The With Profits Section of the Cheviot Pension

Actuarial Report as at 31 December 2024

17 December 2025

Contents

Throughout this report:

'Scheme' refers to the Cheviot Pension of the Cheviot Trust

'Section' refers to the With Profits Section of the Scheme

'Trustee' refers to the Board of Cheviot Trustees Limited

'2023 valuation' refers to the formal valuation of the Section at 31 December 2023

Executive Summary

The Section was 86% funded at 31 December 2024

The Trustee has completed an interim valuation of the Section as at 31 December 2024. This report sets out the approach adopted by the Trustee, the results obtained and the actions taken in the light of those results.

The funding position of the Section at 31 December 2024, together with the position at the formal valuation at 31 December 2023, were as follows:

£m	31 December 2023	31 December 2024
Total Liabilities (L)	71.9	62.8
Value of Assets (A)	62.1	54.1
Surplus/(Shortfall) (A – L)	(9.8)	(8.7)
Funding Level (A / L)	86%	86%

The Trustee has received frequent funding updates for the Section and is monitoring the development of the funding position closely. The funding level was estimated to be around 93% at 30 June 2025. The improvement in the funding level is mainly due to the deficit reduction contributions that have been paid into the Section under the Recovery Plan dated 31 January 2025.

The results in this report allow for expenses at the levels set out in the Statement of Funding Principles which reflect the general level of running expenses for the Section, and do not allow for any potential exceptional expenses.

01 **Introduction**

01.01 Background and purpose

This report provides an update of the funding position of the Section as at 31 December 2024 and is the first update report following the 31 December 2023 actuarial valuation

This report has been commissioned by and is addressed to the Trustee. The intended user of this report is the Trustee and it is for its exclusive use. Its scope and purpose is to provide information on the development of the funding position of the Section over the period since the last formal actuarial valuation as at 31 December 2023 in line with the requirements of Section 224 of the Pensions Act 2004 and also as required by the Scheme's rules. As such, this report constitutes an 'actuarial report'. A further purpose of this report is to set out information on the levels of bonuses to award on with profits funds.

I have already provided the Trustee with all of my advice in relation to the content of this report, including the results and levels of bonuses to award, 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 of an actuarial report. This report should not be relied upon for any other purpose without seeking further advice.

This report provides a comparison of how the value of the Section's assets compares to the value of its accrued liabilities (otherwise known as its 'technical provisions'), using the scheme funding assumptions and so the information provided shows the progress made by the Section against the statutory funding objective.

Legislation requires the Trustee to make this report available to those employers who were contributing to the Section when it closed on 31 December 2002 within 7 days of receiving it. In practice, the Trustee makes the report available to all employers with liabilities under the Section.

This report, and the work undertaken to produce it, is compliant with TAS 100 and TAS 300, set by the Financial Reporting Council. No other TASs apply. The report has been written on the basis that decisions will not be based on its contents. Appropriate advice should be obtained before any decisions are made.

02 **Approach adopted**

02.01 Asset and cashflow data

The Cheviot Trust has provided me with the Scheme's 2024 accounts which include details of the Section's assets and cashflows over the year. Details of the cashflows can be found in Appendix C; please note this information is audited.

02.02 Liability data and calculation methodology

To calculate the liabilities, I have carried out full valuation calculations as at 31 December 2024 based on financial conditions and using membership data as at 31 December 2024.

The membership data was provided by the Cheviot Trust. I have carried out some reasonableness checks and I am satisfied it is adequate for the purpose of this update. A summary of the membership data used for this valuation is provided in Appendix D.

02.03 Actuarial assumptions

Gilt yields at 31 December 2024 are higher than at 31 December 2023 resulting in a decrease in the value of the liabilities in isolation

The statement of funding principles dated 31 January 2025 sets out how the assumptions used to calculate the funding liabilities[1] are derived.

