

August 2026

**VAILLANT GROUP
PENSION SCHEME**

Special Valuation Newsletter

An update on the funding of your DB pension scheme



What's inside?

- Coming Soon – Your New Member Portal
- Results of the 5 April 2025 valuation
- An update on the Scheme's improved funding position
- Pensions news
- Trustee Board updates



Message from the Chair

Welcome to your 2026 special newsletter. In this edition you'll find the results of the Scheme's latest financial health check (also known as an actuarial valuation) as at 5 April 2025, alongside other helpful updates on the Scheme.

Scheme funding

The actuarial valuation revealed that as at 5 April 2025, the Scheme had a funding level of 93%. The funding level continues to improve, supported by the Company's ongoing commitment to the Scheme. The Trustees are grateful that the Company continues to contribute £6m each year while the Scheme has a deficit. You'll find information about the financial health of the Scheme, including the valuation results on [page 4](#).

A new Recovery Plan has been agreed with the Company. You can find out more about this on [page 6](#).

Changes since 5 April 2025

Although inflation has eased from the high levels seen in recent years, economic conditions in the UK and worldwide have remained uncertain. While interest rates have gradually fallen, borrowing costs and long-term gilt yields have remained relatively high and financial markets have continued to experience periods of volatility.

In the UK, economic growth has remained modest, while globally there continues to be uncertainty linked to international events, trade developments and wider economic pressures.

The Trustees continue to monitor these challenges closely and will always act in the best interests of the Scheme and its members.

Despite the current market and geopolitical developments, the Scheme has seen further improvements in its funding level since 5 April 2025. This is mainly due to positive market growth in Q1 2026 and the fact that the Scheme has significant hedging in place to protect our long term liabilities against interest rate and inflation movements.

Get in touch

We're always looking to improve our communications and would welcome your thoughts on this newsletter and anything else we've sent you recently. You can email the Pensions Department with your feedback at vaillant.pensions@vaillant-group.com

John Breedon
Chair of the Trustees

Coming soon – Your New Member Portal

We know many members would value easier and secure online access to their pension information. We're excited to be introducing a new online member portal. The portal will offer a simpler and more convenient way to access your pension information securely online.

We'll be writing to all members in due course with more information, including how to register for the new portal.



What is an actuarial valuation?

An actuarial valuation is a check on the financial health of the Scheme which happens every three years. The main purpose of this is to see how much money the Scheme has available to pay future benefits.

How the valuation is carried out

An actuary carries out the actuarial valuation, and compares the Scheme's assets (money the Scheme has) with its liabilities (money the Scheme will need to pay out to members, both now and in the future). The actuary then measures the difference to see how well funded the Scheme is.

The Scheme's funding level is calculated as a percentage, which the Trustees then review. If there is a shortfall (which means the liabilities are higher than the assets), action is taken to reduce it – the smaller the shortfall, the more financially secure the Scheme is. The valuation funding basis assumes the Scheme will be ongoing.

The importance of valuations

Regularly checking the Scheme's funding level and security allows the Trustees to decide if any action needs to be taken in members' best interests. It can also help to identify any future funding risks.

This year's results at a glance

Between the actuarial valuations as at 5 April 2022 and 5 April 2025, the Scheme's funding level improved from **91%** to **93%** – this is very good news, especially given the market volatility we have seen over the last 3 years.

