

December 2016



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.

One of the things that RBP members have told us they would like to see is regular updates on the value of their pension. Therefore, at the end of 2015, we introduced annual statements for RBP members. We are excited to be making a further enhancement to the statements this year by including an indicative transfer value figure so members can have an idea what their pension might be worth if transferred to another arrangement. "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 2015:

- The value of the RBP section of the Plan's assets stood at £62.6 million.
- Company contributions totalling £1 million were paid into the RBP section.
- Pensions and other benefits paid to members amounted to £3.1 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 decreased by £2.4 million over the accounting year to £62.6 million. This fall in value of the assets was predominantly due to £3.1 million of benefits being paid out over the same period. Since the accounting year end, the market value of the RBP's assets has increased to £74.9 million as at 31 August 2016.

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

The Trustee have been working with JLT and have taken considerable strides in revising the Plan's investment strategy so as to maintain the existing prudent position, but at the same time increase the potential for diversified investment growth.

A full review of the Plan's investment strategy has been undertaken and as a result some major changes have taken place over December 2015 and January 2016.

The changes involved increasing the existing Diversified Growth Fund allocation and adding a new fund, managed by Threadneedle. As a reminder, these funds aim to give equity like returns in the long run, but with lower short term volatility.

The Trustee also transferred the bond assets into a mixture of Liability Driven Investments (LDI) and Multi Asset Credit Funds (MAC).

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 to the level of volatility.

The implementation of these changes was achieved through the JLT Investment Platform which enabled the Trustee Board to take advantage of reduced investment fees and will allow fast and efficient implementation of any strategic changes made in future.

Investment Performance

The Trustee Directors monitor the performance of the Plan's investment managers at every meeting and the investment managers are invited to attend Trustee Company meetings periodically.

The performance for the RBP funds to 30 June 2016 are as follows:

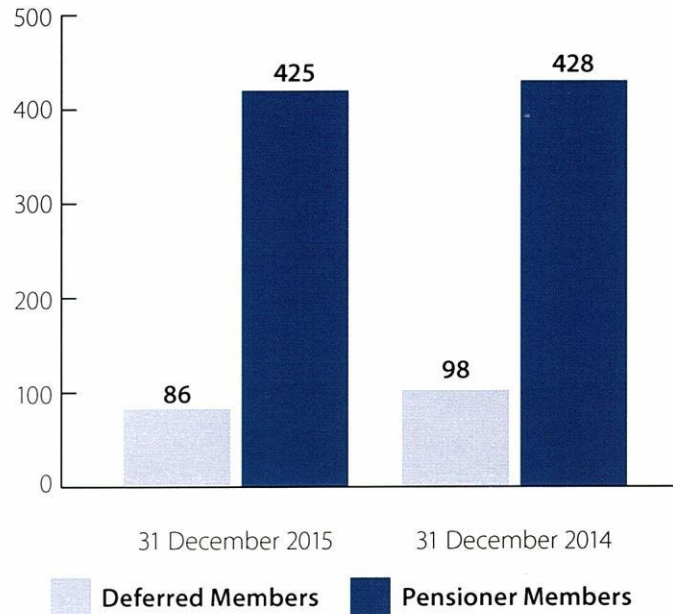
	Fund (%)	Benchmark (%)
Standard Life GARS	-4.5	5.1
Baillie Gifford DGF	0.1	4.0
Threadneedle Multi-Asset Fund	5.7	4.0
F&C Real Dynamic Fund	46.3	46.3
F&C Nominal Dynamic LDI Fund	89.6	89.8
Payden Absolute Return Bond Fund	2.3	3.1

The performance of Standard Life was disappointing over the year. The position is being monitored closely but the Standard Life fund has performed in line with its objectives over a long period of time and both JLT and the Trustee are satisfied that no change should be made at the current time.

The very strong performance of the F&C funds is a reflection of the way the liabilities of the Plan have changed. The F&C funds are used to match movements in the liabilities which increased significantly during the period as a result of falls in long term gilt yields (used to place a value on the liabilities). So, they have 'done their job' and protected the Plan's funding position.

How many members?

At the end of the accounting year 31 December 2015 the RBP had 86 deferred members and 425 pensioner members. Comparative figures as at 31 December 2014 are 98 deferred members and 428 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 Plan (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 2015

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.