The derivations of the main financial assumptions are set out below:

- The discount rate derivation uses a dual rate approach to allow for "on risk" returns expected until 30 June 2029 and then asset returns in line with XPS' in-house tracking of insurers' annuity pricing. At 31 December 2024, the derived margins above the gilt curve were:
    - 1.75% p.a. until 30 June 2029, reflecting prudent outperformance based on expected returns from the Scheme's investments
    - 0.3% p.a. thereafter for non-pensioners, reflecting the Trustee's intention to buy-out the Scheme with an insurer
    - 0.1% p.a. thereafter for pensioners, reflecting the Trustee's intention to buy-out the Scheme with an insurer

    (the same assumptions were used at 31 December 2023)
- The RPI inflation assumption has been derived from market expectations implied by swap yield curves. The CPI inflation and pension increase assumptions are derived consistently with the RPI inflation assumption.

Charts showing the nominal gilt and swap RPI curves at 31 December 2024 and 29 December 2023 are shown in Appendix A.

The derivations of all demographic assumptions remain unchanged from those adopted for the 2023 formal valuation. A summary of the funding valuation assumptions I have used in my calculations is given in Appendix B.

[1] Described as 'technical provisions' in legislation

03 Results

£8.7m

Deficit at 31 December 2024

86%

Funding level at 31 December 2024

03.01 Funding results

An estimate of the Section's funding level as at 31 December 2024 is given below with the results of the last formal actuarial valuation in 2023 shown for comparison.

Funding position (£ms)	At 31 December 2023	At 31 December 2024
Liabilities for:		
- pensioners	14.8	12.7
- non-pensioners	50.9	45.7
- expenses	6.2	4.4
Total Liabilities (L) [2]	71.9	62.8
Value of Assets (A)	62.1	54.1
Surplus/(Shortfall) (A – L)	(9.8)	(8.7)
Funding Level (A / L)	86%	86%

03.02 Reconciliation with the results of the previous valuation

Since 31 December 2023, the Section's shortfall has decreased from £9.8m to £8.7m.

The most significant influences on the funding position have been as follows:

> Returns on the Section's investments were higher than expected (net of the hedge) meaning that the actual shortall of £8.7m at 31 December 2024 is better than expected.

> The impact of rising gilt yields has resulted in a lower value being placed on the liabilities over the period, however this was mostly offset by consistent falls in the Section's hedging assets.

[2] 'technical provisions'

03.03 Sensitivity of results to change in assumptions

At 31 December 2024 changing the assumptions would have had the following impacts on the assessed deficit of £8.7m:

Assumption	Change	Impact on funding position
Discount rate	Increase by 1% p.a. in the period before 30 June 2029	+£1.5m
	Increase by 1% p.a. in the period after 30 June 2029	+£0.8m
Inflation	Increase by 1% p.a. at all terms	-£0.4m
Mortality	Reduce initial addition to improvements by 0.30% (to 0.00% p.a.)	+£0.2m
	Reduce data weight (w) in CMI_2023 by 15% to (0%)	-£0.2m
	Retain CMI_2022 instead of updating to CMI_2023	-£0.0m

For example, increasing the discount rate by 1% p.a. in the period to 30 June 2029 would improve the shortfall of £8.7m at 31 December 2024 by £1.5m to a shortfall of £7.2m.

03.04 Progression of the Recovery Plan

As part of the 2023 valuation, the Trustees and Employers agreed a Recovery Plan to clear the funding deficit by 30 April 2029. Deficit reduction contributions totalling £5.6m have been paid into the Section by the end of June 2025. The remaining deficit reduction contributions due to be paid by the With Profits Employers are expected to bring the Section to full funding by 30 April 2029.

03.05 Bonus declaration

One of the purposes of this valuation is to provide information and recommendations to the Trustee on the level of bonuses to grant on the with profits benefits in the Section. More details on the various types of bonus which are considered can be found in the scheme funding report for the 2023 valuation.

The following bonus recommendations based on the results in this report were agreed by the Trustee at its meeting on 26 March 2025.

