Raleigh Pension Scheme

Scheme funding report on the Actuarial Valuation as at 5 April 2020

September 2020

Executive summary

103%

Funding level

The Trustees have completed a valuation of the Scheme as at 5 April 2020. This report sets out the approach adopted by the Trustees, the results obtained and the actions taken in the light of those results.

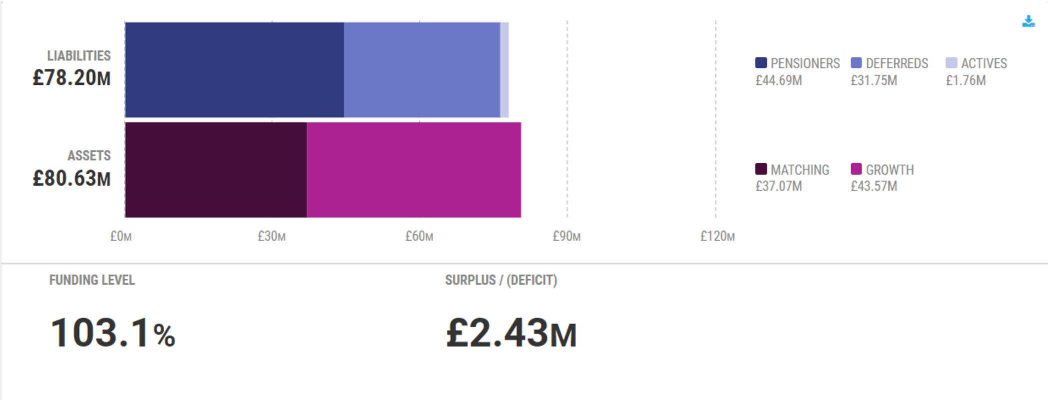
The key results are as follows.

Scheme funding assessment

£2.4m

Estimated scheme funding surplus

In funding the Scheme, the Trustees' key objective is to ensure that there will be sufficient assets to meet all benefit payments as they fall due. With this in mind, the Trustees have set a target reserve for the Scheme based on a prudent estimate of the amount needed to meet all payments in respect of the benefits earned up to the valuation date.



Solvency assessment

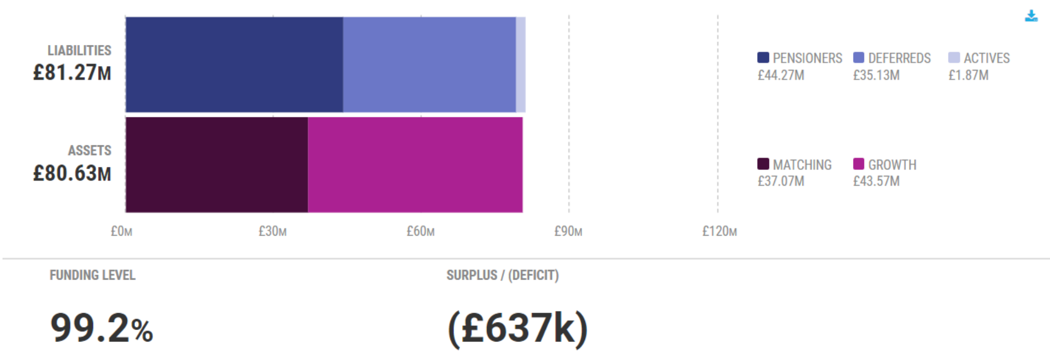
99%

Solvency funding level

£0.6m

Estimated solvency deficit

I have also completed a solvency assessment of the Scheme. This estimates the extent to which the Scheme's assets would be sufficient to secure members' benefits by the purchase of insurance policies if the Scheme were to be wound up at the effective date of the valuation.



Contents

Throughout the report:

'Scheme' refers to the Raleigh Pension Scheme

'Trustees' refers to the trustees of the Raleigh Pension Scheme

'Company' refers to Raleigh UK Limited

01 **Introduction**

This report should be made available to the Company within 7 days of receipt.

The actuarial results must be submitted to the Pensions Regulator within 10 working days of the Schedule of Contributions being certified.

Background

The Trustees of the Scheme have undertaken a formal valuation of the Scheme as at 5 April 2020.

I have already provided the Trustees with all of my advice in relation to the valuation, including the results, in a number of previous reports and presentations. The purpose of this report is to set out in one place the final results of the valuation and to satisfy the legislative requirement for reporting and certifying the results of the valuation, within 15 months of its effective date.

The report is addressed to the Trustees. Legislation requires the Trustees to make it available to the Company within 7 days of receipt.

The following documents are relevant to the results in this report:

> My report "Advice on setting actuarial methodology and assumptions", dated July 2020

> My report "Preliminary results of the Actuarial Valuation as at 5 April 2020", dated July 2020

> My report "Accounting for the impact of increasing benefits to allow for inequality in GMPs" dated November 2018

> My report "Longevity analysis results", dated July 2018, which details the results of the BeLonG mortality analysis.

