

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

Pensions Newsletter

April 2024

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Welcome to the latest issue of the Plan’s Pensions Newsletter, in which we update you on developments with the Plan and wider pensions news that may be relevant to you.

At the time of writing, the rise in the UK’s level of inflation has started to slow, though it remains much higher than the Government’s target level of 2% per year. Household budgets continue to be squeezed for many people and the broader economy remains unpredictable. As always, with the support of our professional advisers, we keep a close eye on national and international financial events that may impact the Plan and will be proactive in making any changes we consider necessary.

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 2022. The headline is that the Plan’s funding level has worsened since the formal Actuarial Valuation carried out as at 31 December 2021. This is primarily driven by market factors including the gilt crisis in Q3 2023. Find out more about the reasons for the change on page 7.

Getting in touch

This year we have included a “Getting in touch” insert to this Newsletter, setting out the various ways you have to get in touch with those who run the Plan, or how you access information about the Plan - including specific information about your own benefits. Please take time to read this insert, and retain it for your future reference.

Wider news

In other pensions news, we provide updates on:

- the Retirement Living Standards, and
- changes to the pension tax allowances.

Leonora Scaife
Chair of the Trustee

April 2024

In numbers

The membership

At 31 December 2022 there were 434 members in the Plan compared with 442 members at the same date the year prior.

31	Deferred members No longer building up benefits but have benefits in the Plan for when they retire.
403	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 Plan at 31 December 2022

£48.2 million



The decrease in the market value of the investments during the year

-£26.0 million

For more information, please see page 3



The total value of Company contributions paid into the Plan during the year

£1.7 million



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

-£4.4 million

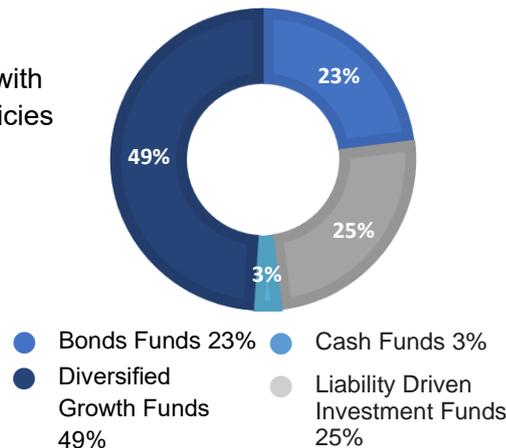
Investment update

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 we keep a close eye on how the funds are performing.

Asset allocation

At 31 December 2022, the Plan held assets of £47.3 million compared with £76.7 million at the same date last year (not including cash, insured policies and AVCs).

During the year, the Trustees reviewed the investment strategy and made several 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.



Performance

	Over 12 months to 31 Dec 2022 Performance	Over 3 years to 31 Dec 2022 (% per year) Performance
Plan's Investments	-34.8%	-9.0%

You can see that performance was negative over the year. This was primarily caused by interest rates rising significantly in 2022. When this happens, the value of the Plan's liabilities reduces. At the same time, the Plan's Liability Driven Investment funds which aim to track the Plan's liabilities, also reduced in value. This is the key driver to the change in Plan asset value and performance over the year. Please note, that this scenario is not specific to the Plan and defined benefit pension schemes across the UK also experienced falling asset and liability values in a similar way.

The Trustee closely monitors performance and understand and accept the reasons for this. As dramatic as this may seem, the Trustee would encourage the members to not worry about the asset returns in isolation. The Trustee made some changes to the investments in the second half of 2022 in order to reduce risk and the Trustee will continue to monitor performance and make any changes we feel are necessary.

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

You can also read our engagement policy Implementation Statement showing how our policy on engagement activities and voting has been followed during the year.

In the news

Retirement Living Standards

The Retirement Living Standards provide a guide to how much you might need each year in retirement based on the standard of living you're aiming for – broadly, a 'minimum', 'moderate' or 'comfortable' lifestyle.

The Pensions and Lifetime Savings Association (PLSA) has recently updated the Standards' figures to reflect higher inflation and the current cost-of-living crisis.

