that member.

The end of year share of fund is also calculated by members interest at the commencement of the scheme year adjusted for investment income and scheme expenses (not pension payments).

This is generally regarded as equitable approach since active members are not funding pensions in payment for pensioner members and any contributions paid in are attributed to that member's account.

The drawback to this approach is that all assets of the scheme are pooled and each member enjoys a proportionate share of the total net return from the scheme's investments. In addition, the members have a variation of 10% in the value of their GE Life policies at the last actuarial valuation report and yet for funding purposes it is assumed that all members' returns are equal under those investment policies.

3. Apportionment of assets as at 5th April 2008

Given on the attached schedule is a closing value of the fund since the last actuarial valuation report and adjusted to 5th April 2008.

	PETER	MARTIN	DAVID JAMES	DUNCAN	
	SINGLETON	SINGLETON	SINGLETON	SINGLETON	TOTAL
GE LIFE net value of notional	£12,474	£12,387	£12,112	£12,058	£49,031
unallocated fund	£389,861	£366,593	£236,048	£249,707	£1,242,209
Total Share of fund at 17 March 2004 Share of fund as a	£402,335	£378,980	£248,160	£261,765	£1,291,240
percentage	31.38%	29.51%	19.00%	20.10%	100%
NO CONTRIBUTIONS OR BENEFITS PAID FOR 2005 & 2006 THEREFORE SHARE OF FUND SPLIT UNCHANGED					
OPENING BALANCE	£854,559	£803,556	£517,407	£547,347	£2,722,869
CONTRIBUTIONS	£10,000	£0	£10,000	£10,000	£30,000
EXPENSES INVESTMENT	-£12,379	-£11,640	-£7,495	-£7,929	-£39,442
INCOME	£60,008	£56,426	£36,333	£38,435	£191,202
CHANGE IN VALUE	£3,597	£3,382	£2,178	£2,304	£11,461
PENSIONS PAID Total Share of fund	£0	-£211,559	£0	£0	-£211,559
at 16/3/07	£915,785	£640,166	£558,423	£590,158	£2,704,531
Share of fund as a percentage					
16/03/2007	33.86%	23.67%	20.65%	21.82%	100%
Opening balance	£915,785	£640,166	£558,423	£590,158	
CONTRIBUTIONS	£0	£0	£0	£0	
EXPENSES INVESTMENT	-£46,221	-£32,310	-£28,184	-£29,786	-£136,501
INCOME	£81,824	£57,198	£49,894	£52,730	£241,646
CHANGE IN VALUE	-£1,394	-£974	-£850	-£898	-£4,116
PENSIONS PAID Total Share of fund		-£41,299			-£41,299
at 5/4/08 Share of fund as a	£949,994	£622,781	£579,283	£612,203	£2,764,261
percentage	34.367%	22.530%	20.956%	22.147%	100%

Given that no contributions or benefits were paid up to 15 March 07, it has been assumed that the actuarial interest in the scheme for all members remains unchanged. It also assumes that contributions to the GE Life policies were all equal and that share of fund growth for the GE Life policies also remains equal.

You will note that as Martin Singleton has taken benefits his interest in the scheme has reduced whereas the other members have proportionately increased. Should the trustees agree with this approach we recommend an annex to the accounts at the end of each scheme year setting out the fund share between all members.

We also recommend a trustees resolution agreeing to the share of fund approach following the 2009 annual trustee meeting.

Finally, once the members agree an apportionment of assets we will produce benefit statements on receipt of the accounts to 2009.

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