Pensioner members

- No bonus should be awarded to with profits members

Non-pensioner members

- No annual bonus should be awarded in respect of 2024
- No interim annual bonus should be awarded in respect of 2025
- No base bonus on any annual bonuses awarded since 1 January 2000 should be awarded in respect of 2024
- No final bonuses should be awarded, other than the uplift on pre-1988 funds
- The pre-1988 uplift should be maintained at 23%
- Interest for all members over normal retirement age where this is at the Trustee's discretion and on delayed payment of benefits should be considered against the Bank of England's prevailing base rate. I understand that the Trustee has decided to cap this rate in recent times.

The pre-1988 uplift should be monitored on a monthly basis with a formal review if the agreed trigger moves outside the tolerance range. As at 31 March 2025, the pre-1988 uplift was amended to be 17%.

The interest rate on late retirement and delayed payments should be reviewed biannually. All other bonuses should continue to be reviewed on an annual basis and should next be reviewed as part of the 31 December 2025 interim valuation.

04 Formal reassessment of funding

31 December 2026

Next formal valuation due

I have discussed the contents of this actuarial report with the Trustee. The Trustee will continue to monitor the funding position of the Section.

The next formal actuarial valuation of the Section is due no later than 31 December 2026 when I will provide further details of how the Section's funding level has developed. I will also provide further details of how the Section's funding level is developing in my actuarial report at 31 December 2025.

Signature	Date
P. Black	17 December 2025

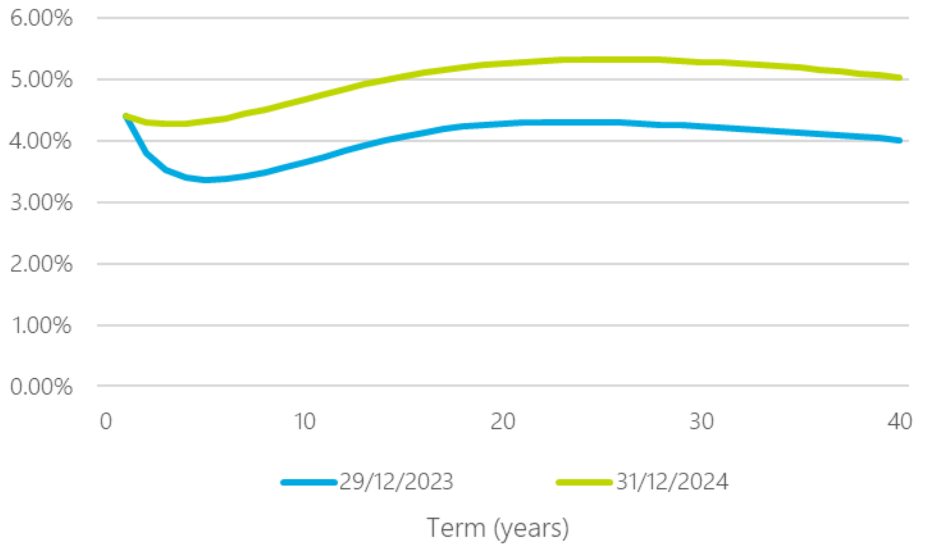
Name	Qualification
Peter Black Scheme Actuary	Fellow of the Institute and Faculty of Actuaries

Address	Employer
Tempus Court Onslow Street Guildford GU1 4SS	XPS Pensions Limited

