

AMG UK Group 2006 Pension Plan (“the Plan”) Newsletter

October 2024

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Welcome to the latest issue of the Plan’s Pensions Newsletter, where we provide you with updates on the Plan, together with developments in the pensions industry that may be of interest.

For many people, the increased cost of living remains an issue. While rates of inflation are falling, interest rates remain high, putting continued pressure on budgets. We are alert to the current fragility of the markets and of broader national and international matters that could affect the Plan’s financial position. We continue to monitor the economic landscape in case we need to take proactive action.

The Pension Regulator’s new general code of practice came into effect at the end of March, increasing the focus on effective governance of pension schemes, and we are fully committed to complying with the new code.

Plan funding update

Inside, we report on the Plan’s latest financial position in our summary funding statement. This is based on the Plan’s position as at 31 December 2023. The headline is that the position has improved since the previous update which reported on the position as at 31 December 2022.

New Member Nominated Trustee Director

As mentioned in our previous newsletter, we have been searching for a new Member Nominated Trustee Director. I am delighted to announce that we have appointed David Bristow. David joined the Trustee Board in October – more details about the Trustee Directors can be found on page 6.

Plan website

Remember that the Plan has a website to support you if you are looking for more pensions information or if you have a general query. See page 6 for details.

Wider pensions news

In this issue, we report on changes to the pension tax allowances and the updated Retirement Living Standards, designed to help you assess whether you’re on track to achieve the lifestyle you would like in retirement. We’ve also included reminders on how to stay safe from pension scams.

If you have any questions about the Plan or your benefits not covered on the Plan’s website, or you have a topic you want to see covered in our next issue, please do get in contact. The relevant details are on page 6.

Leonora Scaife
Chair of the Trustee

October 2024

In numbers

The membership

At 31 December 2023 there were 406 members in the Plan compared with 434 members at the same date last year.

24

Deferred members

No longer building up benefits but have benefits in the Plan for when they retire.

382

Pensioner members

Receiving benefits from the Plan (and including the dependants of members who have died).



The accounts

Here we show headline figures from the Plan's Annual Report and Accounts. If you would like more detail, please find a copy of the full report under the *Important Information* section at

<https://amgukgrouppensions.com>



The value of the assets supporting the Scheme at 31 December 2023

£51.4 million



The increase in the value of the assets over the reporting year

£1.7 million



The total value of Company contributions paid in to the Scheme during the year

£5.8 million



Running costs and total value of benefits paid to members during the year

-£5.1 million

Investment update

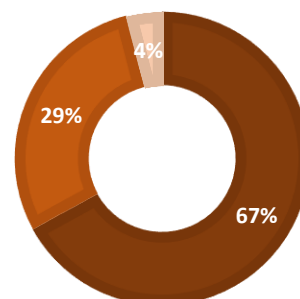
As Trustee, it is our responsibility to decide on the overall investment strategy, and to make changes as and when appropriate. We work closely with our investment advisers and keep a close eye on how the funds are performing.

Asset allocation

At 31 December 2023, the Plan held invested assets of £47.0 million compared with £47.3 million at the same date last year (not including insured policies and AVCs).

During the year, the Trustee reviewed the investment strategy and made changes to the investment arrangements with the aim of reducing risk. These changes are designed to protect the funding position of the Plan and reduce the Plan's exposure to financial market volatility in future. From December 2023 onwards, Aon has taken on additional responsibilities when managing the Plan's investments. Going forward, Aon has the ability to adjust the mix of investments when economic conditions change and reduce risk by selecting assets which closely match the value of the Plan's liabilities.

- Bond funds 67%
- Liability Driven Investment funds 29%
- Cash and Liquidity funds 4%



Performance

The table below shows how the Scheme's investments have performed compared with their agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform bearing in mind economic and market expectations.