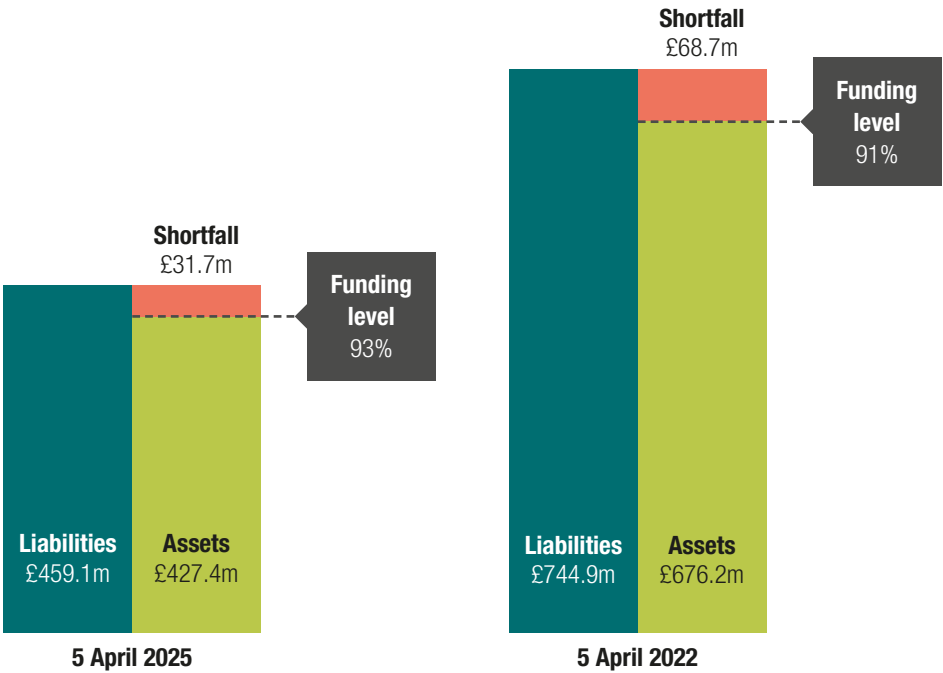
It's also pleasing to see an increase in funding levels despite the Scheme moving to a more prudent funding basis as part of the 2025 valuation negotiations.

Valuation results

The figures quoted in these valuation results are taken from the formal full valuation and are accurate. This means that they may differ slightly from the indicative figures we provided in your previous newsletter while we were waiting for the full valuation to be completed.

As at 5 April 2025, it was estimated that the Scheme's liabilities were **£459.1m** and its assets totalled **£427.4m**. This means that there was a significant reduction in the funding deficit. We estimate a shortfall of c£31.7m which is down from c£68.7m as at 5 April 2022.

In percentage terms this means our funding levels have improved from 91% to around 93% over the last 3 years.



Definitions:

Assets – Money the Scheme has, such as contributions from members and employers, plus any investment returns (minus any expenses the Scheme needs to pay).

Liabilities – The estimated cost of providing pensions currently in payment and future benefits that have been promised to members (or their dependants) who have not yet retired.

Shortfall – When the value of the Scheme's assets is lower than the value of its liabilities.

Reasons for the change in funding level

Between 5 April 2022 and 5 April 2025, the Scheme's funding level increased to 93% from 91%.

This is partly because:

- The Company paid in £53.35m in contributions to the Scheme, which significantly helped the Scheme meet its pension payroll commitments over the 3 years since April 2022. This meant that the Trustees could focus on meeting regularly to ensure they continue to work closely with the Company and the fiduciary manager to maximise the investment opportunities available to them, without significant disinvestments being needed to meet scheme benefit payments.
- The Scheme's assets performed strongly. Our hedging strategy has insulated us against interest rate and inflation movements. We continue to maintain a well-diversified and balanced portfolio of investments.
- The Pension Increase Exchange (PIE) exercise had reduced the value of the Scheme's liabilities.

The funding level continues to improve as the Company continues its support of the pension scheme. The Trustees are grateful that the Company continues to contribute £6m per year to support the Scheme whilst the fund is in deficit.

Changes since April 2025

Since April 2025, UK and global financial markets have remained uncertain. Inflation has continued to ease and the Bank of England has begun gradually reducing interest rates, although long-term government bond (gilt) yields have remained relatively high and markets have experienced periods of volatility.

Pension schemes continue to monitor the impact of investment performance, funding levels and Liability-Driven Investment (LDI) strategies. Global factors such as international conflict, trade uncertainty and concerns around government borrowing have also contributed to market volatility.

Despite these challenges, financial markets have generally been more stable than during the significant disruption seen in 2022.

This meant that between 5 April 2025 and 5 April 2026 the Scheme's assets fell from £676.7m to around £427.4, however more importantly the long-term liabilities also fell significantly from £744.9m to approximately £459.1m.

Although the Scheme's assets fell significantly, it's important to remember that the Scheme's long-term liabilities also reduced significantly over the same period. The Scheme's funding level improved from 91% to 93% over the 3 years to 5 April 2025, and we have seen further improvements since 5 April 2025 – which is great news for our members.

With the current improvements, and the plans that the Trustees and Company have in place to continue clearing the funding deficit, there are no concerns regarding the Scheme's funding level, its ability to meet the payment of benefits to members, or its ability to continue as a going concern. The Trustees will continue to monitor wider economic conditions and work towards fully funding the Scheme. This aim is boosted by the Recovery Plan, which you can read about on [page 6](#).

