

Newsletter 2022/2023

Welcome to your latest Plan newsletter, keeping you up to date with your pension benefits and wider pensions news.

The Motor Industry Pension Plan (the “Plan”) is a pension scheme for employees and former employees of a number of different employers in the motor industry.

Your benefits from the Plan are provided on a 'defined benefit' basis which means that you are entitled to a pension that is calculated by reference to your length of service and your salary whilst you were a member of the Plan. This is an important factor to bear in mind whilst reading this newsletter and when considering your retirement options.

Geo-political tension continues to impact the global economy, increasing volatility in investment markets, pushing inflation higher than it has been for decades and putting pressure on many peoples' finances. As we did throughout the pandemic, we are monitoring how these external pressures might impact the Plan and will make any changes we feel are necessary to protect it and the best interests of you, the members.

We also include the usual summary of the year's accounts and an update on the Plan's investments.

In wider pensions news, we also include an update on Pensions Dashboards, the aim being to provide everyone with online access to all their UK pensions in one place. We also highlight two areas of increasing focus for the trustees of pension schemes generally: climate change and diversity, equity and inclusion.

As always, please do get in contact if you have a query about the Plan or your benefits. The contact details are on page 7.

Ross Trustees Services Limited,
part of the Independent Governance Group

Trustee to the Motor Industry Pension Plan

May 2023

In this issue

In numbers pg **2**

Investment update pgs **3-4**

In the news pg **5-6**

More information pgs **7-8**

In numbers



The membership

At 5 April 2022 there were 2,221 members in the Plan compared with 2,253 members at the same date last year. This does not include members who are paid by an annuity.

10	Active members - working for the Employers and paying regular contributions to build up further benefits in the Plan.
1,357	Deferred members - no longer building up benefits but have benefits in the Plan for when they retire.
854	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 request a copy of the full report using the contact details on page 7.

The value of the assets supporting the Plan at 5 April 2022	£100.5 million	
The increase in the value of the assets over the reporting year	£3.0 million	
The total value of Employer and member contributions paid in to the Plan during the year	£1.7 million	
The total value of benefits paid to members* and expenses during the year	-£5.7 million	

* Benefits paid to members include monthly pension payments, retirement lump sums, lump sum death benefits and transfers to other pension schemes.

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 5 April 2022, the Plan held assets of £100.5m compared with £101.5m at the same date last year.

The assets of the Plan's 'active' sections are managed by Aon Investments Limited. These funds provide reduced risk and improved diversification by spreading the Plan's investments across a wide range of asset classes. A small proportion of the Plan assets remain invested with Legal & General Investment Management Limited ("LGIM"), the investment arm of Legal & General Assurance (Pension Management) Limited. One of the remaining LGIM funds is a mix of equities and bonds, whilst there is also a gilts fund.

Performance

The table below shows how the Plan's investments have performed compared with the agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform bearing in mind economic and market expectations. Performance shown is for the 1-year period and 3-year period to 31 March 2022.

Fund	Over the year to date		Over three years (% per year)	
	Performance	Benchmark	Performance	Benchmark
Adept SF9* (Growth only)*	3.2%	0.1%	4.5%	0.3%
Adept SF20* (Fixed + 3%)*	-6.1%	-7.6%	1.3%	-0.9%
Adept SF21* (Real + 3%)*	5.6%	3.7%	4.1%	2.0%
Adept SF22* (Fixed + 1%)*	-6.9%	-7.3%	0.5%	-0.6%
Adept SF23* (Real +1%)*	4.4%	3.8%	3.3%	2.2%
Adept SF25** (Low Risk Bonds)*	-1.0%	0.1%	0.9%	0.3%
LGIM (80% equities/20% bonds)	9.4%	9.3%	7.6%	7.4%
LGIM (50% fixed gilts/50% index-linked gilts)	-1.2%	-1.3%	1.4%	1.3%

Adept fund performance is net of fees, whilst LGIM performance is gross of fees. LGIM Portfolio V (100% cash) was fully disinvested on 29 October 2021.

The performance target of Adept funds SF20 and SF21 were increased to target 3% outperformance ahead of their respective benchmarks on 28 January 2021. Prior to this, the funds targeted 2% outperformance ahead of their respective benchmarks.

*The Plan invested in Adept SF20-23 in July 2018 and SF25 in February 2021. The performance shown above is for the 12-month and three-year period to 31 March 2021 and therefore is shown for illustrative purposes.

Investment update

The Plan's investments performed well over the one-year and three-year period to 31 March 2022. In particular, the Plan's growth investments performed particularly well, outperforming their benchmark.