> My report "Scheme funding report for the actuarial valuation as at 5 April 2017", dated June 2018

> The Scheme's "Statement of Funding Principles", dated 21 September 2020

02 Funding objectives and assumptions

The methodology used in deriving the assumptions are described in detail in the Statement of Funding Principles, dated September 2020

The funding objective

The Trustees' key funding objective is to ensure that there will be sufficient and appropriate assets to cover its technical provisions (value of the liabilities on the Scheme's funding assumptions).

Method and assumptions

In carrying out the valuation of the Scheme, a number of assumptions need to be made. For the scheme funding valuation the method and assumptions are set out in the Trustees' Statement of Funding Principles dated 21 September 2020, which has been agreed with the Company.

Weak Company Covenant

The Trustees have adopted a working assumption that the Company covenant is weak

Company covenant

The Scheme is supported by the covenant of the Company. Generally speaking, covenant is the extent of a sponsor's obligation and financial ability to support its pension scheme now and in the future. The sponsor's covenant underwrites the risks to its pension scheme.

An assessment of the covenant of the Company was carried out by the Trustees during the meeting on 7 July 2020. This incorporated an update on Company performance in light of COVID-19 as well as longer term projections and its wider activities.

The Trustees concluded that the Company's covenant is broadly unchanged since the 5 April 2017 valuation and is still considered to be weak. As the covenant assessment is on financial projections, the assessment is subjective and the covenant strength may change in the future.

In agreeing the scheme funding valuation assumptions with the Company, the Trustees took into account the strength of the Company's covenant.

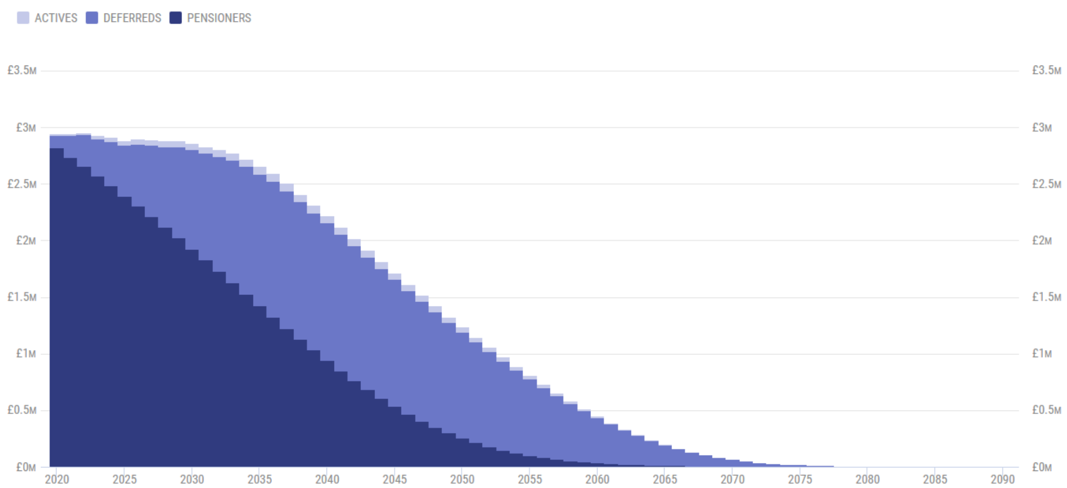
03 Scheme funding results

2022

Projected peak of Scheme benefit payments

Projected benefit payments

I have used the scheme funding assumptions to project the estimated benefits that will be paid to all members in respect of their entitlements at the valuation date. These projections are set out in the chart below and represent all cash payments expected to be made over the lifetime of the Scheme.



The Scheme is made up of those members who have already retired (pensioner members) and those who have not yet retired (active and deferred members). The last deferred member is expected to retire in 2042, at which point the benefits of all members will be in payment.

The projected cashflows are calculated on the scheme funding assumptions, and are therefore dependent on these assumptions being realised.

The level of benefits paid will depend on the actual level of future inflation compared to that assumed (which affects salary increases and increases to pensions in deferment and in payment).

The timing of the cashflows will be dependent on factors such as:

> how long members and dependants live compared to assumed,

> whether members retire early or late, and

> members exchanging pensions for cash lump sums or transferring out their benefits from the Scheme (which are not allowed for in the assumptions).

Scheme funding results

The funding position

£2.4m

Surplus at 5 April 2020

The technical provisions are compared to the present value of the assets to give the funding position at the valuation date below. The corresponding results of the last valuation are shown for comparison purposes.

