



**Actuarial Valuation Report**  
**for**  
**Gemini Petfoods Pension Scheme**  
**as at**  
**23 March 2002**

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## Section 1 Summary

An actuarial valuation must be carried out at least every three years. This is an Inland Revenue requirement, as a condition of continuing tax approval of the Scheme. The previous valuation was prepared as at 23 March 1999 ("the Previous Valuation Date"). This report is prepared for the Managing Trustees of the Scheme as at 23 March 2002 ("the Valuation Date"). Its purpose is as follows:

- work out how much can be paid to the Scheme for active members

The Scheme operates on a money purchase basis. This means that a member's benefits depend on the funds built up from contributions paid by, or for, them. Benefits and contributions are subject to Inland Revenue limits. This valuation assumes that, for active members at the Valuation Date, the Scheme will aim to provide Inland Revenue maximum benefits. You can find a summary of these benefits in Appendix A.

The Inland Revenue states that calculations for active members must be made according to the SSAS 1996 Method. You can find a summary of the method and assumptions underlying the SSAS 1996 Method in Appendix B.

The results of this valuation show that:

- the maximum contribution to the scheme in respect of active members, in the year following the Valuation Date, is £35,730

You can find more detailed results in Section 6.

We will carry out another actuarial valuation of the Scheme as at 23 March 2005 unless one needs to be done sooner.

John Hooper  
Fellow of the Institute of Actuaries  
AXA Sun Life Services plc  
on behalf of Suntrust Limited

Date 5 August 2003



## Section 2      Background

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Gemini Petfoods Pension Scheme ("the Scheme") is governed by a Definitive Trust Deed dated 21 March 1990 ("the Trust Deed and Rules") and was established on 21 March 1990. It is approved by the Inland Revenue under Chapter I Part XIV of the Income and Corporation Taxes Act 1988 as amended by Section 75 and Schedule 6 of the Finance Act 1989 and subsequent Finance Acts under IR SPSS number 07/036222/I.

It is a Small Self Administered Pension Scheme as defined in the Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-administered Schemes) Regulations 1991 (SI 1991 No 1614, as amended).

The Pensioner Trustee is Suntrust Limited.

The Principal Employer under the Scheme is Gemini Petfoods Limited.

Membership of the Scheme remained unchanged at 2 between the Previous Valuation Date and the Valuation Date. You can find more membership details in Section 3.

Total contributions paid between the Previous Valuation Date and the Valuation Date amounted to £51,000. You can find more contribution details in Section 4.

The Scheme's assets increased from £352,076 at the Previous Valuation Date to £411,800 at the Valuation Date. You can find more net asset details in Section 5.





## Section 3 Membership

This valuation is based on membership information supplied by the Managing Trustees to Suntrust Limited. Membership at the Valuation Date is made up of the following:

- 2 active members

### 3.1 active members

The active members' details at the Valuation Date are as follows:

name	Date of birth	normal retirement age	spouse's date of birth	date joined company	date joined scheme	earnings at the Valuation Date	Inland Revenue regime
John Heather	16 Dec 1949	60	12 Mar 1950	16 Dec 1988	21 Mar 1990	£33,100	Class A (Post 89)
Mitsuko Heather	12 Mar 1950	60	16 Dec 1949	18 Sep 1986	21 Mar 1990	£32,750	Class B (Post 87)

Earnings at the Valuation Date are taxable earnings in the year to 5 April 2002.

Mitsuko Heather is entitled to Post 87 rights because of her membership of the company's Occupational Scheme with Winterthur Life, which started on 25 March 1988.

### 3.2 retained and other benefits

The following retained and other benefits have been taken into account in this valuation:

member	arrangement	employment	description
John Heather	Occupational Pension Scheme	Fitch Lovell Pension Scheme - Previous Employment	Norwich Union policy no ET041227
	Personal Pension	non-pensionable	Winterthur Life policy nos G0318180 and G1701979
Mitsuko Heather	Occupational Pension Scheme	Previous Employment	Standard Life policy no H4800600948
	Occupational Pension Scheme	Gemini Petfoods Limited	Winterthur Life policy nos D0501604 and D0501590



## Section 4 Contributions

### 4.1 contributions payable

Contributions payable to the Scheme between the Previous Valuation Date and the Valuation Date are as follows:

member	from to	24 Mar 1999 23 Mar 2000	24 Mar 2000 23 Mar 2001	24 Mar 2001 23 Mar 2002
John Heather		£10,000	£10,000	£10,000
Mitsuko Heather		£7,000	£7,000	£7,000
Unallocated		Nil	Nil	Nil



## Section 5 Net Assets

We have valued the assets using financial information supplied by the parties shown. The total market value of net assets at the Valuation Date amounted to £411,800. The Trust Deed and Rules state how the net assets must be split between the members. We have done it according to the contributions paid by, or for, each member and the yield on the Scheme's assets since the Previous Valuation Date. Each member's share of the assets is known as their Individual Benefit Fund. Details of the Individual Benefit Funds are shown in Section 6.

