

Pitney Bowes Pension Fund (the ‘Fund’)

As the Trustees of the Fund, it is our responsibility to monitor the health of the Fund and ensure it always has enough funding to pay out benefits, now and in the future.

You will be familiar with the fact that we commission a valuation – a formal health check – of the Fund’s finances every three years. This check helps us assess whether the amount of money building up in the Fund is enough to cover the cost of paying out your benefits in the future. We report the results of valuations to you, as a ‘summary funding statement’, in our regular ‘Pensions Post’ newsletter and in one-off bulletins like this one.

Financial support

The Fund’s investments play a significant part in maintaining its financial health, so valuation results help us make decisions about the investment strategy. However, Pitney Bowes Limited (the ‘Company’) also provides important financial support for the Fund which can change as part of a valuation.

The impact of high inflation

With high levels of inflation being a popular talking point in the news, you may be wondering what effect this might have on the Fund.

High levels of inflation increase the cost of providing members’ benefits through the Fund. However, as Trustees of the Fund, we have previously taken steps to ensure we are well protected against periods of high inflation. Many of the assets held by the Fund are linked to inflation, and therefore provide higher returns when inflation is high. The situation will continue to develop over time, but we are confident we have a broad and robust investment strategy in place to support the Fund even when financial markets are going through a difficult period.

We hope this information helps to reassure you that we are taking good care of your pension.

David Denney

Chairman of the Trustees

The valuation process

A valuation is a thorough and in-depth process involving a lot of information-checking and calculations. Here is a reminder of the process.

The Fund's independent actuary collects information about the Fund at the valuation date.
As the Trustees, we work with the Company to agree assumptions about factors like future inflation, investment conditions and how long members are expected to live.
The actuary uses these assumptions to assess the current value of the benefits the Fund needs to pay now and in the future. This is known as the 'funding target'.
The actuary then compares the funding target at the valuation date to the value of the assets – the money and investments in the Fund.
If there is a gap between the value of the assets and the funding target, the Fund has a shortfall.
If there is a shortfall, we agree a 'recovery plan' to restore the funding level to 100%. This will normally include contributions from the Company.
We report the valuation results and the recovery plan we have agreed with the Company to you – usually in Pensions Post and bulletins like this one.
In between the three-yearly valuations, the actuary provides less formal updates on the funding level. We report yearly updates to you in Pensions Post.

Your summary funding statement

At 31 March 2021:	
The assessed value of the funding target was	£435.6 million
The value of the assets was	£389.7 million
The funding shortfall was	£45.9 million
This is equal to a funding level of	89%

Changes since the previous valuation and update

The funding position is better than it was at 31 March 2020, when it was estimated as 81% with a shortfall of £86.0 million. It is also higher than it was at the 2018 valuation when it was 82%, and the shortfall has also reduced – it was £76.7 million at the 2018 valuation.

The Fund's assets have performed strongly due to a combination of Company contributions and strong investment returns, which more than offset the rise in the funding target.

The Company's support

As part of the valuation we have discussed and agreed a recovery plan with the Company. This will see it pay additional contributions aimed at removing the shortfall and restoring the funding level to 100%.

The recovery plan includes the following payments.

- A one-off cash sum of £6.0 million in January 2022.
- A one-off cash sum of £6.7 million in January 2023
- Regular payments of £3.4 million a year each January for 7 years from January 2024 to January 2030 inclusive.

We have made allowance in the recovery plan for returns on the Fund's investments to make up some of the shortfall. If the investments perform as we expect, those returns, plus the payments outlined above, should remove the funding shortfall by 31 January 2030.

The Fund has not made any payments to the Company.

We will continue to monitor the funding level. In the next edition of Pensions Post we will report the actuary's less formal update of the Fund's funding level at 31 March 2022.

A new guarantee from Pitney Bowes Inc

As part of the 2021 valuation, we are pleased to confirm that Pitney Bowes Inc has provided a new guarantee covering payments to the Fund until January 2030.

This provides the Fund with valuable protection and security in the event that the Pitney Bowes businesses in the UK were unable, for any reason, to continue to pay contributions into the Fund.

An alternative view

There is a second view which all actuaries must take when providing a valuation. This view, the 'full solvency' position, calculates a valuation based on a Fund winding up at the valuation date. It assumes the benefits built up to that date were bought out by an insurance company, rather than the Fund continuing to pay benefits directly to members into the future.

A 'full solvency' funding level is almost always lower than the 'ongoing' funding level because it is an assessment of the cost of buying insurance policies to provide all benefits built up to the valuation date (which tends to be more expensive than allowing for the benefits to be paid out gradually in the future).

On this basis, the shortfall at 31 March 2021 was £165.4 million, representing a funding level of 70%. This has improved from the position at 31 March 2018, when the full solvency funding level was 61% with a shortfall of £220.5 million.

Please note that the inclusion of this information does not imply that the Trustees or the Company are contemplating winding-up the Scheme; we are simply required to provide this information as part of our report to you.

The Pensions Regulator

The Pensions Regulator is the national 'watchdog' for pension schemes. It has various powers, including the ability to ask for funding targets to be worked out in a particular way or impose a schedule of contributions on a pension scheme. It has never used these powers on our Fund.

Getting in touch

If you have a question about your Pitney Bowes pension or anything in this summary funding statement, please contact the Pension Fund Department.

Email: **pitney.bowes@aon.com**

Telephone: **0330 678 0410** (during normal office hours)

Or write to:

Pitney Bowes Pension Fund Department

Aon Limited

PO Box 196

Huddersfield

HD8 1EG

Taking advice

The people in the Pension Fund Department are happy to help with questions about your pension. However, neither they nor we, as your trustees, can give you individual advice about your pension savings. If you would like this kind of advice, please consider speaking to an independent financial adviser.