Actuarial Valuation

The Trustee is now able to present the results of the latest triennial actuarial valuation as at 31 December 2015.

On a continuing basis the funding position of the Plan as at 31 December 2015 (the valuation date) and at 31 December 2012 (the previous full valuation date) was as follows:

Date of Assessment	31 December 2015	31 December 2012
Liabilities	£65.8m	£64.0m
Assets	£62.6m	£59.4m
(Shortfall)/Surplus	(£3.2m)	(£4.6m)
Funding level	95%	93%

The funding position has improved since the last full valuation in 2012, mainly due to the significant deficit reduction contributions paid by the Company and investment returns on the Scheme's assets being higher than expected. The improvement in funding level has been partially offset by a fall in the yields available on government bonds which are used to value the liabilities.

As a result of continued progress in funding the Plan as well as the strength of the current funding position, AMG UK has voluntarily agreed with the Trustee an adjustment to the demographic assumptions to provide an additional margin of prudence. This additional margin has been implemented to provide an additional layer of comfort to members benefits as, in changing the demographic assumptions in this way, AMG UK has targeted a higher long term level of funding. This demographic "reserve" totals £5.4m, increasing the deficit to £8.6m (88% funded).

AMG UK has agreed to continue contributing £1million per annum for the period to 31 October 2021, at which point it is anticipated that the 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 AMG UK 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**.

Some Key Pensions Matters

The UK's decision to leave the EU ('Brexit')

Please refer to your MRA Newsletter for a general overview of Brexit. In terms of any specific impact on the RBP, the Trustee Directors are pleased to be able to reassure members that the Plan's investment portfolio, having already been substantially "de-risked", was relatively well insulated.

Pension Freedom and Choice

Please refer to the MRA Newsletter which includes a detailed summary of the changes introduced April 2015. It is worth reiterating that the new flexibilities relate to DC benefits and so do not directly affect RBP members. Nonetheless, it may be possible for RBP members to take advantage of the new flexibilities if they transfer out of the RBP.

If the value of a transfer from the RBP to a DC arrangement is £30,000 or greater, you will be required to obtain independent financial advice from a regulated adviser and to provide evidence that advice has been received to the Trustee. Until the Trustee is satisfied that advice has been received, they are unable to permit a transfer.

Trustee Resolution on Payment of Surplus to Employer

The Trustee Directors and AMG work closely together to ensure that the level of contributions paid by AMG into the Plan is adequate to cover all the benefits which the Plan will pay to members. One consideration which they need to take into account is what would happen if the Plan had a surplus.

Due to a technicality in the Pensions Act 2004, in order to retain their existing ability to repay any potential future surplus back to AMG, the Trustee Directors had to take action by 6 April 2016.

The Plan members were notified of the Trustee Directors' intention to retain the powers in a letter dated 22 December 2015. A resolution was duly passed in April 2016.



Summary RBP Accounts for the year to 31 December 2015

The following is an extract from the accounts for the year ended 31 December 2015. A full version is available upon request. Figures for the year ended 31 December 2014 are also provided for information.

	2015 (£)	2014 (£)
VALUE OF THE PLAN AT THE START OF THE YEAR	65,076,905	58,532,974
INCOME		
Contributions:		
<i>Company's:</i>		
Normal	-	-
Special*	1,000,000	1,070,258
<i>Members':</i>		
Normal	-	-
Investment Income	15,347	25,109
Transfers in	-	-
Other Income	-	30,647
Transfers between sections	75,849	5,967
Total Income	1,091,196	1,131,981
EXPENDITURE		
Benefits Payable	3,078,882	3,099,975
Payments to and on account of leavers	178,826	-
Insurance Premiums	111,723	119,489
Fees and Expenses	309,029	335,868
Total Expenditure	3,678,460	3,555,332
FUND BALANCE		
Income <i>less</i> Expenditure	(2,587,264)	(2,423,351)
Change in Market Value of Investments	115,337	8,967,282
VALUE OF THE PLAN AT THE END OF THE YEAR	62,604,978	65,076,905

* These are deficit funding contributions payable by the Employer in accordance with the Schedule of contributions.