Valuation results – the Recovery Plan

As at 5 April 2025, the Scheme's shortfall had decreased from its 2022 level.

In order to work towards eliminating the remaining shortfall, the Company has agreed to pay the following deficit contributions as part of a new Recovery Plan (as agreed during the 2025 valuation negotiations):

Period	Deficit contributions
1 July 2026 – 31 December 2026	£3m

The Company continued paying £0.5m per month from the end of the previous recovery plan in October 2025 until the 2025 valuation negotiations were finalised on 23 June 2026. This provided ongoing financial support to the Scheme while the valuation negotiations were taking place.

It's also worth noting that, although the new recovery plan does not require legally binding contributions from the Company after December 2026, the Company has indicated that it would be willing to continue supporting the Scheme through discretionary contributions until it reaches 100% funding. This means the Trustees do not need to take additional investment risk to achieve full funding.

The Scheme's long-term funding target

As part of the Recovery Plan, the Trustees and Company have agreed a funding objective to reach a target of 'low dependency' on the Company to pay further contributions. It's anticipated that the Scheme will be 100% funded on this basis well ahead of when it reaches 'significant maturity' in April 2033.

The Trustees will continue to closely monitor the Scheme's progress against this long-term funding target of 'low dependency' and formal discussions will be held with the Company every three years at future actuarial valuations.

Valuation results – additional information

What if the Scheme were to wind up?

The Scheme has no plans to wind up but, by law, we have to tell you what would happen if that were to take place.

We can confirm that if the Scheme did wind up on 5 April 2025 (the date of the last formal valuation), its assets would have covered around 87% of the estimated cost of securing members' benefits with an insurance company – a marked increase on the 75% funding level in April 2022.

In the unlikely event that the Company were to become insolvent and the Scheme's assets were not enough to cover the shortfall, the Pension Protection Fund may be able to offer compensation to members.

We can confirm that The Pensions Regulator has not used any of its legal powers in relation to:

- The method or assumptions used to calculate the liabilities;
- The length and structure of the Recovery Plan; or
- The contributions to be paid.

We can also confirm that the Scheme has not made any payments to the Company during the year.



Pension news

Inheritance tax changes and your pension

The government has announced changes to how pension lump sums are treated for Inheritance Tax (IHT) purposes. The changes are due to take effect from **6 April 2027**.

Currently, most pension savings can be passed on to beneficiaries outside of your estate, meaning no IHT is usually due. These reforms are designed to refocus pensions on their primary purpose – providing income in retirement – rather than for passing on wealth.

Under the new rules, most unused pension funds and death benefits will be included as part of your estate when calculating IHT. This means your pension could increase the overall value of your estate and, in some cases, lead to a higher tax bill.

Not all benefits are affected. Payments to a spouse or civil partner will remain exempt, and death-in-service benefits and dependant pensions are expected to stay outside the IHT rules. However, lump sums paid if someone dies while a deferred member and any payments to beneficiaries of pension savings funded by Additional Voluntary Contributions (AVCs) will be included.

IHT typically only applies if the value of your assets (your pension, home or other things of value that you own) is more than £325,000, and the tax is only payable on the value **above** this amount.

Most people will not be affected. The government estimates that in 2027-2028, this change could impact around an additional 10,500 estates – about 1.5% of all UK deaths – that would not previously have had to pay IHT. However, the changes may make estate administration more complex, with personal representatives being responsible for reporting pension values and settling any tax due.

You don't need to take any action now. Further guidance from the government and HMRC is expected, and we will ensure processes are in place to support those affected. If you have significant pension savings, it may be worth reviewing your plans to understand how these changes could affect you and your beneficiaries.

Member-Nominated Trustee Update

Steve Wakely extended term as Member-Nominated Trustee

We recently wrote to you about the Member Nominated Trustee (MNT) appointment exercise. We confirmed that Steve Wakely's two-year extended term of office would expire on 5 September 2026, although he had agreed to extend this by another two years to support the Trustee Board on several projects so the Scheme remains compliant with current legislation and best practice.

