The Metal Box Pension Scheme

Statement of Funding Principles

This statement has been prepared by the Trustee of The Metal Box Pension Scheme ("the Scheme") to satisfy the requirements of Section 223 of the Pensions Act 2004, after obtaining the advice of the Scheme Actuary, Adam N Boyes and taking account of any recommendations where relevant. The Trustee has discussed and agreed it with CarnaudMetalbox Group UK Limited ("the Company"), on behalf of all the Participating Employers. This document was prepared on 20 December 2019.

Statutory funding objective

The statutory funding objective is that the Scheme should, at the effective date of each actuarial valuation ("the valuation date"), have sufficient and appropriate assets to cover its technical provisions, and this statement sets out the Trustee's policy for securing that this objective is met.

Long-Term Objective

In addition to the statutory funding objective, the Trustee has an objective to be able to provide member benefits from the Scheme, as and when they fall due, with a high level of security and with no expectation of further contributions from the Company (i.e. the Scheme aims to be 'self-sufficient'). To achieve this objective, the Scheme has a Long-Term Funding Target (LTFT) that is predicated on aiming for full funding from 31 March 2026 allowing only for a prudent assessment of investment returns on a low-risk investment strategy. The long-term investment strategy is intended to be invested across a range of assets that provide high quality, contractual cashflows sourced across a diversified range of different counterparties as well as hedged against the Scheme's key risks with a suitable risk buffer, while providing flexibility to transact insurance contracts at appropriate pricing. At the valuation date, the LTFT uses the same assumptions as the technical provisions from 31 March 2026 and so is, by design, consistent with the statutory funding objective.

Technical provisions

Method

The Trustee and the Company have agreed that the technical provisions for the Scheme at any valuation date are to be calculated as the capital value of the discontinuance (closed fund) benefits. This method of calculating technical provisions is known as the defined accrued benefit method.

Financial assumptions

The Trustee and the Company have further agreed:

- The capital value of future cashflows will be calculated by discounting at term-dependent rates which represent prudent estimates of future investment returns on the assets of the Scheme.

- The discount rate will have regard to the yields available on high quality corporate and government bonds of appropriate type and duration at the valuation date. An additional term-dependent return in excess of gilt yields will be anticipated in the discount rates, and when setting this additional return a range of relevant factors will be considered at each actuarial valuation. These factors will include: current investment conditions, changes in the inflation risk premium over the period since the previous valuation date, the economic outlook, the Scheme's current asset allocation (making appropriate allowance for relevant risks), the expected future asset allocation (to the extent that future changes are referenced in the Statement of Investment Principles), and the perceived strength of the Company's covenant to the Scheme including its ability to support investment risk (making appropriate allowance for the additional support available through any guarantee provided).

- The term-dependent rates of future assumed price inflation as measured by the Retail Prices Index will have regard to the relative yields in fixed-interest and index-linked government bonds.

- The discount rate and inflation rate may be adjusted to reflect any financial instruments used by the Trustee to mitigate the impact of volatility in these items.

Mortality

The Trustee recognises the importance of making adequate allowance for improvements in pensioner longevity after the valuation date. At each valuation the Trustee reviews the mortality experience of the Scheme members to determine if the assumptions made remain appropriate. Reference is also made to any further evidence for trends in longevity improvements across the UK population as a whole, and the results of mortality studies which have been published. Any changes made will have regard to the advice of the Scheme Actuary, with the intention of making a prudent allowance for future improvements.

Other demographic assumptions

The other demographic assumptions will be set by the Trustee on the advice of the Scheme Actuary, having regard to:

- an analysis of the experience of the Scheme membership to the valuation date

- relevant statistics applicable to similar pension schemes and the UK population

- the Company's views about how these may change in future.

Taken together, all the assumptions adopted at a particular valuation date will be prudent and consistent with the Trustee's desired level of confidence that assets equal to the technical provisions will, over the expected lifetime of the members, prove adequate to meet benefits already accrued as they fall due.

Discretionary Benefits

There are a number of areas where the benefits payable are subject to some exercise of discretion on the part of the Trustee and/or the Company, the principal details of which are set out below:

- Subject to the payment of such contributions as the Trustee may require, the Company may augment the benefits payable to individual members of the Scheme. No advance allowance for any such augmentations has been made in setting the technical provisions and the costs are therefore to be met by the Company as they arise.

