

BRUSH GROUP (2013) PENSION SCHEME RECOVERY PLAN

Introduction

This recovery plan has been prepared by Brush Scheme Trustees Limited ("the Trustees") to satisfy the requirements of Section 226 of the Pensions Act 2004, after obtaining the advice of Alka Shah, the Scheme Actuary and after consultation with Brush Electrical Machines Limited ("the Company").

It follows the actuarial valuation of the Scheme as at 31 December 2013, which revealed a funding shortfall (technical provisions minus value of assets) of £23.0M.

Steps to be taken to ensure that the statutory funding objective is met

To eliminate this funding shortfall, the Trustees and the Company have agreed that deficit reduction contributions will be paid to the Scheme by the employers who participate in the Scheme from time to time. The deficit contributions will be paid over a 3 year 8 month period (the deficit recovery period) starting from 1 January 2014 and ending on 31 August 2017.

The Trustees and Company have agreed to take into account some of the additional expected outperformance from the assets of the Scheme (compared to the discount rate used to set the technical provisions), in setting the deficit contributions. Using the principles described in the statement of funding principles dated 22 January 2015, the expected return on assets is 2.2% per annum in excess of the fixed interest gilt yield curve at the valuation date. The assets have been projected forward using this assumption and the liabilities have been projected using the technical provisions assumptions.

The employer contributions paid into the Scheme from 1 January 2015 will be:

- £5M per annum, payable monthly from the valuation date until 31 August 2017.

The Trustees informally monitor the funding position on a quarterly basis. They have agreed with the Company that if the informal funding update at any 31 December shows that the Scheme is in surplus, and continues to be in surplus at the date of the review, then the Company will cease contributions, subject to putting in place the revised funding documents required. If, at subsequent funding reviews at 31 December, the funding position shows that the Scheme is in deficit, and remains in deficit at the date of the review, then Company contributions will re-commence at the above level.

Period in which the statutory funding objective should be met

Under this recovery plan, if the assumptions made are borne out in practice the funding shortfall will be eliminated in 3 years and 8 months from the valuation date, which is by 31 August 2017. The assumptions are:

- Technical provisions will continue to be calculated according to the method and assumptions set out in the statement of funding principles dated 22 January 2015, with financial conditions unchanged from those as at the valuation date;
- The return on existing assets and the return on contributions during the recovery period are calculated according to the method and assumptions set out in the statement of funding principles dated 22 January 2015;

- Scheme experience will be in line with the assumptions underlying the technical provisions as set out in the statement of funding principles dated 22 January 2015.

Progress towards meeting the Statutory Funding Objective

On the assumptions made, 50% of the deficit reduction contributions will be paid within 1 year 10 months from the valuation date, which is by 31 October 2015.

This Recovery Plan was agreed by the Trustees on 22 January 2015

M. C. D.

Signed on behalf of Brush Scheme Trustees Limited

Name: MICHAEL DUNCOMB

Position: CHAIRMAN OF TRUSTEES

Date: 22/1/15

(This is the date the recovery plan was "prepared" for the purposes of Scheme Funding Regulation 8(6)).

Signed on behalf of Brush Electrical Machines Limited

Name: Garry Barnes

Position: Director

Date: 22/01/15