	As at 5 April 2017 £m	As at 5 April 2020 £m
Past service liabilities		
Active members	3.7	1.7
Deferred pensioners	31.5	30.1
Current pensioners	41.6	42.3
GMP equalisation reserve	-	1.6
Expense Reserve	3.0	2.5
Total past service liabilities (L) ('Technical provisions')	**79.8**	**78.2**
Assets		
Total assets shown in accounts	79.5	80.6
Total assets (A)	**79.5**	**80.6**
Funding surplus / (deficit) (A minus L)	**(0.3)**	**2.4**
Funding level (A as a percentage of L)	**99.6%**	**103%**

The value of Defined Contribution funds held within the Scheme has been excluded from both the assets and liabilities in the above results.

£2.7m

Increase in funding position over the valuation period

Reconciliation with the results of the previous valuation

The funding position has improved since the last valuation. The most significant influences on the funding position have been as follows:

> Whilst significant falls to gilt yields will have placed a materially higher value on liabilities, the Scheme's Liability Driven Investment ('LDI') assets will have matched a significant proportion of this change and protected the funding position in the Scheme.

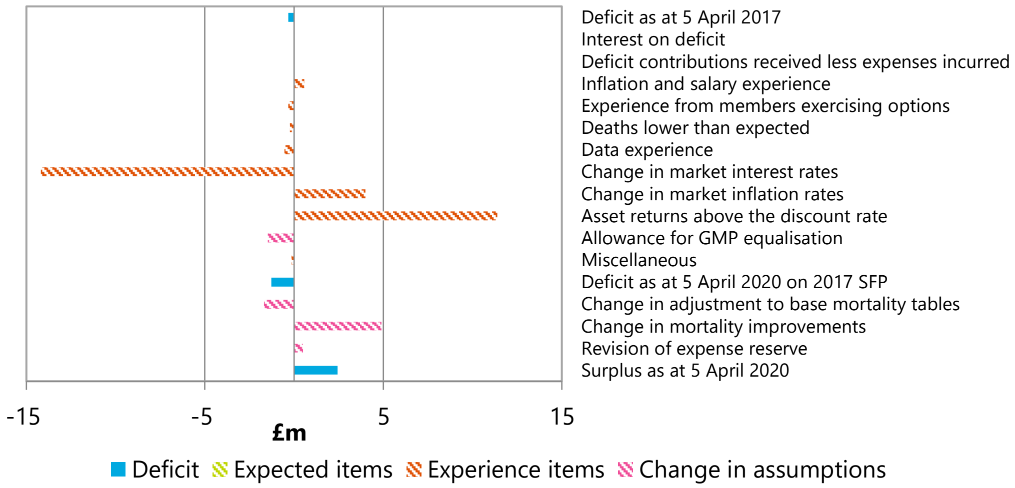
> The changes in demographic assumptions used to value the liabilities have placed a lower value on the liabilities.

Scheme funding results

The full reconciliation of the changes in the Scheme's funding position over the period since the valuation carried out as at 5 April 2017 is set out below.

£11.4m

Asset gain over the valuation period due to investments being higher than expected



Further information on the investment returns and the contributions paid in the period between the two valuations can be found in Appendix C.

£10.2m

Net increase in Scheme liabilities over the valuation period due to changes in market conditions

Addressing the deficit

The actuarial valuation revealed a surplus in the Scheme's funding position, therefore there is no deficit to be addressed.

All Scheme expenses and levies are to be met from the Scheme's expense reserve.

Scheme funding results

Developments since the effective date

Financial markets continue to react to the ongoing COVID-19 pandemic, causing significant volatility for the value of both the Scheme's assets and liabilities. These movements have had a relatively small impact on the overall funding level shown in this report due to the matching asset strategy. COVID-19 may have had an impact on the Company covenant. In light of this, it is important for the Trustees to consider these developments in agreeing final results of the valuation and to continue to monitor the Scheme's funding level and covenant.

Since 5 April 2020, there has been an improvement of the Scheme's funding position. The surplus on the funding basis is estimated to be around £8.4m at 31 August 2020, mostly as a result of recovery on the Scheme's growth assets since 5 April 2020 following short term falls due to the COVID-19 pandemic.

The Trustees and the Company have agreed that they will not explicitly take any account of any post-valuation experience when agreeing the results of the valuation. I have therefore, as agreed, certified the schedule of contributions as at the effective date of the valuation, dated 21 September 2020.

Risk and prudence

Key Risks
There are a number of risks which might ultimately affect the Trustees' ability to pay benefits to members. Foremost among these are the risks relating to:

> Funding risks – if experience turns out to be less favourable than was assumed for the funding assessment, for example members living longer than assumed, inflation higher than assumed or legislation introduces unanticipated liabilities, additional contributions may be required from the Company.

> Company covenant – the Company may become less able to continue to make contributions or unwilling to support the Scheme, therefore leading to a loss of long-term security.

> Investment risks – where future investment returns are below those assumed or there is an asset/liability mismatch where an increase in liabilities (e.g. from decrease in bond yields) is not matched by an increase in asset values.

