

A scenic autumn forest path with two people riding bicycles in the distance. The path is covered in fallen orange and yellow leaves, and the trees are tall with vibrant foliage. The scene is captured from a low angle, looking down the path towards the horizon where two figures on bicycles are visible. The lighting is soft and natural, suggesting a misty or overcast day.

# Lubrizon Retirement and Death Benefits Plan (“the Plan”)

Annual Funding Statement at  
31 December 2023

***As the Trustees of the Lubrizol Retirement and Death Benefits Plan ('the Plan'), we are responsible for looking after the Plan. We are required by law to regularly send you an 'Annual Funding Statement' which describes the level of funding that supports your pension. You may remember receiving similar statements previously.***



# What is the purpose of this statement

The purpose of this statement is to summarise the results of the Annual Funding Update as at 31 December 2023 and to update you on how the funding position has changed since we last sent you an Annual Funding Statement in early 2023.

Until 31 December 2021, active members built up benefits in the Plan that were linked to their salary. The Plan closed to future accrual with effect from 1 January 2022, when all active members became deferred members. The Plan also holds benefits earned by deferred members who have left the Company but not yet retired and also pays benefits to pensioner members. The estimated cost of providing benefits to all members is known as the Plan's 'liabilities'.

Contributions paid by members and Lubrizol Limited ("the Company"), after covering running costs, are invested to provide benefits for our members. Our investments are held in communal funds for everyone, not in separate funds for each individual. The current market value of our investments at any time is known as the Plan's 'assets'.

To check the Plan's financial security, we look at its financial position and compare the value of its liabilities to its assets. If the Plan has fewer assets than liabilities, it is said to have a 'shortfall'. If the assets are more than the liabilities there is said to be a 'surplus'.

We carry out an in depth look at the Plan's finances at least every three years. This is carried out by a qualified independent professional, known as an actuary, and is called an actuarial valuation. We also receive annual updates from the actuary in the years in between valuations.

## What was the Plan's funding position at 31 December 2022?

The table below summarises the results of the Annual Funding Update as at 31 December 2023. The funding position as at 31 December 2021 and 31 December 2022 is also shown for comparison. The results shown have been estimated using the Plan's ongoing funding assumptions. These assume that the Plan will continue in the future and has no plans to wind up.

The Annual Funding Update as at 31 December 2023 showed an estimated Plan surplus of £24.8 million, equivalent to a Plan funding level of 113%.

Table 1	31 December 2021 (£ million)	31 December 2022 (£ million)	31 December 2023 (£ million)
Plan assets	352.2	222.6*	218.7*
Plan liabilities	326.7	197.2	193.9
<b>Surplus/(Shortfall)</b>	<b>25.5</b>	<b>25.4</b>	<b>24.8</b>
Funding level	108%	113%	113%

\*unaudited asset value

## How has the funding position changed since the Annual Funding Statement as at 31 December 2020?

Between 31 December 2022 and 31 December 2023, the funding level remained stable at around 113%, although the monetary surplus decreased slightly by £0.6m from £25.4m as at 31 December 2022 to a surplus of £24.8m as at 31 December 2023.

The value of Plan's assets and liabilities have also remained stable over the year, which reflects a much less volatile year for investments in 2023. Over time, we expect our assets to fall in value as the Plan pays out benefits to our members, with this fall being offset by the investment returns we earn each year. As the Plan has a surplus, the Company is not currently paying contributions into the Plan, apart from an amount to meet running costs.

Overall, the value of the liabilities has reduced by slightly less than the assets over the year, leading to a slightly lower surplus of £24.8m as at 31 December 2023.

Further details on the Plan's assets and liabilities are set out below.

### Assets

The last Annual Funding Statement showed the position at 31 December 2022.

Between 31 December 2022 and 31 December 2023 the Plan's assets decreased by £3.9 million, from £222.6 million to £218.7 million. The reduction in the values of the assets is primarily due to benefits paid out of the Plan (which amounted to around £7.5 million over 2023), offset by the investment returns earned on the assets over 2023.

As at 31 December 2023, 47.5% of the assets were invested in growth assets (split between pooled investment vehicles invested in global equity, absolute return funds, multi-asset credit and property investments) with the remaining 52.5% invested in a combination of assets designed to protect the funding level of the Plan including corporate bonds, gilts and holdings of cash.

