

PENSIONS NEWSLETTER RBP SUPPLEMENT

For members of the Member Retirement Account (MRA)
with Retirement Benefits Plan (RBP) Benefits

Introduction

This supplement to the MRA newsletter is for all those AMG UK employees who are members of the MRA but who also retain an entitlement under the RBP. It describes matters specific to the RBP; in particular in relation to funding and investment.

This year we are maintaining the recent enhancements to the communications for RBP in the form of the annual updates on the value of your deferred pension and including an indicative transfer value figure in the event that members wish to take the cash value of their benefits to another pension arrangement, and utilise the Pension Freedoms introduced in 2015. However, the usual 'health warnings' apply – "guaranteed" final salary-type pension benefits such as those under the RBP are extremely valuable and the Trustee Directors would always urge members to think very carefully before giving them up for a non guaranteed DC alternative. Nonetheless, the advent of Pension Freedoms means that this can sometimes be a genuinely attractive alternative, subject to receipt of independent professional advice.

The year's financial highlights

At the accounting year end, 31 December 2016:

- The value of the RBP section of the Plan's assets stood at £70.3 million.
- Company contributions totalling £1 million were paid into the RBP section.
- Pensions and other benefits paid to members amounted to £3.4 million.

Running the Plan

In addition to the advisers mentioned in the MRA Newsletter, the Trustee Directors are required to appoint a Plan Actuary in respect of the RBP section of the Plan. The current Plan Actuary is Andrew Firbank FIA who is responsible for assisting the Trustee Directors with the Triennial Actuarial Valuation.

Investments

Asset Value

The market value of the RBP's assets increased by £7.7 million over the accounting year to £70.3 million. This increase in value of the assets was predominantly due to the investment performance of the Plan's assets over the year. Since the accounting year end, the market value of the RBP's assets has increased to £72 million as at 31 August 2017.

The value of the assets should always be considered in conjunction with the Plan's liabilities. More information about the value of the liabilities in relation to the assets is set out in the Summary Funding Statement on pages 3 and 4.

Investment Strategy

You may recall that we informed you last year that the Trustee worked with JLT to revise the Plan's investment strategy so as to maintain a prudent approach, but at the same time increase the potential for diversified investment growth.

The Plan's investment strategy is based around the use of Diversified Growth Funds (DGFs), Liability Driven Investments (LDI) and Multi Asset Credit Funds (MAC).

DGFs aim to give equity like returns in the long run, but with lower short term volatility.

LDI funds provide greater protection than traditional bond funds against key financial factors that drive changes in the cost of providing the pensions promised by the Plan.

MAC funds use a diversified mix of bond investments and aim to give a lower level of investment growth than the Plan's DGFs, but with a greater reduction in the level of volatility.

Investment Performance

The Plan's investments are invested through the JLT Investment Platform. One of the benefits of this arrangement is that JLT will monitor the underlying investment managers and will replace the manager if JLT has significant concerns about its ability to deliver the fund's objectives.

The Trustee Directors also monitor the performance of the Plan's investment managers at every meeting.

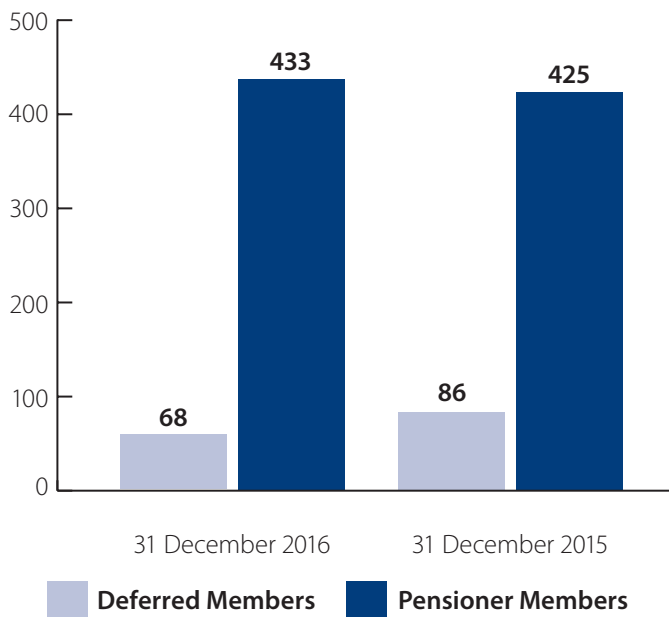
The performance of the funds for the year to 30 June 2017 is as follows:

	Fund (%)	Benchmark (%)
Baillie Gifford DGF	11.1	3.8
Threadneedle Multi-Asset Fund	10.5	3.8
Standard Life GARS	3.7	5.0
F&C Real Dynamic Fund	11.1	9.2
F&C Nominal Dynamic LDI Fund	-9.9	-12.5
Payden Absolute Return Bond Fund	3.1	2.9

How many members?

At the end of the accounting year 31 December 2016 the RBP had 68 deferred members and 433 pensioner members. Comparative figures as at 31 December 2015 are 86 deferred members and 425 pensioners.

A pensioner member is someone who is already in receipt of a pension from the Plan. All of the remaining members of the RBP section of the Plan are deferred members because pensionable service has ceased and no further employee contributions are payable. Deferred members retain a right to their benefits which will come into payment in the future.



Retirement Options

If you have not already retired, you will have the following options when you retire:

- Take your full pension.
- Take a cash lump sum (currently tax free) and a reduced pension.
- Transfer funds to another pension scheme (which would require advice if the value is over £30,000).