Risk mitigation measures
The Trustees have taken a number of actions to mitigate the risks. These include:

> Funding - the assumptions used in the funding assessment have been chosen prudently, making it less likely that experience will turn out to be worse than assumed.

> Monitoring - regular updates are received by the Trustees to keep abreast of any changes in the Company's covenant and the funding position.

> Investment - the Trustees have invested some of the Scheme assets in matching assets. Movements in the value of these assets act to offset movements in the technical provisions when bond yields change.

Scheme funding results

Sensitivity to assumptions

To give an idea of the extent of some of the key risks, I set out below the sensitivity of the technical provisions to some of the key assumptions. These show the impact on the technical provisions of changing each assumption in isolation. Please note that these calculations are approximate and intended for illustration only.

Impact of change in assumptions on technical provisions

Discount rate

	0.5% lower discount rate	Current discount rate	0.5% higher discount rate
Liabilities	84.3	78.2	72.8
Assets	80.6	80.6	80.6
Surplus/(Deficit)	**(3.7)**	**2.4**	**7.8**

Future inflation

	0.5% lower inflation rate	Current inflation rate	0.5% higher inflation rate
Liabilities	75.7	78.2	80.9
Assets	80.6	80.6	80.6
Surplus/(Deficit)	**4.9**	**2.4**	**(0.3)**

Life expectancies

	Life expectancies 1 year lower	Current life expectancies	Life expectancies 1 year higher
Liabilities	74.4	78.2	82.0
Assets	80.6	80.6	80.6
Surplus/(Deficit)	**6.2**	**2.4**	**(1.4)**

Scheme funding results

Level of prudence in funding results

The assumptions used in calculating the technical provisions must be chosen prudently, usually including an appropriate margin for adverse deviation.

Prudence has to be allowed for in the funding basis. The funding basis incorporates a high margin for prudence to reflect the Trustees' objectives of buying out members' benefits in the short to medium term. This can be seen by comparing the preliminary funding results with an estimate of the cost of insuring the scheme on a typical insurer's buyout basis as set out in the next section.

04 **Solvency assessment**

Background

I am required to assess the winding-up or "solvency" position of the Scheme assuming that it ceases at the valuation date, where all benefits would be secured by the purchase of insurance policies. This differs from the scheme funding valuation, which assumes that the Scheme operates until its last member dies.

Methodology

The only accurate way to assess the true cost of winding up would be to obtain quotations from a number of insurance companies. I have not done this, but instead have estimated the cost using assumptions that have been derived with reference to general pricing information received from insurers.

Clearly, this approach will not be as accurate as obtaining actual quotations, but I am satisfied that it is sufficient for the present purpose. An actual wind-up, at a different date, could have a significantly different funding position and would depend on investment market conditions and the terms available from insurance companies at the date of securing benefits or obtaining a firm quotation.

While it is difficult to say if my estimate is prudent relative to buy-out terms which might have been available at the valuation date, I have not added explicit margins for prudence. Full details of the assumptions used are set out in Appendix D.

The solvency valuation is also my statutory estimate of the Scheme as required under section 7 of the Occupational Pension Scheme (Scheme Funding) Regulations 2005 and I have set the assumptions for the estimate based on the principles set out above.

Solvency assessment

Results

A breakdown of the solvency assessment results at the 2020 and 2017 valuation dates (for comparison) is set out below.

	Solvency Assessment as at 5 April 2017 £m	**Solvency Assessment as at 5 April 2020** £m
Solvency liabilities		
Active members	4.5	1.8
Deferred pensioners	38.6	33.3
Current pensioners	44.6	42.0
GMP equalisation reserve	-	1.7
Solvency and payment expenses	2.6	2.5
Total Solvency liabilities (L)	**90.3**	**81.3**
Assets		
Total assets shown in accounts	79.5	80.6
Total assets (A)	**79.5**	**80.6**
Solvency surplus / (deficit) (A minus L)	**(10.8)**	**(0.6)***
Solvency funding level (A as a percentage of L)	**89%**	**99%**

**Totals differ* from sum of individual rows *due to rounding*.

Comparison to scheme funding results

£0.6m

Estimated Solvency deficit at 5 April 2020

The funding level on the solvency basis is lower than the scheme funding basis set out in Section 3 of this report. This is due to the different assumptions used to reflect the difference between the anticipated cost of providing the benefits from the Scheme on an ongoing basis and the cost of securing those benefits through the purchase of insurance policies.

The cost of winding-up the Scheme is larger than the expected cost of running the Scheme on an ongoing basis, due principally, to the more conservative assumptions insurers are required to adopt and the profit margins expected to be targeted by the insurance market.