The net assets held by the Managing Trustees under the terms of the Trust on the Valuation Date were as follows:

<b>Assets attributable to member</b>	<b>description</b>	<b>value</b>	<b>source/method</b>
John Heather	policy no 7867201 with AXA	£135,083	AXA - bid-price at valuation date
Mitsuko Heather	policy no 7867202 with AXA	£94,218	AXA - bid-price at valuation date
total assets attributed to members		<u>£229,301</u>	
unallocated	Cash at bank	£116,367	Scheme accounts
	Fully quoted shares	£66,132	Scheme accounts
total unallocated assets		<u>£182,499</u>	
total assets		£411,800	
<b>Net Assets</b>		<b>£411,800</b>	

Assets and liabilities attributable to members are those resulting from contributions made solely by, or for, the specified member.

Unallocated assets are those resulting from contributions not made for specified members.



## Section 6 Results

### 6.1 recommended Individual Benefit Funds

The total net assets of £411,800 have been split between the members as follows:

name	attributed	value of assets from	
		share of unallocated	total
John Heather	£135,083	£107,512	£242,595
Mitsuko Heather	£94,218	£74,987	£169,205

### 6.2 maximum contribution levels

The maximum contribution that the employer and members can pay in the year following the Valuation Date is £35,730. The maximum contribution is made up as follows:

name	Maximum contribution rate (% of pensionable earnings)	Increasing in line with	maximum in first year
John Heather	34.6%	earnings	£11,466
Mitsuko Heather	73.2%	earnings	£23,964
total maximum contribution in the year following Valuation Date			£35,730

Alternatively, the employer and member could pay a total special contribution of £49,025 followed by ordinary contributions of £28,400 in the year following the Valuation Date. The maximum special contribution and corresponding maximum ordinary contribution are made up as follows:

name	maximum special contribution	maximum ordinary contribution rate (% of pensionable earnings)	increasing in line with	Maximum in first year
John Heather	nil	34.6%	earnings	£11,466
Mitsuko Heather	£49,025	51.7%	earnings	£16,934
Total maximum contribution in year following Valuation Date				£77,425

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## Appendix A Maximum Approvable Benefits

The benefits that the Scheme can provide at retirement are those secured by each member's Individual Benefit Fund at that time (subject to the limits imposed by the Inland Revenue).

It has been assumed that the Managing Trustees intend to provide benefits at the maximum level approvable by the Inland Revenue as far as the assets of the Scheme will allow. These are, in summary:

class A (post-89)	class B (post-87)	class C (pre-87)														
<b>pension on normal retirement</b>																
for members who have completed service at retirement of at least 20 years:																
The greater of [a] and [b] below: [a] 1/60 x service (subject to a maximum of 40 years) x capped final remuneration [b] 2/3 x capped final remuneration less Retained Benefits	the greater of [a] and [b] below: [a] 1/60 x service (subject to a maximum of 40 years) x final remuneration [b] 2/3 x final remuneration less Retained Benefits	the greater of [a] and [b] below: [a] 1/60 x service (subject to a maximum of 40 years) x final remuneration [b] 2/3 x final remuneration less Retained Benefits														
for members who have completed service at retirement of less than 20 years																
the greater of [a] and [b] below: [a] 1/60 x service x capped final remuneration [b] 1/30 x service x capped final remuneration subject to a maximum of 2/3 x capped final remuneration less Retained Benefits	the greater of [a] and [b] below: [a] 1/60 x service x final remuneration [b] 1/30 x service x final remuneration subject to a maximum of 2/3 x final remuneration less Retained Benefits	the greater of [a] and [b] below: [a] 1/60 x service x final remuneration [b] the fraction of final remuneration from the table below subject to a maximum of 2/3 x final remuneration less Retained Benefits <table><tr><td>service (years)</td><td>fraction (number of 60ths)</td></tr><tr><td>1 to 5</td><td>1 for each year</td></tr><tr><td>6</td><td>8</td></tr><tr><td>7</td><td>16</td></tr><tr><td>8</td><td>24</td></tr><tr><td>9</td><td>32</td></tr><tr><td>10 or more</td><td>40</td></tr></table>	service (years)	fraction (number of 60ths)	1 to 5	1 for each year	6	8	7	16	8	24	9	32	10 or more	40
service (years)	fraction (number of 60ths)															
1 to 5	1 for each year															
6	8															
7	16															
8	24															
9	32															
10 or more	40															
<b>final remuneration</b>																
for class A (post-89) members, as for classes B and C but final remuneration is subject to a maximum of the Permitted Maximum in the tax year of retirement	for controlling directors, the annual average of earnings in any three or more consecutive years ending not earlier than ten years before normal retirement; for other members, basic earnings in any of the five years before normal retirement, plus the average of the three years fluctuating earnings ending in the final year; earnings in years other than the final year may be increased in line with the Retail Prices Index.															
<b>Increases to pensions in payment</b>																
Pensions in payment can be increased annually by the increase in the Retail Prices Index or 3%, whichever is greater.																





