

BOC Pension Scheme Valuation special



Chair's welcome

Welcome to your valuation special newsletter for the BOC Pension Scheme (the Scheme or BOCPS).

In this update we, the Trustee, tell you more about the Scheme's financial health. Over the next few pages, we summarise the outcome of the Scheme's three-yearly actuarial valuation process as at 31 March 2020. This concluded recently following detailed actuarial calculations and funding agreement discussions with BOC Group Ltd (the Company).

We're pleased to report that the funding level has improved.

You may recall that we wrote to you in June last year to let you know that the Trustee Board had secured a Linde Plc Parent Company Guarantee, which is a legally binding group-wide commitment to financially support the Scheme. As a result of this very significant strengthening of the formal legal support provided to the Scheme, the Trustee Board agreed to make some minor changes to the Scheme's investment strategy, and this has increased the expected returns on the investments.

Read on to find out about the results of the valuation and the measures we've agreed with the Company to achieve full funding in the future.

John Hylands
Chair of the Trustee Board



What is an actuarial valuation?

An actuarial valuation is a snapshot of a pension scheme's funding position at a certain date – a financial health check.

An actuary – a qualified professional – carries out an actuarial valuation every three years, as well as quarterly estimated funding updates in between.

How does it work?

The actuary checks:



If the assets are greater than the liabilities, the Scheme has a surplus.

If the liabilities are greater than the assets, the Scheme has a deficit, or shortfall.

The actuarial valuation is carried out on:

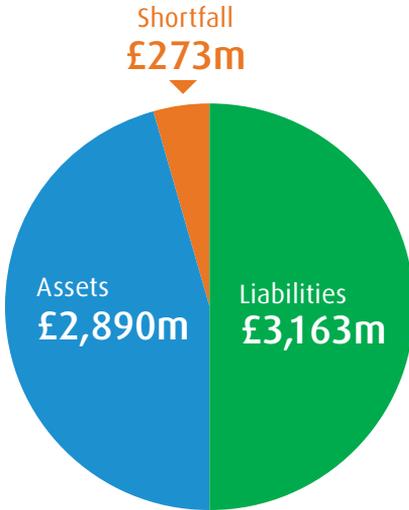
- an ongoing basis, which assumes the Scheme will carry on as it is now, and
- a discontinuance basis, which assumes the Scheme is wound-up at the valuation date.

The funding position is based on what is known at the time of the valuation and assumptions about what might happen in the future, such as life expectancy, potential investment returns and inflation.

Schemes aim to have enough assets to be able to pay members' benefits built up to the valuation date. This is called the Statutory Funding Objective.

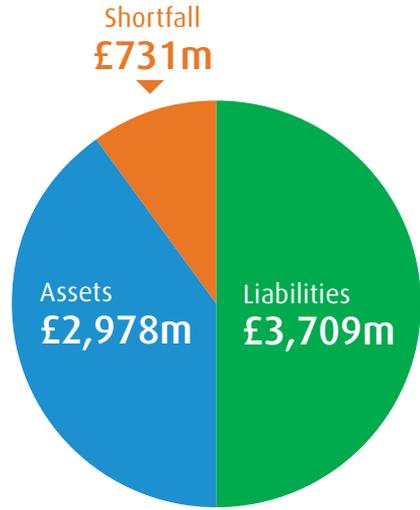
Valuation results

At 31 March 2020



Funding level: 91%

At 31 March 2017



Funding level: 80%

The funding level has increased since the last valuation.

This is mainly due to:

- an update to the financial and demographic assumptions used in this valuation,
- the Company's extra contributions since the last valuation, and
- performance of the Scheme's assets.

Post-valuation changes

Since the valuation date, the following changes have affected the Scheme:

- Investment markets have started to recover from the falls caused by the COVID-19 pandemic, leading to a significant improvement in the Scheme's funding level.
- On 1 October 2020, the assets and liabilities from the Gist Limited Pension Scheme (GLPS) were transferred into BOCPS as part of the merger of the GLPS into the BOCPS.

Recovery Plan



How will the shortfall be met?

We have agreed a Recovery Plan with the Company. Since the valuation date the Scheme's funding position has improved significantly. The estimated deficit to be funded through additional contributions from the Company is £75m with the remainder coming from investment performance.

The Recovery Plan aims to make sure there is enough money in the Scheme to pay benefits now and in the future. We'll review the Recovery Plan again at the next valuation.

Contributions the Company will pay

If the Scheme has a shortfall, the Company will make additional contributions, with the aim of ending the shortfall by 31 December 2025. The Company will pay:

- Up to £17m by 31 December 2021, and
- Up to £17m each calendar year for a further four years.

The £17m includes £2m towards the running costs of the Scheme. The Company pays these contributions, in addition to its regular contributions that are paid to cover the build-up of new benefits on an ongoing basis. The Company will not be required to contribute additional contributions when the Scheme is fully funded.

We monitor the funding position every quarter, and the actuary provides annual updates in between the three-yearly actuarial valuations.

What would happen if the Scheme needed to wind up?

As part of the three-yearly actuarial valuation, the actuary works out the Scheme's funding level on a discontinuance basis. The discontinuance basis assumes the Scheme is wound up on the valuation date.



Including this information is a legal requirement and does not mean the Company has any intention of winding up the Scheme.

If the Scheme were to wind up, the Company would have to pay enough into the Scheme to cover the cost of buying members' benefits from an insurance company.

The valuation as at 31 March 2020 showed that, if the Scheme had wound up on that date, the funding level would have been 66% compared with 62% in 2017. The additional amount needed to secure members' benefits would have been £1,468m, compared with £1,830m in 2017.

The Government has also set up the Pension Protection Fund (PPF) to help members in the event of a wind-up. If the Company became insolvent with insufficient assets to provide benefits, the PPF may be able to take over the Scheme and pay compensation to members. More information about the PPF is available at www.ppf.co.uk



The Pensions Regulator's directions

We're required to tell you whether The Pensions Regulator has used its legal powers. We can confirm that The Pensions Regulator has not used any of its powers in relation to the Scheme to:

- change the rate at which members earn benefits,
- change the way the Scheme values members' benefits,
- set the future level of contributions, or
- set a date when any shortfall has to be met.

Is there anything else you need to know?

We can confirm that there have been no payments to the Company from the Scheme, other than to reimburse the Company for the costs of administering the Scheme.

How the Scheme is funded

We have a *Statement of Funding Principles*, which is our policy for ensuring that the Scheme meets its funding objectives over a specific time period. Download the statement from www.bocpensions.co.uk

Need more information?

The Scheme documents, including the full *Valuation Report* and the *Schedule of Contributions*, are available on request using the contact details below.



Contact details

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