Solvency assessment

Effect on member's benefits

If the Scheme had begun winding up as at 5 April 2020, and the Company was unable to pay all of the Company's wind-up debt due to insolvency (i.e. the difference between the assets and the liabilities on the solvency basis), as the Scheme is over 100% funded on the PPF's section 179 basis, the Scheme would, in theory, be required to purchase benefits with an insurance company. In this situation, members' benefits would be reduced and secured in line with the Scheme's rules. If there were insufficient assets to purchase benefits at least as great as the compensation levels paid by the PPF, the Scheme would, in theory, be eligible to enter the PPF. In this situation, members' benefits would be reduced to the compensation levels paid by the PPF.

The "compensation" paid by the PPF is based on the benefits accrued by each member within their own pension scheme, but with some adjustments. For example:

> Members yet to reach their Normal Pension Age have their benefits reduced by 10% and restricted so that they are no greater than a cap set by the PPF.

> No increases are applied to pension accrued before April 1997.

> Increases to pension accrued after April 1997 are limited to a maximum of 2.5% each year (or the increase in the Consumer Prices Index if lower).

05 **Next steps**

Next steps

The signing of this document, the Statement of Funding Principles and the Schedule of Contributions concludes the valuation formalities. The next step is for me, on behalf of the Trustees to submit details of the valuation to TPR.

Between now and the next valuation

5 July 2021

Deadline to submit the valuation results to TPR

The next valuation is due on 5 April 2023. Between now and then I will provide the statutory annual reports to the Trustees, setting out how the funding position has evolved and the key reasons for any changes.

These reports, along with regular reviews of the Company covenant, will enable the Trustees to monitor the funding of the Scheme. If it appears to the Trustees that the assets are no longer likely to meet the funding objective, the Trustees should review their integrated risk management plan to consider what remedial actions might be taken.

Signature

Date
23 September 2020

Name
Chris Fletcher
Scheme Actuary

Qualification
Fellow of the Institute
and Faculty of Actuaries

Address
XPS Pensions
1 City Square
Leeds
LS1 2ES

Employer
XPS Pensions Consulting Limited

Appendix A
Scheme benefits

The Scheme benefits are described in the Scheme's definitive trust deed and rules dated July 2019.

The Scheme was closed to accrual of new benefits on and from 31 December 2002.

Equalisation

The Scheme appears to comply with the main equal treatment requirements of the European Court, as far as these are known, and the valuation has been prepared on this basis. I have assumed that these requirements have been validly incorporated in the trust deed and rules and the benefits supplied by the administrators reflect the rules.

Like many UK pension schemes, however, the Scheme's benefits still differ between men and women as a result of differences in Guaranteed Minimum Pension (GMP). My valuation included a reserve equal to 2.2% of the liabilities to allow for the expected impact of GMP equalisation.

Discretionary practice

There has been no recent history of discretionary increases or discretionary benefits being awarded under the Scheme. In line with this past practice, I have therefore made no allowance in the valuation for discretionary increases or benefits being granted in future.

Scheme and legislative developments since the 2017 valuation

A revised definitive trust deed and rules was adopted with effect from July 2019. The purpose of this document was to consolidate previous deeds of amendment and update the Scheme's documentation to reflect changes in legislation.

Appendix B
Membership data

1,102

Total Scheme membership at current valuation date

I have been provided with membership data as at 5 April 2020 by the XPS administration team. I have performed a number of checks on the data and I am satisfied that it is sufficiently accurate for the purposes of this valuation. A summary of the data is set out below.

Active salary link members	**5 April 2017**	**5 April 2020**
Number	26	13
Total Pensionable Salaries (£m)	0.7	0.3
Average age*	57.2	59.1

Deferred members	**5 April 2017**	**5 April 2020**
Number	396	336
Total annual pension at date of valuation (£m)	0.8	0.7
Average age*	54.6	56.9

Pensioner members	**5 April 2017**	**5 April 2020**
Number	769	753
Total annual pension (£m)	2.7	2.8
Average age*	71.8	72.9

* Average ages are weighted by past service liability at date of valuation

1,191

Total Scheme membership at previous valuation date

The number of pensioner records differs from the audited Trustees report and accounts by five members: four of these members have no liability within the Scheme and one of these members has an annuity in the Trustees' name. I have therefore omitted these members from the above data summary and from my calculations.