	Over 12 months to 31 Dec 2023		Over 3 years to 31 Dec 2023 (% per year)	
	Performance	Benchmark	Performance*	Benchmark
Aon Managed Growth Strategy	7.1%	4.7%	N/a	N/a
Aon Low Risk Bonds Strategy	6.4%	4.7%	N/a	N/a
CT LDI Regular Profile Leveraged Nominal Gilt Fund	-10.0%	-11.4%	N/a	N/a
CT LDI Regular Profile Leveraged Real Gilt Fund	-7.8%	-8.0%	N/a	N/a
LGIM Sterling Liquidity Fund	4.8%	4.7%	N/a	N/a
Total Plan Investments	3.8%	2.1%	-11.6%	N/a

* The Plan first invested in the above Aon, Columbia Threadneedle (CT) and Legal & General Investment Management (LGIM) funds during 2022, therefore fund performance is not available over the 3-year period. 3-year performance of the Total Plan Investments is shown which includes performance of previous investments held by the Plan.

You can see that performance was largely positive over the year with all underlying investment funds exceeding their target returns. Long-term performance remains negative due to significant rises in interest rates in 2022, causing large reductions in the value of the Plan's liabilities. The Plan's Liability Driven Investment funds aim to track the Plan's liabilities, as such have experienced similar negative returns. The investment strategy is designed to maintain a stable funding position for the Plan, which it has delivered over the past year.

We will continue to monitor performance and make any changes we feel are necessary.

For further details on our investment approach, please read our Statement of Investment Principles (SIP) under the *Important Information* section at <https://amgukgrouppensions.com>

You can also read our Engagement Policy Implementation Statement (EPIS) showing how our policy on engagement activities and voting has been followed during the year. **This can be found as an appendix to the Plan's Annual Report and Accounts** under the *Important Information* section at <https://amgukgrouppensions.com>



In the news

Your pension tax allowances for 2024/25

The Government has made several changes to the tax allowances that apply to pension benefits, which are set out below. There are more details on pension tax in general on the Government's website at:

<https://www.gov.uk/tax-on-pension/tax-free>

If you are unsure of your tax position, please speak to an independent financial adviser (see page 6).

Staying: Annual Allowance

This applies to the pension benefits you can build up in a tax year before you incur a tax charge on those new savings.

Most people will have an Annual Allowance of £60,000. Higher earners will have a lower allowance. You may have a lower Money Purchase Annual Allowance if you have savings in a Defined Contribution pension scheme and have used these to provide certain benefits. Examples include taking some of your savings as cash or moving them into a drawdown arrangement and using them to provide you with an income. The Money Purchase Annual Allowance is £10,000.

Abolished: Lifetime Allowance and Lifetime Allowance charge

The Lifetime Allowance used to apply to the total pension benefits you could build up over your lifetime (excluding any State pension) before you had to pay a Lifetime Allowance tax charge.

The Lifetime Allowance was also used to limit certain lump sum benefits and its removal means that new allowances have been brought in to maintain those limits.

New: Lump Sum Allowance

This is the maximum amount of tax-free cash you can take when you retire. The standard allowance is £268,275. (This is 25% of the final standard Lifetime Allowance amount of £1,073,100).

The Lump Sum Allowance is a cumulative limit, applying to the total tax-free lump sum you can take if you access your benefits on a series of separate occasions. Tax-free lump sums are also usually limited to 25% of the total value of benefits coming into payment.

New: Lump Sum and Death Benefit Allowance

This covers the maximum amount of tax-free cash you can receive when you retire and your beneficiaries can receive following your death. It also covers any serious ill-health lump sums paid. This allowance is £1,073,100 (the same as the final standard Lifetime Allowance amount).

The Government hasn't announced whether either of the above allowances may change over time, but if you had any Lifetime Allowance 'protection' in place, your new lump sum allowances will be higher.

New: excess lump sums

Also in effect from 6 April 2024 is the new Pension Commencement Excess Lump Sum (PCELS). This allows for payment of an additional lump sum at retirement in certain circumstances. Any such lump sum taken is subject to tax at the person's marginal rate. You can only take a PCELS once you have used up all your Lump Sum Allowance.

Newsbites

Minimum retirement age to increase

The youngest age most people can start to receive their pension benefits will go up in April 2028 – from age 55 to age 57. The aim of this change is to keep the minimum retirement age at around 10 years below the State Pension Age, which is due to rise gradually from 66 to 67 between 2026 and 2028.



In the news

Retirement Living Standards

Do you know roughly how much money you will have in retirement? Does it align with the standard of living you are expecting?