### Liabilities

The Plan's liabilities decreased by £3.3 million from 31 December 2022 to 31 December 2023, from £197.2 million to £193.9 million. The reduction in the value of the liabilities is primarily due to benefits paid from the Plan, offset slightly by an increase in long-term interest rates used to value the liabilities over the period along with a decrease in expectations for future inflation.

### Contributions payable

The previous Annual Funding Statement showed the position as at 31 December 2022. Since then, the Company has paid £400,000 in contributions to the Plan to cover Plan expenses.

As the Plan closed to the future accrual of benefits on 31 December 2021, members and the Company no longer contribute in respect of the future accrual of benefits.

As at the most recent formal Actuarial Valuation as at 31 December 2021, the Plan had a surplus on the Trustees' ongoing funding measure and hence no deficit recovery contributions are currently required. The Company will continue to make contributions towards expenses and may, if they wish, pay further contributions at their discretion.

### Is there anything else I need to know?

We are also required to let you know what the funding position would be if the Company had to close the Plan and secure the benefits with an insurance company ('wind up' the Plan). This 'wind up valuation' is provided purely to comply with legal regulations and there are no plans for the Company to wind up the Plan. The Trustees and the Company remain fully committed to safeguarding members' benefits within the Plan.

If the Plan had been wound up on 31 December 2021, the date of the last full actuarial valuation, then it is estimated that the financial position would have been:

- Assets of £352.2 million
- Wind up liabilities of £405.4 million
- Shortfall of £53.2 million
- Wind up funding level of 87%

This means that the Plan's assets would only have been enough to pay on average 87% of members' guaranteed benefits. It is very common for pension schemes in the UK to have a shortfall on their 'wind up' valuation as this calculation typically results in a higher value being placed on the Plan's liabilities than the ongoing measure of the liabilities described on page 4. Although no formal assessment has been carried out since 31 December 2021, the Trustees expect that the wind up shortfall has reduced over the period to 31 December 2023.

In the event of the Plan winding up, the Company would be legally required to pay for the shortfall up to 100% of the guaranteed benefits. If the Company couldn't afford to pay for at least a minimum level of benefits to be secured with an insurance company, the Plan may be able to call upon the Pension Protection Fund (PPF). In this case members may receive less than their full benefits depending on their age and when their benefits were earned. The PPF was set up by the Government in 2005 as a 'lifeboat' fund to help members of pension schemes where there are insufficient assets to provide a certain level of pension benefits. Visit the PPF website for further details:

[www.pensionprotectionfund.org.uk](http://www.pensionprotectionfund.org.uk)

We are required to tell you whether the Pensions Regulator has used its legal powers to make directions as to any of:

- The level of benefits available from the Plan going forward
- The method or assumptions used to calculate the liabilities or the length and structure of the recovery plan
- The contributions that should be paid under the schedule of contributions

The Pensions Regulator has not used its powers in relation to the Plan and therefore the Plan is not subject to any directions.

We are also required to inform you whether any payment has been made from the Plan to the Company, since we last sent you an annual funding statement. We can confirm that no such payment has been made.

If you have already left the Plan and have deferred benefits you can, if you wish, transfer your benefits to another pension arrangement prior to retirement. If you are thinking of transferring your benefits out of the Plan for any reason, you should consult a professional advisor, such as an independent financial advisor, before taking any action. The law prevents us from providing you with financial advice.

## **Additional documents available on request**

### ***The Statement of Funding Principles***

This explains how we (the Trustees) plan to manage the Plan with the aim of being able to continue to provide the benefits that members have built up.

### ***The Statement of Investment Principles (“SIP”)***

This explains how we (the Trustees) invest the money paid into the Plan. A copy of the SIP is available on the website: [The Lubrizol Retirement and Death Benefits Plan - Isio](#)

### ***The Schedule of Contributions***

This shows how much money is being paid into the Plan by the Company and the contributing members and includes a certificate from the actuary showing that as at the last valuation date, it was expected to be sufficient.

### ***The Annual Report and Accounts of the Lubrizol Retirement and Death Benefits Plan 2022***

This shows the Plan’s income and expenditure in the year ending 31 December 2022.