- After taking advice from the Scheme Actuary and obtaining the consent of the Company the Trustee has discretion to increase pensions each year beyond the automatic increases under the Scheme's Rules. In setting the technical provisions, the level of future pension increases has been assumed to be in line with the provisions under the Rules and no allowance has been made for any future discretionary increases.

- The Trustee and Company have agreed that the valuation will make allowance for GMP revaluation in full at age 60 for Normal Retirement Age (NRA) 60 males. This is based on current administrative practice, which could be changed at any time.

- There are a number of further discretions that enable members to convert the benefit from one form into another, typically at the discretion of the Trustee, such as on early retirement, ill-health retirement, or the commutation of pension into cash at retirement. The Trustee and the Company have agreed that these and other minor discretions that do not have a material impact on the determination of the technical provisions will be allowed for in the demographic assumptions used to determine technical provisions (see Appendix for details).

Expenses

Investment management costs are assumed to be met out of future investment income. The valuation discount rate is therefore net of such costs. Administrative and other non-investment expenses (excluding Pension Protection Levies) are currently met in full by the Scheme and the capitalised value of the expected amount of future expenses has been included in the determination of technical provisions as a loading of 1.5%.

Unless otherwise agreed, Pension Protection Levy invoices will be met by the Company and the Schedule of Contributions will provide for the Company to pay the invoiced amounts to the Scheme each year within a reasonable period following receipt of the relevant invoice.

Actuarial investigation as at 31 March 2019

The Trustee (having taken the advice of the Scheme Actuary) and the Company have agreed assumptions for the determination of technical provisions as at 31 March 2019, following the principles described above. These assumptions are set out in the Appendix.

Eliminating a shortfall

The Trustee and the Company have agreed that any funding shortfalls identified at an actuarial valuation should be eliminated by the payment of additional contributions at the maximum level provided for under the terms of the Guarantee put in place as part of the agreement on the 31 March 2010 actuarial valuation (as amended for subsequent actuarial valuations), or at such other level agreed with the Company.

The recovery period at any particular valuation will be driven by the level of additional contributions made available to the Scheme, as described above.

Monitoring the funding position and the frequency of actuarial investigations

The actuarial valuation as at 31 March 2019 is being carried out under Part 3 of the Pensions Act 2004 and Clause 4 of the Scheme's Trust Deed. In the normal course of events the Trustee will request subsequent valuations three years after the preceding one. The Scheme Actuary will provide an estimate of the up-to-date financial position of the Scheme as at each anniversary of the formal funding valuation and at other dates, when the Trustee considers it appropriate. Additionally, the Trustee monitors short-term changes in the Scheme's financial position on a range of measures on a more frequent basis under its approach to integrated risk management.

The Trustee may call for a formal funding valuation at any date if they are of the opinion that events have made it unsafe to rely on the results of the previous valuation for funding purposes. In reaching such a view, the Trustee will consider the advice of the Scheme Actuary and they will consult with the Company.

Arrangements for other parties to make payments to the Scheme

The Participating Employers' contribution obligations to the Scheme may in some circumstances be met by an alternative entity as provided for in the Guarantee put in place as part of the agreement on the 31 March 2010 actuarial valuation (as amended for subsequent actuarial valuations).

Payments to the employer

The Rules do not include provisions for the Trustee to make payments to any of the Participating Employers out of funds held for the purposes of the Scheme unless there remains a surplus following the securing of all accrued benefits in full on the winding up of the Scheme.

Cash equivalent transfer value calculations

Following each valuation, the Trustee will ask the Scheme Actuary to advise on the extent to which assets are sufficient to provide cash equivalent transfer values for all deferred pensioners without adversely affecting the security of the benefits of other members and beneficiaries. The Trustee's current policy is not to reduce cash equivalent transfer values paid to members.

Dates of review of this statement

This statement will be reviewed, and if necessary revised, by the Trustee (subject to agreement from the Company) either:

- within 15 months after the effective date of each actuarial valuation; or

- within a reasonable period after any occasion on which the Regulator has used its powers to modify future accrual of the Scheme, directed as to the manner in which technical provisions are to be calculated or the period over which failure to meet the statutory funding objective is to be remedied, or imposed a schedule of contributions.

The Trustee may also elect to review, and if necessary revise (subject to agreement from the Company), the statement at other times.