Appendix A
Change in market conditions

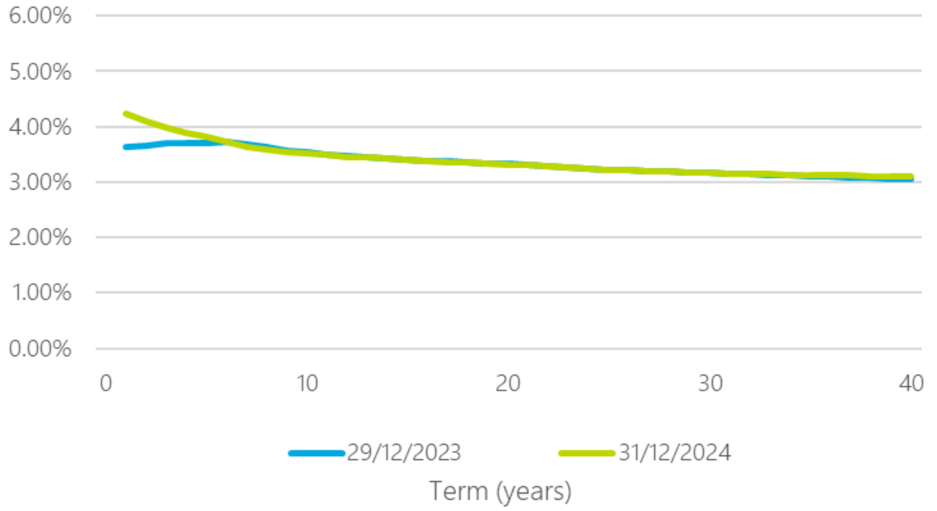
1. Gilt interest yield curve

The graph below shows the gilt interest spot yield curve at 29 December 2023 and 31 December 2024. As can be seen, the 31 December 2024 interest rate curve has risen at all durations compared to 29 December 2023 which has served, in isolation, to decrease the liabilities and hedging assets.



2. Swap inflation curve

The graph below shows the swap RPI inflation spot curve at 29 December 2023 and 31 December 2024. As can be seen, over the period from 29 December 2023 to 31 December 2024 the curve has increased at earlier terms but is broadly unchanged at all other durations, which has served (in isolation) to slightly increase the value placed on the liabilities and hedging assets.



Appendix B Assumptions

The material assumptions on which my calculations at 31 December 2024 are based are shown in the tables below. A full list of the assumptions used to derive the Technical Provisions can be found in the Statement of Funding Principles dated 31 January 2025.

The assumptions used for the liabilities at 31 December 2023 can be found in my scheme funding report for the 2023 valuation.

General assumptions

Asset valuation method	Market value (bid basis)

Financial assumptions

Discount interest rate	Gilt curve + 1.75% p.a. to 30/06/2029 Gilt curve + 0.3% (non-pensioners) / + 0.1% (pensioners) thereafter
RPI inflation	Swap inflation curve
CPI inflation	Before 2030: RPI inflation less 0.8% p.a. After 2030: RPI inflation less 0.0% p.a.
Pension increases in retirement	Consistent with CPI inflation curve with nil volatility
Final bonus on pre-1988 funds	23% on solvency basis
Future bonuses (other than final bonus on pre-1988 funds)	No allowance
Expenses	Non-investment expenses are assumed to be £2.0m p.a. in 2024, £1.5m in 2025 then £0.9m in 2026, reducing thereafter by £0.1m p.a. to be £0.6m p.a. in 2029. The cost of windup and securing annuities is assumed to be £0.5m at 31 December 2029.

Demographic assumptions

Mortality (post-retirement)	109% (males) / 103% (females) S3PA tables CMI_2023 improvements with a long-term rate of 1.5% and an initial addition of 0.3%
Early retirement	No allowance
Family statistics	100% married with husbands 3 years older than their wives

Appendix C
Asset and cashflow data

The table below shows the relevant asset information for the Section's assets from the Scheme's accounts for the year ending 31 December 2024:

	31 December 2024 £000
Net assets	54,101

A summary of the Section's cashflow data from the Scheme's accounts information that I used in my calculations at both dates is shown below:

	1 Jan 2023 - 31 Dec 2023 £000	**1 Jan 2024 - 31 Dec 2024 £000**
Pensions paid	2,474	2,310
Commutation of pensions	603	1,000
Payments on death	321	254
Individual transfers to other schemes	2,570	4,282
Administrative expenses	2,203	2,440

Appendix D
Membership data

A summary of the data used at 31 December 2024, together with the corresponding data at 31 December 2023, is set out below.

Deferred members	31 December 2023	31 December 2024
Number	2,055	1,918
Account balances (£000s)[1]	51,943	48,316

1. Including interest and accrued bonuses to each date of valuation. Money Purchase Funds are excluded.

Pensioner members	31 December 2023	31 December 2024
Number[2]	605	560
Total annual pension	2,430	2,273

2. Some pensioners have pensions in payment recorded under multiple records. The number of pensioners above represent the number of unique individuals receiving pensions.

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