- The estimated cost of a 'minimum' lifestyle has increased by 18% for a single person and by 19% for a couple.
- The 'moderate' level has increased by 12% and 11% respectively.
- The estimated cost of a 'comfortable' lifestyle in retirement has increased by 11% and 10% respectively.

The higher increase in the cost of retirement for those looking to achieve a 'minimum' lifestyle is due to the higher proportion of their budget going towards the things that have risen the most in price: food and energy.

You can find more details on the types of lifestyles, along with an indication of what amount of income is now likely to be needed to meet them, on the PLSA website. Go to www.retirementlivingstandards.org.uk

Which Standard are you heading for?

If you're unsure which Standard your retirement benefits might provide you with:

- check your Plan benefits,
- check any other pension savings you have,
- factor in your State Pension entitlement (go to www.gov.uk/check-state-pension),
- allow for any other sources of income you may have, such as ISAs or property rental, and
- work out your approximate total yearly retirement income and deduct income tax.



In the news



Changes to the pension tax allowances

The Chancellor's Spring 2023 Budget included some sweeping changes to the pension tax allowances.

In summary:

- The Lifetime Allowance is being removed in two stages:
 - Since April 2023, the 'Lifetime Allowance tax charge' on any benefits above the Allowance has stopped. Instead, you will pay tax on your normal highest rate on the 'extra' benefits.
 - From April 2024, the Lifetime Allowance is due to be abolished – although further details are likely to emerge about what measures may still apply to pension benefits (if any) or what might replace the current Allowance.
- The Annual Allowance increased from £40,000 to £60,000 with effect from 6 April 2023.
- The tapered Annual Allowance now starts to apply to those earning £260,000 per year (up from £240,000 per year), while the minimum tapered Annual Allowance has increased from £4,000 to £10,000.
- The Money Purchase Annual Allowance has also increased, from £4,000 to £10,000 with effect from 6 April 2023.

If you're uncertain about how these changes may affect your retirement plans, consider taking impartial financial advice (see page 6).

The Lifetime Allowance

is a limit on the total amount of tax-relieved pension benefits you can build up over your lifetime (excludes the State pension) without triggering an extra tax charge.

The Annual Allowance

is a limit on the amount of tax-relieved pension benefits you can build up in a tax year without triggering a tax charge. A tapered Annual Allowance applies for high earners.

The Money Purchase Annual Allowance

works in a similar way to the standard Annual Allowance but only applies if you access Defined Contribution (DC) pension savings and continue to build up pension benefits.

How to protect yourself from pension scams

Recent events – from the worldwide impact of the pandemic, to issues closer to home, such as the cost-of-living crisis – have all had an effect on how people handle money matters. Many people are having to pay closer attention to their saving and budgeting. More and more financial transactions take place online.

Sadly, these developments all create situations where scammers can thrive, whether trying to take advantage of the vulnerable, or attempting to get hold of savers' personal and financial information.

Beware any approach – by email, post or phone (it is actually illegal to cold-call you about your pension) – that asks you to supply details you would normally keep secure, or tries to steer you towards a quick financial decision.

You can find lots of useful information to help you spot and avoid scams on:

- **The MoneyHelper website:** www.moneyhelper.org.uk/en/money-troubles/scams/how-to-spot-a-pension-scam
- **The 'ScamSmart' area of the Financial Conduct Authority website:** www.fca.org.uk/scamsmart

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
- Frequently asked questions and answers
- Contact details
- Retirement planning

The “Getting in touch” insert to this Newsletter, shows the different ways in which you can find out more about you benefits, as well as the traditional contact points shown below.

Contact points

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

Email: amg.pensions@aon.com

Call the AMG Helpline: 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

As Trustee, we maintain up-to-date knowledge of pensions, investments and finance. We also attend training courses as and when necessary, for example, when pensions legislation changes. We meet regularly throughout the year to discuss how the Plan is progressing.

The Trustee Board is made up of Company nominated Directors and Member Nominated Directors. Currently the following Directors are appointed.

