

The First UK Bus Pension Scheme Summary Funding Statement 2024

We wrote to members in 2024 to confirm the Company's and Trustee's intention to merge the First UK Bus Pension Scheme ("the Bus Scheme") into the FirstGroup Pension Scheme ("the Group Scheme"). The purpose of this announcement is to provide a further update and provide information about the funding supporting members' benefits in the newly created Bus Section of the Group Scheme.

As a reminder, the benefits which members of the Bus Scheme were entitled to are unaltered as a result of the merger and you do not need to take any action in response to this notice.

Completion of merger

As mentioned in the last edition of the Trustee Newsletter, the merger of the Bus Scheme into the Group Scheme has now completed. Under the terms of the merger agreement, the merger was accomplished by transferring the assets and liabilities of the Bus Scheme to a newly created Bus Section of the Group Scheme ("the Bus Section").

As this process has now completed, the process to wind-up the Bus Scheme has commenced. Going forward, members' benefits will instead be provided via the Bus Section. There have been no changes to member benefits as a result of this change and the Trustee remains responsible for ensuring that your benefits remain secure.

Final valuation of the Bus Scheme

Alongside the merger process, the Trustee undertook the final actuarial valuation of the Bus Scheme, which considered the financial position of the Scheme as at 5 April 2024.

An actuarial valuation involves looking at the value of the Scheme's assets, and comparing it to the amount we expect to need to provide benefits to members under various scenarios, including:

- On an 'ongoing' (or 'technical provisions') basis, which assumes that members continue to receive benefits through the Bus Scheme (and subsequently the Bus Section) for the foreseeable future.
- On a 'full solvency' basis, which assumes that the Bus Scheme was wound up on the date of valuation. This notional scenario is prepared to comply with legal requirements and the valuation reflects the estimated cost of purchasing annuity policies from an insurance company.

As at the valuation date, the Bus Scheme was 103% funded on the ongoing basis (i.e. its assets were greater than the amount of money expected to be required to provide members' benefits over the long-term) and 84% funded on the full solvency basis. It is usual for a scheme's funding level on the full solvency basis to be less than 100% and the funding position on this basis has improved significantly since the previous valuation when the Scheme was 62% funded on the full solvency basis.

Employer contributions payable

As the Scheme was in surplus on the ongoing basis at the valuation date, it was agreed that the Company would pay no further contributions to the Bus Scheme.

In addition it was agreed that:

- £40M would be paid to the to the Company from the Limited Partnership established following the previous valuation.
- The Company would make a one-off contribution of £20M into the Bus Section.
- The remaining funds in the Limited Partnership (currently in excess of £40M) would be retained, with the Trustee's interest transferred to the Bus Section to provide additional security for members' benefits.

First valuation of the Bus Section

Because, strictly speaking, the Bus Section is a new pensions arrangement, the Trustee is required to undertake an actuarial valuation of the Bus Section as at 5 April 2025. The work required to do this is currently underway and we will communicate the results to members later this year in the normal way.