## **Appendix B Actuarial Method and Assumptions**

The Inland Revenue insists that maximum contributions to Small Self Administered Schemes are calculated at least every three years using the SSAS 1996 Method as defined in Appendix IX of the Inland Revenue Occupational Pension Scheme Practice Notes 2001.

The difference between each active member's Individual Benefit Fund and the value of their benefits is converted into a future contribution rate expressed as a percentage of current and future earnings. For class A (post-89) members, this calculation is also carried out with benefits and contributions based on the Permitted Maximum, £95,400 as at 2001/2002, projected to retirement. The lower of the two calculated contributions applies.

### **B.1 valuation of assets**

Assets are taken at their market value. A member's Individual Benefit Fund is their share of the Scheme's assets as defined in the Scheme's Trust Deed and Rules. Individual Benefit Funds for each member are determined by apportioning the assets as follows:

- 1 attributable assets are attributed to the relevant member;
- 2 pooled assets derived from contributions in respect of more than one specified member are apportioned to members in accordance with the yield on the funds and the timing and amount of contributions paid by, or in respect of, them and of benefits paid to them; and
- 3 for the purpose of this report, and without prejudice to any decision taken by the Managing Trustees in the future, unallocated assets are apportioned to members in proportion to the value of assets already allocated to each member.

### **B.2 valuation of benefits**

#### **B.2.1 active members**

The actuarial valuation method used is the Aggregate Method. This means that the actuarial value of active members' benefits is based on service to, and earnings projected to, their date of retirement. Retained Benefits and benefits in respect of employment under the Scheme, but from other sources, are taken as the pension at retirement or the pension equivalent of their transfer value, projected to retirement. Benefits from in-force concurrent defined benefit schemes for employment under the Scheme are taken as the pension at Normal Retirement Age, based on earnings at the Valuation Date. The amount of pension is adjusted for any differences between the concurrent scheme and Inland Revenue maximum benefits in respect of increases to pensions after retirement and the level of any spouse's benefits.



The assumptions used are as follows:

Assumption	Description	value
RPI increases	the rate that the Index of Retail Prices will increase by	5.3% each year
rate of interest	the rate of interest assumed to be earned on the investment of the future income of the Scheme	8.5% each year
earnings increases	the rate that earnings will increase by	6.9% each year
net investment yield (pre-retirement)	the difference between the rate of interest and earnings increases	1.5% per annum
pension increases	the rate that pensions in payment will increase by	5.3% each year
net investment yield (post-retirement)	the difference between the rate of interest and pension increases	3.0% each year
Permitted Maximum increase	the rate that the maximum pensionable salary for class A (post-89) members will increase by	5.3% each year
pre-retirement increments and decrements	allowance for joiners to and leavers from the Scheme before retirement	none
member status	allowance for changes in marital and director status before retirement	none
post-retirement mortality		PA (90) table rated down two years
pension payments		quarterly in advance, guaranteed five years
Expenses	expenses associated with purchasing annuities for pensioners	2% of projected Individual Benefit Funds
contribution frequency and mode		Monthly in advance

Funding is the putting aside of money in advance to enable the trustees of a pension scheme to provide benefits as they become payable. In the case of a large group, the average experience of that group might approximate to the assumptions made and the calculated contribution rate could, therefore, remain fairly stable. In the case of small schemes, such as this, no such averaging is likely. You should expect the scheme's experience, over any three year period, to differ substantially from the assumptions made and for the calculated contribution rates to vary over time. The assumptions that most significantly affect the future contribution rates are as follows:

- the net investment yields;
- the Permitted Maximum increase rate;
- changes in marital status; and
- post-retirement mortality.

In addition, taking assets at market value whilst using "fixed assumptions" for valuing benefits can also produce variable contribution rates over time.