New research shows that if you want a moderate standard of living when you retire, you will need to be able to spend around £31,000 a year if you are single. If you have a partner, that spend rises to around £43,000 a year combined. If you live in London, those figures are higher.

These are some of the takeaways from the latest research by the Pensions and Lifetime Savings Association who created the Retirement Living Standards. These show the kind of lifestyle you could have in retirement and roughly how much money you might need to spend to support that lifestyle.

The standards reflect the current cost of living and an up-to-date mix of goods, services and other retirement expenses. The latest figures were published in January 2024.

Retirement Living Standard	How much you might need to spend	
	Single person	Couples
Minimum: covers all your needs, with some left over for fun.	£14,400	£22,400
Moderate: more financial security and flexibility.	£31,300	£43,100
Comfortable: more financial freedom and some luxuries.	£43,100	£59,000

The standards are based on independent research by Loughborough University and are reviewed and updated on a regular basis. A diverse cross-section of the public covering a broad range of income levels, backgrounds and circumstances help to inform the standards to ensure they are balanced.

Note: the figures show what you might need to **spend** in retirement rather than the income you might need. Your retirement income will be subject to tax as earned income, so it is important to factor this in when reviewing your own situation.

www.retirementlivingstandards.org.uk

Protect yourself from pension scams

Sadly, the current economic environment with pressure on budgets, provides a situation where scammers can thrive, whether trying to take advantage of the vulnerable, or attempting to get hold of savers' personal and financial information.

There are common signs to look out for to protect yourself. These include unsolicited contact about your pension, undue pressure to commit to an offer, promises of guaranteed investment returns, and offering early access to your pension savings.

To learn more, visit MoneyHelper. Go to www.moneyhelper.org.uk and choose Money troubles > Scams > How to spot a pension scam.

The Financial Conduct Authority (FCA) also provides guidance on how to spot potential scams. Visit the ScamSmart area of their website: www.fca.org.uk/scamsmart.

The National Cyber Security Centre has a Cyber Aware website that contains up-to-date advice on how to stay secure online. For more information, including a free personalised action plan to improve your cyber security, visit their website at www.ncsc.gov.uk/cyberaware.

More information

Plan website

To find out more about the Plan, go to:

<https://amgukgrouppensions.com>

You can find the following information on the site:

- General information about the Plan
- Member booklet and other useful documents
- Questions and answers
- Contact details
- Retirement planning

Contact point

Please use any of the methods below to get in touch with the Administration team.

Email: amg.pensions@aon.com

Call the AMG Helpline on 0330 678 1459

(Monday – Friday, 9.00am to 5.00pm)

Write to: AMG UK Group 2006 Pension Plan
RBP, Aon, Aon Scanning Division, PO Box 196,
Huddersfield, HD8 1EG

Reminder to keep us up to date

Please let us know if you change your name or address so we can continue to contact you about the Plan and your benefits.

Please also update your Expression of Wish form if you need to. This tells us who you would like to receive any benefits that become payable in the event of your death. As the Trustee, we have the final say over who receives the benefits and will always consider your wishes as stated on your Expression of Wish form. So if you have never filled one in, or you have not done so recently, particularly if your circumstances have changed, please complete a form and send it to us.

Please use the contact details on the left to request a blank form.

Taking advice

If you would like advice about your retirement plans, we recommend you speak with an independent financial adviser. You can find an adviser in your area by searching MoneyHelper's online directory.

Go to www.moneyhelper.org.uk and choose *Pensions and retirement > Taking your pension > Find a retirement adviser*.

Changes to the Trustee Board

The Board is made up of Company-appointed Trustee Directors and member-nominated Trustee Directors. There have been some changes to the Trustee Board over the last 12 months. As mentioned in the previous update John Bradbury retired as a Trustee in December 2023, and after a nomination and selection process, has been replaced by David Bristow. David was previously a Trustee Director of the Plan and brings a wealth of experience and knowledge to the Board that he has built with the Company for 20 years and in other trustee roles outside of the Plan.

Company-appointed	Member-nominated
L Scaife	J Murrie
E Butler	D Bristow
S Scarfe	

Behind the scenes

We also appoint professionals to support us on areas of particular expertise.

