

# Welcome to your... ANNUAL FUNDING UPDATE

We're required by law to provide you with an annual update on the Scheme's funding position, but we also think it's important you're kept informed. Your Defined Benefit pension is worked out using a set formula based on your pay and how long you've been contributing. While the Company takes on the investment risk, it's important the Scheme is well funded to ensure there is enough to pay out the pensions that have been built up.

We hope you find this update useful and informative, but if you have any questions after reading, you're welcome to contact us.

## How the Trustee looks after your pension

The Trustee is responsible for looking after your pension and making sure the fund is healthy.

Contributions are paid into a trust fund which is invested by independent investment managers appointed by the Trustee. Investing encourages growth, which helps the value of the fund keep up with the cost of living.

Every three years, the Trustee instructs a professional known as an actuary to carry out detailed and complex calculations to check on the Scheme's finances. This is known as a valuation. The last valuation was carried out on 5 April 2023 and the next one is due to take place on 5 April 2026. In between valuations, the actuary monitors the health of the fund and provides regular reports to the Trustee.

## What the valuation shows

The valuation shows:

- how much money the fund has available (assets) and,
- how much the fund needs to pay out pension benefits, now and in the future (liabilities).

To decide how much the Scheme has in assets and liabilities, the actuary makes certain assumptions about the future on things like interest rates, inflation, life expectancy and how investments are likely to perform.

If the fund has more in liabilities than assets, it will be less than 100% funded and this will highlight a deficit. If the fund has more assets than liabilities, it will be more than 100% funded and in surplus.

## The Scheme's funding position at a glance

The table below provides an overview of the fund's finances on 5 April 2025 – in comparison with the funding position at the 5 April 2023 valuation.

	5 April 2023 valuation	5 April 2025 review
Liabilities	£2,635 million	£2,269 million
Assets	£3,648 million	£3,476 million
Surplus	£1,013 million	£1,207 million

## What's changed since 5 April 2023

The previous valuation of 5 April 2023 found the Scheme was in surplus. The 2025 review shows an improvement in the Scheme's funding position. A rise in government bond yields has meant the Scheme's liabilities have gone down. This is because government bond yields are used to discount (determine) the cost of providing benefits. When yields go up, the amount that is discounted will be higher, and the predicted cost of providing pension benefits in the future will go down. There has also been a good return on investments which has increased the Scheme's assets. Both of these factors have contributed to the higher surplus.

It's important to keep in mind that pensions are long-term investments. Investment market conditions, which affect the value of the Scheme's assets and liabilities, change on a daily basis and the Scheme's funding position can vary from year to year. The Trustee regularly reviews the investment strategy to help reduce the impact of future fluctuations.

## The Company's support of the Scheme

While the Scheme currently has enough assets to cover the cost of paying benefits, it is reliant on the Company's continued support. Over the years, the Company has made generous contributions to fund the cost of paying pension benefits. Where a shortfall is highlighted, the company may agree to make this up. In March 2017, ABF plc provided a formal guarantee that it would cover at least £420 million of any future shortfall, providing further security to the Scheme.

ABF plc has also confirmed it is committed to paying the ongoing expenses of running the Scheme and extra contributions, when necessary, to fund any shortfall (including if the shortfall exceeded £420 million).

We can confirm that no assets have been refunded from the Scheme to the Company and the Scheme has not been subject to any interventions by The Pensions Regulator since the previous Summary Funding Statement was issued.

## Company contributions

The valuation of 5 April 2023 revealed a large surplus. As a result, the Trustee and the Company agreed the Company's usual contributions (covering the cost of new pension build-up and administration of the Scheme) would not be required for the period October 2023 to September 2024, and that the cost of new pension benefits for active members of the DC section would be met by the Scheme's assets. This approach is re-assessed each year to ensure the Scheme remains comfortably in surplus.

As the surplus was found to have increased at 5 April 2025, the Trustee and Company have agreed to continue with this approach for a further 12 months between October 2024 and September 2025.

## What would happen if the Scheme had to be stopped

By law, the Trustee is required to consider what would happen if the Scheme were to be stopped and members' benefits were to be secured with an insurance company. On 5 April 2023, the Scheme's assets were expected to have been more than enough to secure members' benefits in full. The surplus would have been sufficient to cover the costs involved. This is a much more positive situation than for the majority of UK pension schemes.

## Climate change, government and reporting

The Trustee has published a report on climate change, governance and reporting in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021. This report sets out how the Trustee identifies and responds to the risks posed by climate change, and is available to download from our website at: [www.abfpensions.com/tcfd](http://www.abfpensions.com/tcfd).

We can provide a paper copy of the report on request.

## Next steps

The next valuation will be carried out in April 2026. At this point, the Trustee will need to negotiate and agree future funding plans with the Company which can take several months. This means the Summary Funding Statement will be sent out a bit later next year. In the meantime, the Trustee and the Actuary will regularly monitor the Scheme's funding position. Please be reassured that the Trustee is committed to ensuring the best outcome for the Scheme and its members. We will continue to keep the Scheme's funding position under close review and are engaged in regular dialogue with the Company about the potential need for additional contributions if required.

## Further information

You can find lots more information about the Scheme on our website at: [www.abfpensions.com](http://www.abfpensions.com)

You can also login to the secure member area to view personal information about your pension.

If you have any questions about this statement, the Scheme, or your pension benefits please get in touch.

## If you need to get in touch

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