Appendix C
Assets and investment strategy

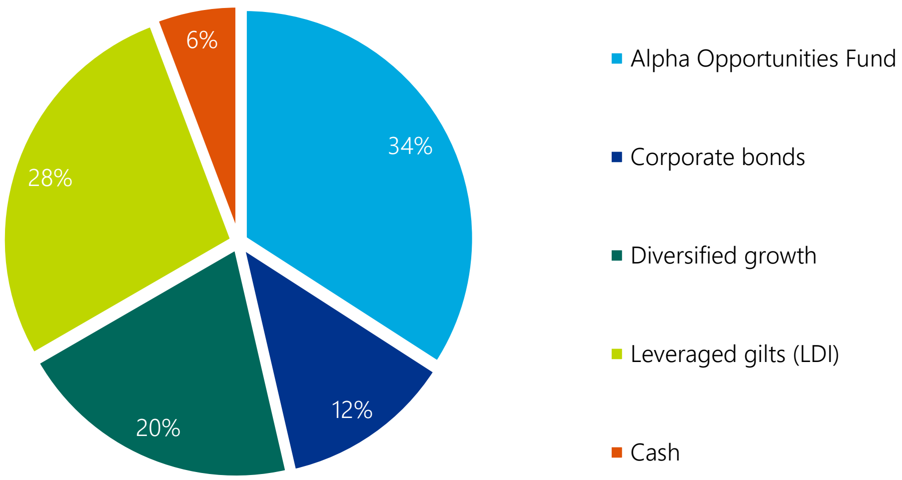
Assets held at the valuation date

I have taken the value of the Scheme's assets from the Trustees' audited Report and Accounts as at 5 April 2020. The accounts state that at that date the Scheme had invested assets of £80.1m (excluding AVCs). The following chart illustrates how those assets were invested.

60%

Benchmark allocation to return seeking assets

Distribution of Invested Assets as at 5 April 2020



40%

Benchmark allocation to matching assets

In addition to the assets set out above, the accounts show that there were net current assets. This gives a total asset value (excluding AVCs) for use in my assessment, as follows.

	Assets as at 5 April 2017 £m	**Assets as at 5 April 2020** £m
Invested assets (excluding AVCs)	79.3	80.3
Net current asset / (liability)	0.2	0.3
Total available assets	79.5	80.6

Assets and investment strategy

Investment strategy

The assets held at the effective date of the valuation broadly reflected the Trustees' investment strategy, as set out in the Trustees' Statement of Investment Principles. This strategy consists of investing approximately 60% of the assets in return-seeking asset classes, such as equities, and approximately 40% of assets in matching assets, such as bonds. This distribution is intended to reflect the liability profile of the Scheme and the Trustees will keep the division of assets under review. For the purposes of this valuation I have assumed that the distribution will remain unchanged over the term to the next valuation.

Investment returns

The funding principles adopted for the 2017 actuarial valuation anticipated long term returns on the fund assets in line with the nominal gilt yield curve. The returns on the Scheme's assets during the period were above that level and so, in isolation, this would have created a gain of around £11.4 million.

Contributions paid to the Scheme

The Trustees have previously agreed a Recovery Plan with the Company as part of the 5 April 2017 valuation. That plan required additional contributions from the Company. Additional contributions of £100,000 pa payable from 1 April 2018 were paid by the Company to address the deficit.

Year Ending	Company contributions	
	Deficit reduction contributions (£m)	Expense contributions (£m)
5 April 2018	0.3	0.1
5 April 2019	0.1	-
5 April 2020	0.1	-
Total	0.5	0.1

The auditors have confirmed that the contributions paid were in line with the schedules of contributions in force over the period.

Appendix D
Summary of key assumptions

Key financial assumptions – scheme funding basis

	As at 5 April 2017	As at 5 April 2020
Discount rate before and after retirement	Yield curve for nominal government liabilities	
Future price inflation (RPI)	Market implied inflation curve	
Future price inflation (CPI)	RPI less 0.7% pa	

Pension increase assumptions – scheme funding basis

	As at 5 April 2017	As at 5 April 2020
Deferred revaluation:		
GMP leavers before 6 April 1997	Section 148 orders limited to 5.0% pa	
GMP leavers after 5 April 1997	Section 148 orders	
In excess of GMP	In line with CPI inflation (subject to a 5.0% pa cap)	
Pension increases in payment:		
Pre88 GMP	Nil	
Post88 GMP	CPI inflation subject to a 3% pa cap	
Pre 97	Nil	
Post 97	CPI inflation subject to a 5% pa cap	

Demographic assumptions – scheme funding basis

	As at 5 April 2017	As at 5 April 2020
Base table	S2PA	S2PA
Adjustment to base table	116% (M), 116% (F)	115% (M), 102% (F)
Projection	CMI 2015 2.00%	CMI 2019 1.5% (M), CMI 2019 1.25% (F)
Smoothing Parameter	7.5 (Default)	7.0 (Default)
Initial Adjustment	n/a	0.5%
Commutation	No allowance	No allowance
GMP equalisation	No allowance	2.2% of past service liabilities

A description of all the assumptions including their derivation for the scheme funding assumptions is included in the Statement of Funding Principles dated 21 September 2020