Signed on behalf of the Company	**Signed on behalf of the Trustee of the Scheme**
Signature: ……………………………………………	Signature: …………………………………………
Print name: …………………………………………	Print name: ……………………………………….
Position: ……………………………………………	Position: ……………………………………………..
Date: ………………………………………………	Date: ………………………………………………

Appendix – Assumptions for the valuation as at 31 March 2019

Actuarial valuation as at 31 March 2019

The Trustee (having obtained the advice of the Scheme Actuary and taken into account any recommendations where relevant) and the Company have agreed assumptions for the valuation as at 31 March 2019, in line with the process described in this statement. These assumptions are set out below.

Financial assumptions as at 31 March 2019

The discount rate has been chosen based on the factors set out in this Statement of Funding Principles, which has resulted in the following discount rates in excess of gilt forward rates:

Scheme Year	Discount rate (% pa above gilts)
2019/20	1.35
2020/21	1.15
2021/22	1.00
2022/23	0.90
2023/24	0.90
2024/25	0.90
2025/26	0.90
2026 onwards	0.25

The single equivalent nominal discount rate is 1.9% pa and the single equivalent RPI assumption is 3.4% pa weighted by the relevant past service liability cashflows at the valuation date.

Indexation assumptions are expressed relative to the forward curve of RPI gilt breakeven rates with the following margins:

	% per annum
RPI (min 0%, max 5%)	-
CPI	(0.7)
CPI (min 0%, max 3%)	(1.0)
RPI (min 0%, max 2.5%)	(1.0)
Increases to pensions in deferment (in excess of GMP)	-

Statistical assumptions as at 31 March 2019

Post-retirement mortality

The post-retirement mortality assumptions have been calibrated taking into account Scheme experience up to 31 March 2019. The assumptions are summarised in the table below:

Group	Base table**
Male members	97% of S3PMA_M
Female members	103% of S3PFA_H
Male dependants	96% of S3DMA
Female dependants	99% of S3DFA

** standard SAPS table notation

The tables above are projected to 2016 based on the CMI 2018 core projection model, subject to a long-term rate of improvement of 1.5% per annum, with an initial addition to the rate of improvements of 0.25% pa and a smoothing parameter of 7.0. In addition, the allowance for future improvements in rates of mortality from calendar year 2016 will be made by reducing the rates of mortality from the base tables described above according to the CMI 2018 core projection model, subject to a long-term rate of improvement of 1.5% per annum, with an initial addition to the rate of improvements of 0.25% pa and a smoothing parameter of 7.0.

The resulting life expectancy for males aged 65 at the valuation date is 21.8 years, of which 1.1 years represents the impact of the assumed allowance for future improvements in mortality.

The life expectancy at age 65 for a male currently aged 45 is 23.5 years.

Pre-retirement mortality for deferred pensioners

Consistent with the post-retirement mortality assumptions.

Spouses' and dependants' pensions

The proportion of members whose death prior to Normal Retirement Age is assumed to give rise to a spouse's or other dependant's pension is 80% for men and 60% for women. After Normal Retirement Age, these proportions are assumed to reduce in accordance with assumed rates of spouses'/dependants' mortality.

Age difference between members and dependants

The dependants of male members are assumed to be four years younger than the member. The dependants of female members are assumed to be one year older than the member.

Allowance for option of members to commute pension for cash at retirement

NRA 65 members are assumed to commute 20% of their pension for cash at retirement. NRA 60 members are assumed to commute 16% of their pension for cash at retirement. The commuted pension is assumed to be converted to cash on the current commutation factors.

Equalisation

An assumed allowance of 2.1% of the value of the Scheme's liabilities will be reserved to allow for the potential additional liabilities arising from requirements to equalise Scheme benefits between male and female members (including for the effect of unequal Guaranteed Minimum Pensions).

Expenses

An amount equal to 1.5% of the liabilities will be reserved for administration expenses. Investment expenses will be allowed for when setting the discount rate.

Unless otherwise agreed, Pension Protection Levy invoices will be met by the Company and the Schedule of Contributions will provide for the Company to pay the invoiced amounts to the Scheme each year within a reasonable period following receipt of the relevant invoice.

Long-Term Funding Target (LTFT)

Other than the discount rate, the LTFT uses the same assumptions as the technical provisions. The discount rate for the LTFT is 0.25% p.a. in excess of gilt forward rates.