

PENSIONS NEWSLETTER RBP SUPPLEMENT

THE YEAR'S FINANCIAL HIGHLIGHTS

To 31 December 2020

The value of the RBP section of the Plan's assets stood at £77.9 million at the year end.

Company contributions totalling £1.6 million were paid into RBP section.

Pensions and other benefits paid to members amounted to nearly £4 million.

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.

You may recall that for the RBP Section of the Plan, the Trustee Directors are required to carry out a detailed 3 yearly assessment of the financial strength (or funding position) of the RBP – this is called the Triennial Actuarial Valuation. The last Valuation was carried out as at 31 December 2018 and the next Valuation is due as at the end of this year, 31 December 2021. The Trustee Directors will be working with their Scheme Actuary in preparation for this detailed review.

One of the critical considerations for the Trustee that feeds into the Triennial Valuation process is the strength of the business standing behind the Plan – the “employer covenant”. To this end, the Trustee will once again carry out a formal independent assessment of the covenant of AMG UK alongside the Valuation. In between these assessments, the Trustee monitors key covenant metrics for the business at every routine Trustee meeting and remains comfortable that the business is more than strong enough to support the Plan.

In the years between full Valuations, the Trustee is required to carry out an annual ‘roll forward’ of the results of the last full Valuation. The latest roll forward results as at 31 December 2020 are included in the Summary Funding Statement section of this Newsletter.

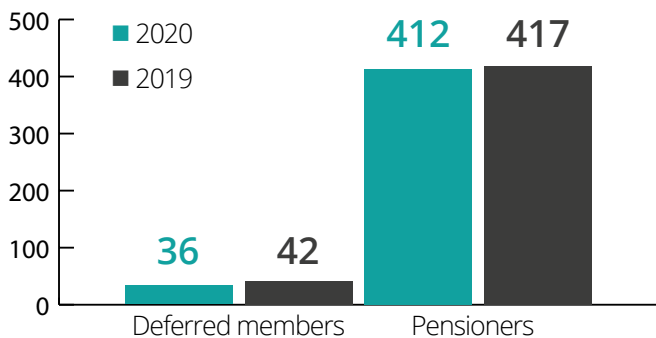
Since the last report to members the Trustee has carried out some more detailed work on environmental, social and governance (ESG) requirements, as described in the MRA Newsletter. This applies equally to the RBP assets.

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 James Auty FIA who is responsible for assisting the Trustee Directors with the Triennial Actuarial Valuation.

HOW MANY MEMBERS?

At the end of the accounting year 31 December 2020 the RBP had 36 deferred members and 412 pensioner members. Comparative figures as at 31 December 2019 are 42 deferred members and 417 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.

INVESTMENTS

INVESTMENT STRATEGY

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

The aim of DGFs is to provide long term investment growth, but with lower short term volatility than investing solely in the stock market.

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.

The Plan's investment strategy takes a very balanced approach, with the majority of the risk removed in relation to changes in the Plan's liability value, whilst there is significant diversification across investment markets to mitigate the risks of falling stock markets.

INVESTMENT PERFORMANCE

We informed you last year that the Trustee decided to remove the fiduciary overlay that had been provided by JLT Investment Management.

The Plan's assets remain invested through a Trustee Investment Policy with Mobius Life Limited (Mobius), which makes available a wide range of funds run by well-respected investment managers and there are a number of benefits to using this approach, which include a reduction in underlying fund manager fees achieved through bulk buying discounts, and the ability to implement changes quickly and efficiently following strategic decisions made by the Trustee. Furthermore, where there are material concerns in respect of a fund manager, the platform approach means that the manager can be quickly replaced.

The Mobius Platform had around £25 billion of assets under management on 30 September 2021 and over 700 clients, making it a market leading platform for Defined Benefit pension schemes.

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

The performance of the funds (net of fees) for the year to 30 June 2021 is as follows:

	Fund (%)	Benchmark (%)
Baillie Gifford DGF	13.9	3.6
Columbia Threadneedle Multi-Asset Fund	16.2	3.6
BMO Real Dynamic LDI Fund	-13.5	-11.0
BMO Nominal Dynamic LDI Fund	-28.6	-27.4
Payden Multi Asset Credit Fund	5.3	2.7
Ninety One Multi Asset Credit Fund	11.0	3.2

Over the 12 months to 30 June 2021, the financial markets continued to bounce back from the Covid-19 related falls that had been suffered in Q1 2020 and all the funds aimed at delivering long term growth delivered positive growth.

The BMO LDI funds aim to protect the Plan against changes in the value of the cost of providing the benefits promised to members. The fall in value of these funds reflects a fall in value placed on those promises as bond prices fell, and is not a cause for concern.

The Trustee Directors were therefore satisfied that the funds held by the Plan performed in line with expectations over this 12 month period. They continue to monitor performance and will work with their investment adviser to make changes if considered appropriate.

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 the 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 Retail Prices Index 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 RPI for all leavers after the 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 2020

FUNDING UPDATE

We have set out below the results of the latest annual update as at 31 December 2020 compared to the previous update and the 2018 Valuation. The next full triennial Actuarial Valuation will be carried out as at 31 December 2021.

Date of Assessment	31 Dec 2020	31 Dec 2019	31 Dec 2018
Liabilities	£81.1m	£78.1m	£75.8m
Assets	£77.6m	£71.5m	£65.1m
(Shortfall)/Surplus	(£3.5m)	(£6.6m)	(£10.7m)
Funding level	96%	92%	86%

It is pleasing to see the year on year improvement in the estimated funding level since the Valuation. The ongoing payment of significant deficit funding contributions and strong investment returns has more than offset the increase in the value placed on the liabilities over the period as a result of the fall in gilt yields and changes in other market conditions.

AMG UK has agreed to contribute £1,600,000 per annum in monthly instalments from 1 January 2020 to 31 December 2024, increasing at 3% p.a. In addition, from 1 January 2015, 10% of any dividends paid by AMG UK to its shareholders will be paid to the RBP section within 1 month of the dividend being paid.

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 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 2018, there would have been a deficit of around £27.1 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 71% of members' full benefits.

Although there is a deficit on this basis, 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 £27.1 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.ppf.co.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 independent financial advice (and provide evidence of it), in order to transfer to a money purchase arrangement.

You can find a Financial Conduct Authority regulated independent financial adviser by visiting

www.fca.org.uk/consumers/finding-adviser

SUMMARY RBP ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2020

The following is an extract from the accounts for the year ended 31 December 2020. A full version is available upon request. Figures for the year ended 31 December 2019 are also provided for information.

	2020 (£)	2019 (£)
VALUE OF THE PLAN AT THE START OF THE YEAR	71,523,095	65,132,612
INCOME		
Contributions:		
<i>Company's:</i>		
Special*	1,600,008	1,000,000
Investment Income	9,053	8,826
Other Income	-	101,192
Total Income	1,609,061	1,110,018
EXPENDITURE		
Benefits Payable	3,804,779	3,798,556
Payments to and on account of leavers	57,323	294,034
Investment management	61,037	57,204
Insurance Premiums	116,811	98,745
Fees and Expenses	316,314	344,392
Total Expenditure	4,356,264	4,592,931
FUND BALANCE		
Income <i>less</i> Expenditure	(2,747,203)	(3,482,913)
Change in Market Value of Investments	9,184,270	9,873,396
VALUE OF THE PLAN AT THE END OF THE YEAR	77,960,162	71,523,095

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