Summary of key assumptions

Key financial assumptions – Solvency basis

	As at 5 April 2017	As at 5 April 2020
Discount rate for non-pensioners	Yield curve for nominal government liabilities less 0.5%	Market-adjusted swap curve less 0.34%
Discount rate for pensioners	Yield curve for nominal government liabilities plus 0.12%	Market-adjusted swap curve plus 0.25%
Future price inflation (RPI)	Swap RPI curve	Swap RPI curve
Future price inflation (CPI)	Swap RPI curve less 0.5%	Swap RPI curve less 0.6%

Pension increase assumptions – Solvency basis

	As at 5 April 2017	As at 5 April 2020
Deferred revaluation: GMP leavers before 6 April 1997 GMP leavers after 5 April 1997 In excess of GMP	Section 148 orders limited to 5.0% pa Section 148 orders In line with CPI inflation (subject to a 5.0% pa cap	
Pension increases in payment: RPI max 3% RPI max 5% CPI max 3% CPI max 5%	LPI curves with relevant caps and floors	

Demographic assumptions – Solvency basis

	As at 5 April 2017	As at 5 April 2020
Base table	S2PA	S2PA
Adjustment to base table	100% (M), 100% (F)	115% (M), 102% (F)
Projection	CMI 2014 1.5% (M), CMI 2014 1.25% (F)	CMI 2019 1.5% (M), CMI 2019 1.25% (F)
	7.5 (Default)	7.0 (Default)
	n/a	0.5%
Commutation	No allowance	No allowance
GMP equalisation	No allowance	2.2% of past service liabilities

Expenses – Solvency basis

	As at 5 April 2017	As at 5 April 2020
Allowance for insurer and non-insurer wind-up expenses	3% of past service liabilities	£2.5m set with reference to Technical Provisions expense reserve

Appendix E
Documents and certificates

Actuary’s certificate of the calculation of technical provisions

Name of Scheme: Raleigh Pension Scheme

Calculation of technical provisions

I certify that, in my opinion, the calculation of the Scheme’s technical provisions as at 5 April 2020 is made in accordance with regulations under section 222 of the Pensions Act 2004. The calculation uses a method and assumptions determined by the Trustees of the Scheme and set out in the Statement of Funding Principles dated 21 September 2020.

23 September 2020

Chris Fletcher
Fellow of the Institute and Faculty of Actuaries
XPS Pensions
1 City Square
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LS1 2ES

Contact us
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Schedule of contributions

Raleigh Pension Scheme ("the Scheme")

This schedule of contributions has been prepared by the Trustees after obtaining the advice of Chris Fletcher FIA ('the Actuary') to the Scheme. It sets out the contributions Raleigh UK Limited ('the Company') must pay and the dates these contributions must be paid to the Trustees, and has been agreed by the Company.

This schedule covers contributions payable in the period from 1 October 2020 to 30 September 2025.

Contributions by active members

The Defined Benefit Section has been closed since 31 December 2002. Contributions by members to the Defined Contribution section are as follows:

Age band (years)	Contribution rate (Percentage of Pensionable Salary)
16-45	3.5%
45-55	4.5%
55-68	5.5%
68-72	4.5%
72-74	3.5%

The above contributions are payable monthly. Members may also pay Additional Voluntary Contributions at their own discretion.

Contributions by Company

Contributions to the Defined Contribution section	3.5% - 5.5% of Pensionable Salary payable monthly matching member contributions, dependant on age as set out above
Deficit recovery payments	None required
Scheme expenses	Nil – to be met from Scheme expense reserve
PPF levies	To be met from Scheme expense reserve
Other contributions	May be paid in addition to the above subject to agreement with the Trustees

These contributions, if any, should be paid to the Scheme on or before the 19th of the calendar month following deduction.

Notes

Nothing in this Schedule shall prevent any Company paying contributions in addition to those payable in accordance with this schedule. In particular, contributions payable in respect of individual augmentations or general benefit improvements are to be paid in addition to those set out in this schedule.

Signed on behalf of the Trustees	Date 21.9.20.
Signed on behalf of Raleigh UK Limited	Date 23.9.2020.
Signed by the Actuary	Date 23 September 2020

Actuary's certification of schedule of contributions

Raleigh Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 5 April 2020 to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated September 2020.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were to be wound up.

Signature

Date
23 September 2020

Name
Chris Fletcher

Qualification
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1 City Square
Leeds

LS1 2AL

Employer
XPS Pensions Consulting Limited

Statement of Funding Principles

Raleigh Pension Scheme ("the Scheme")

This statement was prepared by the Trustees of the Raleigh Pension Scheme (the "Scheme") in September 2020 for the purposes of the actuarial valuation as at 5 April 2020 after obtaining the advice of Chris Fletcher, the actuary to the Scheme. This statement has been agreed by Raleigh UK Limited ('the Company'), the sponsoring employer of the Scheme.

The Statutory Funding Objective

This statement sets out the Trustees' policy for securing that the statutory funding objective, namely that the Scheme must have sufficient and appropriate assets to cover its technical provisions, is met.