Administrator	Aon Solutions UK Limited
Actuary	Paul Crocker FIA, Aon Solutions UK Limited
Auditor	BDO LLP
Investment Adviser & Fiduciary Manager	Aon Investments Limited
Legal Adviser	Eversheds Sutherland (International) LLP

Summary funding statement

This section summarises the results of the funding update at 31 December 2023. It also looks at the most recent previous results. These financial health checks are vital for monitoring the Plan's progress. We hope the information helps you to understand how the Scheme is developing.

The latest position

The table below shows how the funding position has changed since the valuation as at 31 December 2021 and the last funding update at 31 December 2023.

	Valuation	Update	Update
Date	31 December 2021	31 December 2022	31 December 2023
The funding level	96%	85%	92%
The funding target	£80.3 million	£57.0 million	£55.0 million
The value of the Plan's assets	£76.9 million	£48.2 million	£50.7 million
The overall position	Shortfall of £3.4 million	Shortfall of £8.8 million	Shortfall of £4.3 million

The latest update shows that the funding level has improved since the update at 31 December 2022, and the deficit has fallen by £4.5 million.

The next financial check will be based on the Plan's position at 31 December 2024, which is also the date of the next scheduled actuarial valuation. We will report on the results once they are complete.

It is important to remember that it is normal for pension scheme funding levels to fluctuate over time. Even when funding is temporarily below target, the Plan will continue to pay benefits in full as long as it continues.

Reasons for the change

The value of both the assets and liabilities has fallen since the valuation at 31 December 2021. The fall in assets has been greater than the fall in liabilities, hence the Plan has seen the funding level reduce. Since the last update at 31 December 2022 however there has been a decrease in liabilities, and an increase in assets (mainly due to a significant additional contribution from the Company). This has led to an improvement in the overall funding level of the Plan since 31 December 2022.



Summary funding statement

Removing the shortfall

As part of the valuation at 31 December 2021, (we carry out a full valuation every 3 years) we agreed with AMG Chrome Limited to bring the Plan to a fully funded position. This is known as a 'recovery plan'. The Company agreed to pay:

- £1.305M in 2022
- £1.844M in 2023
- £1.899M in 2024
- £1.956M in 2025
- £2.015M in 2026

These contributions, together with anticipated investment growth, were expected to remove the shortfall by February 2024. As this has not occurred, the Company agreed to continue payment contributions as part of a long-term funding strategy. The Company also made a one-off contribution to the Plan in December 2023 of just over £3.5M.

In addition, the Company continues to pay additional contributions towards administration costs, running expenses and other charges, for example the annual levy to the Pension Protection Fund (www.pensionprotectionfund.org.uk).

The next formal valuation will look at the Plan's position at 31 December 2024. This will include working out if the recovery plan is on track or if changes need to be agreed.

If the Plan came to an end

The Plan's funding level is worked out in two ways.

- The 'ongoing' basis (shown above), which assumes that the Plan will continue into the future.
- The 'full solvency' basis, which shows the funding position if the Plan started to 'wind up' at the date of the 31 December 2021 valuation. If this happened, all members' benefits would have to be secured without delay by buying insurance policies. This would be more expensive than paying benefits gradually over time, so the full solvency position is generally lower than the ongoing position, even for fully funded pension schemes.

At 31 December 2021, the Scheme full solvency funding level was 89% with a shortfall of £9.3 million.

Please note that we are legally required to report the full solvency position as part of this funding statement.

We must also tell you if there have been any payments to the Company out of Plan funds in the last 12 months. There have not been.

The Pensions Regulator

The Pensions Regulator is the UK watchdog of workplace pension schemes. It has the authority to change the way occupational pension schemes are run though it has not needed to use its powers in this way for our Plan. You can find out more about the Regulator online at www.thepensionsregulator.gov.uk.



Useful websites

The following websites provide information and support that you may find useful.

Retirement planning

Follow some simple steps to plan for retirement. You can generate a retirement checklist, link to a pension calculator, a State Pension calculator and more.

www.yourpension.gov.uk

MoneyHelper

MoneyHelper is the free, impartial guidance service backed by the Government. It provides information and support on all money matters.

www.moneyhelper.org.uk

Gov.uk

The Government's website provides information about the State Pension including tools to check your entitlement. It also has information about workplace pensions and the pension tax allowances.

www.gov.uk