Pension Increases

Pensions under the RBP increase on 15 April each year, at the following rates:

For members who left prior to 6 April 1988

- 3% per annum

For members who left after 6 April 1988

- 5% for service completed prior to 1 January 2000
- In line with the increase in the RPI to a maximum of 5% for service completed after 1 January 2000.

Pension Increases in deferment

The rules of the Plan make provision for some pensions to be protected against inflation in the period from the date pensionable service ceases to the date the pension is put into payment in line with the requirements under pensions legislation. That inflation protection, under pensions legislation, is by reference to the Retail Price Index (RPI) for all leavers after 1 January 1991. If you left the Plan prior to 1 January 1991, the inflation protection is by reference to RPI for periods up to 31 December 2010 and to the Consumer Prices Index (CPI) for periods commencing on or after 1 January 2011.

For the avoidance of doubt, if there is any difference between the contents of this report in this respect and the Plan's formal trust deed and rules (as amended from time to time), the latter will prevail.

Summary Funding Statement as at 31 December 2016

Actuarial Valuation

The Trustee is now able to present the results of the latest triennial actuarial valuation as at 31 December 2016.

As previously advised in our last newsletter, AMG UK voluntarily agreed with the Trustee an adjustment to the demographic assumptions used to place a value on the Plan's benefits, in order to provide an additional margin of prudence in the way we fund the Plan. This additional margin was implemented to give an additional layer of comfort to members.

The funding position of the Plan using the adjusted assumptions as explained above, as at 31 December 2016 and at 31 December 2015 (the last full valuation date) was as follows:

Date of Assessment	31 December 2016	31 December 2015
Liabilities	£79.5m	£71.2m
Assets	£70.2m	£62.6m
(Shortfall)/Surplus	(£9.3m)	(£8.6m)
Funding level	88%	88%

The funding level on the more prudent funding approach has remained at 88% over the year to 31 December 2016. This is despite changes in gilt yields over the period resulting in a significant increase in the value of the Plan's benefits (its "liabilities"). Better than expected investment performance and the recovery plan contributions have offset the majority of the impact of this increase.

AMG UK has agreed to continue contributing £1million per annum for the period to 31 August 2021, at which point it is anticipated that the increased deficit will be removed. AMG UK has also committed to pay into the Plan 10% of any dividends paid to shareholders from 1 January 2015.

The Trustee acknowledges AMG UK's ongoing commitment to support the Plan.

The importance of AMG UK's support

The Trustee's objective is to have enough assets to pay pensions now and in the future. However, success of the funding plan relies on AMG UK continuing to support the Plan because:

- AMG UK will be paying the future expenses of running the Plan on an annual basis.
- The funding level can fluctuate and where there is a funding shortfall AMG UK will usually need to put in more money.
- The target funding level may turn out not to be enough so that AMG UK may need to put in more money.

Payments to AMG UK

There have never been any payments to the AMG UK companies out of Plan funds.

Winding-up Valuation

Legally, we are required to provide members with the following information:

If the Plan had been wound up on the 31 December 2015, there would have been a deficit of around £35.1 million (assuming the assets of the Plan were used to secure members' benefits with an insurance company). The assets would have been sufficient to provide on average 67% of members' full benefits.

This may appear worrying but it is important to understand that, in the first instance, AMG UK would have been required by legislation to pay a lump sum into the Plan to finance the deficit of £35.1 million, if it were able to do so. If AMG UK had gone out of business and was not able to pay the amount required to secure the benefits in full, the Pension Protection Fund (PPF), which was established by the Government in April 2005, would provide for a minimum level of benefit. If you would like to know more about the PPF then please visit their website at www.pensionprotectionfund.org.uk.

The fact that we have shown the winding-up position does not mean that AMG UK is actually thinking of winding-up the Plan.

IMPORTANT

If you are thinking of transferring your benefits out of the Plan for any reason you should always consult a regulated Independent Financial Adviser, before taking any action. Indeed, if your transfer value from the RBP exceeds £30,000 it is now a legal requirement to seek such advice (and provide evidence of it), in order to transfer to a money purchase arrangement.

A list of advisers can be found at www.unbiased.co.uk/find-an-adviser or you can telephone: **0330 1000 755**.

Summary RBP Accounts for the year to 31 December 2016

The following is an extract from the accounts for the year ended 31 December 2016. A full version is available upon request. Figures for the year ended 31 December 2015 are also provided for information.

	2016 (£)	2015 (£)
VALUE OF THE PLAN AT THE START OF THE YEAR	62,604,978	65,076,905
INCOME		
Contributions:		
<i>Company's:</i>		
Normal	–	–
Special*	1,000,000	1,000,000
<i>Members':</i>		
Normal	–	–
Investment Income	12,404	15,347
Transfers in	–	–
Other Income	–	–
Transfers between sections	56,869	75,849
Total Income	1,069,273	1,091,196
EXPENDITURE		
Benefits Payable	3,239,731	3,078,882
Payments to and on account of leavers	171,152	178,826
Insurance Premiums	65,429	111,723
Fees and Expenses	381,329	338,613
Total Expenditure	3,857,641	3,708,044
FUND BALANCE		
Income <i>less</i> Expenditure	(2,788,368)	(2,616,848)
Change in Market Value of Investments	10,458,636	144,921
VALUE OF THE PLAN AT THE END OF THE YEAR	70,275,246	62,604,978

* These are deficit funding contributions payable by the Employer in accordance with the schedule of contributions and payments towards running the pension Plan.