Technical Provisions

Method
The actuarial method used to calculate the technical provisions is the Projected Unit Method.

Assumptions
A full list of all assumptions that have been used to calculate the technical provisions can be found in Appendix A.

Discretionary Benefits

Under the Scheme Rules, the Company has discretionary powers to provide additional benefits, or increases to benefits, for all or any of the Scheme members. Those powers may only be exercised subject to the payment of such additional funds, if any, as determined by the Trustees after taking advice from the Actuary.

At the present time there is no customary practice to provide such discretionary awards.

In the light of the current practice on discretionary awards, and having consulted the Company, the Trustees have decided that no advance provision should be made within the funding of the Scheme for the possibility of future discretionary awards.

Recovery Period

The actuarial valuation as at 5 April 2020 revealed a surplus in the funding position therefore the Trustees and Company have agreed there is no need for deficit contributions to be made to the Scheme and hence no Recovery Plan is to be put in place.

Frequency of Valuations

The Scheme's latest valuation under Part 3 of the Pensions Act 2004 was carried out as at 5 April 2020 and subsequent valuations are expected to be obtained every 3 years after that. An actuarial report on developments affecting the funding level of the Scheme will be obtained at each intermediate anniversary of that date.

The Trustees may obtain a full valuation instead of an actuarial report if they believe that events have made it unsafe to continue to rely on the results of the previous valuation as the basis for the current level of contributions. However, the Trustees will consult the Company before doing so.

Further information

Information on payments to the Company, contributions to the Scheme by other parties and Cash Equivalent Transfer Values is set out in Appendix B.

Signed on behalf of the Trustees	Date
[signature]	21.9.20.
Signed on behalf of Raleigh UK Limited	Date
[signature]	23.9.2020.
Signed by Scheme Actuary	Date
[signature]	23 September 2020

Appendix A
Technical Provisions Assumptions

Financial Assumptions

Item	Assumptions
Discount interest rate: > pre retirement > post retirement	 Yield curve for nominal government liabilities Yield curve for nominal government liabilities
Price inflation (RPI)	Market implied inflation curve
Price inflation (CPI)	RPI less 0.7% pa
Salary inflation	RPI inflation
Pension increases pre retirement: > excess over GMP > GMP	 In line with CPI inflation RPI plus 1.0% pa
Pension increases post retirement: > Pre 88 GMP > Post 88 GMP > All other pension accrued before 6 April 1997 > Pension accrued after 5 April 1997	Derived using a model published by the Institute and Faculty of Actuaries using a volatility assumption of 1.4% pa Nil CPI inflation subject to a 3% pa cap Nil CPI inflation subject to a 5% pa cap
Mortality pre and post retirement: > Base table > Adjustment > Improvement table > Smoothing parameter > Initial addition parameter	 SAPS S2PA 115% males, 102% females CMI 2019 1.50% pa males, CMI 2019 1.25% pa females 7.0 (Default) 0.5%
New entrants	No allowance
Withdrawals	No allowance
Age difference of dependants	Males 3 years older than females
Commutation	No allowance
Proportion married	70% of male members and 60% of female members assumed to have a dependant at retirement.
GMP equalisation	2.2% of past service liabilities
Expense reserve	£2.5m

Appendix B
Additional information required to meet Scheme Funding Regulations

Payments to the Company

There is no provision in the Scheme Rules for a payment of any surplus in the Scheme to be made to the Company other than on winding-up the Scheme. In addition, no amendment to the Scheme Rules may be made that would permit other refunds.

If the Scheme is wound up and the assets at that time are more than sufficient to secure the benefits of all beneficiaries with an insurance company, the Trustees have discretion to use any or all of the remaining assets to augment the benefits to be secured for such persons as they decide, subject to the Company's consent.

Contributions to the Scheme by Other Parties

There are currently no arrangements in place for anyone other than members and the Company to contribute to the Scheme.

Cash Equivalent Transfer Values ("CETVs")

At each valuation the Trustees may ask the actuary to advise them of the extent to which the assets are sufficient to provide CETVs for all members without adversely affecting the security of the benefits of other members and beneficiaries. Where coverage is less than 100% of benefits, the Trustees will consider reducing CETVs as permitted under legislation, after obtaining actuarial advice as to the appropriate extent and taking into account other material considerations such as the strength of the Company covenant.

If at any other time, after obtaining advice from the actuary, the Trustees are of the opinion that the payment of CETVs at a previously agreed level may materially worsen the security of the benefits of other members and beneficiaries, the Trustees will consider commissioning an insufficiency report from the actuary and will decide whether, and to what extent, CETVs should be reduced.

The insufficiency report may also take into consideration to what extent and in what way the liabilities should be divided having regard to different priorities on winding up, with the highest priority being given to the benefits that would apply were the Scheme to enter the PPF.