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

J Bradbury resigned as a Trustee Director with effect from 31 December 2023. We thank John for his many years of contribution as a Member-nominated Trustee Director.

As a result of the resignation and other changes to the Plan over recent years, the Trustee and Company are currently reviewing the structure of the Board. We will be writing to you shortly with the results of this review.

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.

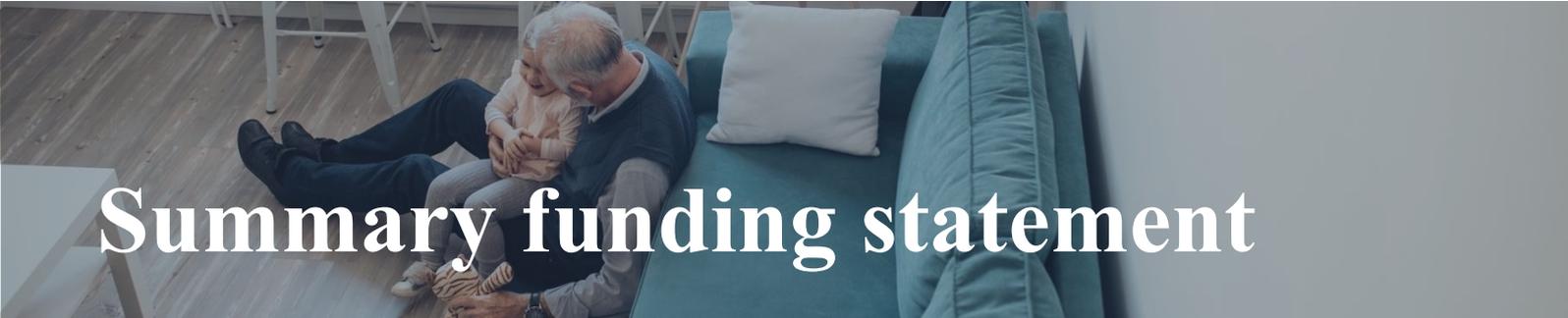
Taking advice

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.*

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

Administrator	Aon Solutions UK Limited. Appointed on 30 May 2023. <i>(Previously Mercer Limited until 29 May 2023)</i>
Actuary	Paul Crocker FIA, Aon Solutions UK Limited. Appointed on 16 May 2022. <i>(Previously James Auty FIA, Mercer Limited, resigned 11 February 2022)</i>
Auditor	BDO LLP
Investment Adviser	Aon Investments Limited effective from 16 May 2022. <i>(Previously Mercer Limited until 15 May 2022)</i>
Legal Adviser	Eversheds Sutherland (International) LLP



Summary funding statement

This section summarises the results of the funding update at 31 December 2022. 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 Plan is developing.

The latest position

The table below shows how the funding position has changed since the update at 31 December 2020 and the last funding update at 31 December 2022.

	Update	Valuation	Update
Date	31 December 2022	31 December 2021	31 December 2020
The funding level	85%	96%	96%
The funding target	£57.0 million	£80.3 million	£81.1 million
The value of the Plan's assets	£48.2 million	£76.9 million	£77.6 million
The overall position	Shortfall of £8.8 million	Shortfall of £3.4 million	Shortfall of £3.5 million

The next financial check will be based on the Plan's position at 31 December 2023. 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. However, as the fall in assets has been greater than the fall in liabilities, the Plan has seen the funding level reduce.

The worsening of the funding position has been primarily driven by market factors, including the gilt crisis in Q3 2022. Deficit contributions had a partially offsetting / positive impact on the deficit.



Summary funding statement

Removing the shortfall

As part of the detailed valuation at 31 December 2021, which we have to do 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 additional contributions of:

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

These contributions were expected to lead to the Plan being fully funded by the end of February 2024, but the Company agreed to continue paying contributions beyond this date as part of a long-term funding strategy. 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 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 Plan 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. The Company has no current plans to end the Plan.

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 Scheme. You can find out more about the Regulator online at

www.thepensionsregulator.gov.uk.