### ***The Formal Actuarial Valuation Report as at 31 December 2021***

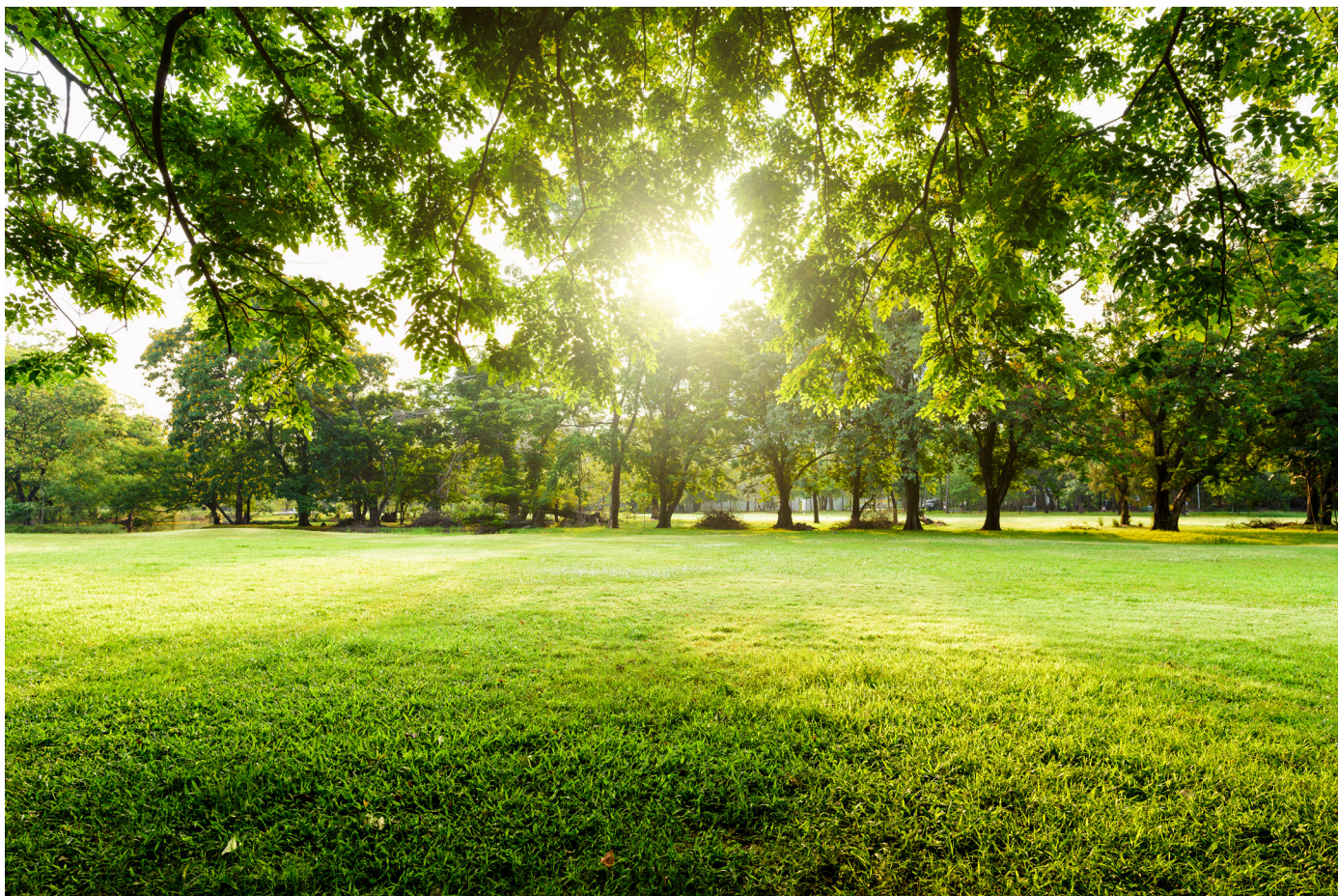
This contains the details of the actuary’s check of the Plan’s funding position as at 31 December 2021. The next Actuarial Valuation is due as at 31 December 2024.

### ***Annual Funding Update as at 31 December 2023***

This contains the details of the actuary’s check of the Plan’s funding position as at 31 December 2023. The next Annual Funding Update is due as at 31 December 2025, following completion of the full actuarial valuation at 31 December 2024.

### ***The Lubrizol Retirement and Death Benefits Plan Information Booklet***

This is the members’ handbook for the Plan.



# Any questions?

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If you have any questions about this statement, would like to update your address details, or would like more information about the Plan, please contact:

Email: [Lubrizol@isio.com](mailto:Lubrizol@isio.com)

Telephone: 0800 122 3200 or +44 208 663 5850 if calling from overseas

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**Trustees of the Lubrizol Retirement and Death Benefits Plan**

**March 2024**

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