The Trustees worked closely with the Company to bring the 2025 Actuarial Valuation to a satisfactory conclusion earlier this year. We will now begin reviewing the Scheme's investment strategy to ensure it remains appropriate, given the recent improvements in the funding level. The Trustees feel that Steve's experience, including his previous role as Finance Director and as a current Funding and Investment Committee member, are essential to continue running the Scheme effectively.

The Trustees did still invite you to nominate other candidates by 7 August 2026. As no nominations were received I am delighted to formally confirm Steve Wakely's appointment for another two years.

Pensions dashboards – where are we now?

Pensions dashboards are a new online service being developed to help you see all your pension savings in one place. This will include your State Pension, as well as any workplace or personal pensions you have built up over your career.

Pensions dashboards are set to become a valuable tool for understanding your retirement savings. The aim is to make it easier to keep track of your pensions, including any you may have lost or forgotten, and to help you better plan for retirement.

Pension schemes and providers are currently in the process of connecting their data to the new system, with over 60 million pension records already linked so far. The Vaillant Pension Scheme is now connected ahead of the 31 October 2026 connection deadline.

Although dashboards are not yet available to the public, significant progress is being made behind the scenes and user testing is already under way.

A confirmed launch date has not yet been announced, but the MoneyHelper dashboard is expected to become available to the public in the 2027/2028 financial year. Updated information about the launch is expected later this year.

You don't need to take any action now; we'll be in touch with more information when it's almost time for you to use your dashboard.

Ready to retire and looking for advice? Origen can help



0344 209 3000

Origen is one of the UK's leading national financial advisers and has been appointed to offer advice to Vaillant members at retirement. If you're ready to retire, you can get advice from Origen, and Vaillant will cover the cost.

Vaillant will only be able to cover the cost for Origen's advice once, so it's important you only make use of this benefit when you're ready to retire. You'll receive contact details for Origen when you receive your quotes and options at the point of retirement.

Financial guidance at your fingertips

If you're finding it difficult to manage debt, want to feel more in control of your finances, or simply need help understanding financial information, MoneyHelper can support you. Moneyhelper provide a free, impartial to help people manage their money and make informed financial decisions.

Visit MoneyHelper at moneyhelper.org.uk or find out how to contact someone for support at moneyhelper.org.uk/en/contact-us

In need of financial advice?

Unbiased is an online service that helps you find a regulated financial adviser, mortgage broker or accountant in your area. You can search its directory based on your needs and be matched with someone who can offer personalised advice to suit your circumstances. It's free to use Unbiased to find and connect with an adviser, but please remember that individual advisers will have their own charges.

Visit unbiased.co.uk to find out more.

Look out for your Annual DB Newsletter towards the end of 2026

In it, you'll find more news from the Scheme, including updates on our Guaranteed Minimum Pension (GMP) equalisation and Pension Increase Exchange (PIE) projects. We'll introduce you to our new Member-Nominated Trustee!

The Scheme's Trustees and advisers

The Trustees

The Trustees are the people responsible for looking after your Scheme.

John Breedon	Independent Trustee (Chair)
Dan Whyld	HR Manager (UK), Vaillant Group (UK) Ltd Employee (Non-member)
Emma Staniland	Senior Tax Manager, Vaillant Holdings (UK) Ltd (Deferred Member)
Mark Wilkins	Technology and Solutions Portfolio Director, Vaillant Group (UK) Ltd (Non-member)
Steve Adams	Retired, previously employed by Vaillant Holdings (UK) Ltd, nominated by our Scheme members
Steve Wakely	Retired, previously employed by Vaillant Holdings (UK) Ltd, nominated by our Scheme members

Secretary to the Trustees

Steve Tickner	Pensions Manager, Vaillant Holdings (UK) Ltd
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Independent advisers

The advisers help the Trustees on specialist issues.

Mercer – Sophie Young	Actuary
PricewaterhouseCoopers LLP (PwC)	Independent auditors and covenant adviser
Eversheds Sutherland – Stuart Earle	Legal Adviser
SEI Investments (Europe) Ltd (SEI)	Investment consultant

Get in touch

The Company's Pensions Team looks after the administration of your benefits. Please get in touch if you want more information about the Scheme or if you have a specific query about your benefits.

Email: vaillant.pensions@vaillant-group.com

Write to: Vaillant Group Pension Scheme, Nottingham Road, Belper, Derbyshire, DE56 1JT

Visit vaillantpensions.com for up-to-date information on the Scheme and to find useful documents both old and new.