Developed Equity markets posted strong positive returns over the twelve-month period to 31 March 2022, supported by optimism over Covid-19 vaccine rollouts, supportive monetary and fiscal policies and improving economic data. However, strong performance from equity markets (over the year) was overshadowed by geopolitical tensions as Russia began their invasion of Ukraine on 24th February 2022. The Russian invasion of Ukraine created significant market volatility and economic uncertainty, however indications that the conflict would not escalate to a global scale event caused developed market equities to somewhat recover in the first quarter of 2022. The Plan's assets are invested globally and the US market posted the strongest local and sterling returns over the year followed by the UK equity market. Inflation concerns led to the expectation of a faster than anticipated tightening of monetary policy, which weighed on the performance of sectors such as Information Technology and Consumer Discretionary.

Post 31 March 2022, the Plan's growth assets have underperformed the stated benchmark but have performed better than global equities generally due to the diversified nature of the growth fund the Plan invests in.

There has been considerable unprecedented market turmoil in recent months which continues to impact the global economy, increasing volatility in investment markets, pushing inflation higher than it has been for decades and putting pressure on many peoples' finances. Risk mitigation actions previously taken by the Trustee to the Plan, for example putting in place investments that move in the same direction as the liabilities of the Plan and the types of investments used, have alleviated some of the concerns. However, as we did throughout the pandemic, we are monitoring how these external pressures might impact the Plan and will make any changes we feel are necessary to protect the Plan members' best interests.

For further details on our investment approach, read our Statement of Investment Principles (SIP) and our engagement policy Implementation Statement showing how our policy on engagement activities and voting has been followed during the year at <https://pensioninformation.aon.com/mipp/default.aspx>

Pensions Dashboards: update

The aim of Pensions Dashboards is to for everyone to have quick and easy online access to information on all their UK pension savings in one place.

Recent developments include completion of the digital build phase and the first volunteer providers preparing to connect to the system to begin testing using data.

The release to the onboarding phase is on track, beginning with the very largest schemes first, from spring/summer 2023, to achieve broad coverage.

To prepare for the release of Pensions Dashboards, between now and the staging date for the Plan, which will be August 2024 at the earliest, we'll be working with our advisers and administrators to make sure that we have the right processes in place.

To find out more, go to www.pensionsdashboardsprogramme.org.uk.

Climate change

Recent years have seen an increasing focus on climate change and its associated risks for pension schemes. Indeed, since 2019, trustees of pension schemes have been required to consider long-term environmental risks and opportunities.

As Trustee of the Plan, we regularly meet with our investment advisers and publish updates in our Statement of Investment Principles (available here <https://pensioninformation.aon.com/mipp/default.aspx>). Depending on the size of your section, a section specific Statement of Investment Principles may not be required however, the Trustee apply the same investment principles across all sections irrespective of size.

Elsewhere, the Pensions Regulator has published best practice investment guidance for trustees, while its climate change strategy sets out how it can help trustees to meet the environmental challenges. We as Trustee are continuing to consider any guidance and how we can best act responsibly in the way we invest in assets.

Further, the Task Force on Climate-Related Financial Disclosures (TCFD) was established to develop best practice guidance for climate reporting. Regulations requiring schemes to report in line with the TCFD's recommendations came into effect for the UK's largest pension schemes from October 2021 and for the next largest group of schemes from October 2022.

The collective aim is that these guidelines and requirements will empower the markets to channel

Diversity, equity and inclusion

Alongside the attention that climate change and the environment is rightly getting in respect of pension schemes, diversity, equity and inclusion is also becoming increasingly important to trustees.

This includes considerations such as ensuring that:

- all members are getting information in an accessible way, and
- the trustee board is engaged in getting a diverse composition of personalities, skills, experience and characteristics in order to make better decisions.

We are reviewing our communications and processes to ensure that these issues are in the forefront of our mind when communicating with members and making decisions. As Trustee of the Plan, we are committed to ensuring that the information we provide is accessible to all, and to getting the right, diverse mix of people on our board to make effective decisions.

Ross Trustees, as Trustee of the Plan, are committed to encouraging a supportive and inclusive culture. More on our Diversity & Inclusion policy can be found on our website.

Pension Scheme Act 2021: new trustee powers

In the ongoing battle against pension fraud and following the provisions of the Pension Scheme Act 2021, we now have the power to put a transfer request on hold or block a transfer if certain 'flags' suggest fraudulent activity – by an unscrupulous financial adviser, for example.

If you are thinking about transferring your benefits out of the Plan, there will be more information about pension fraud and financial advice in your transfer pack.





Minimum retirement age increase

Your pension benefits – from the Plan, from the State and from any other pension savings you have – will probably start at different ages. You therefore need to have an idea of when you plan to retire so you can assess what you could receive – and when.

The earliest age most individuals can start receiving their pension benefits will go up from age 55 to 57 in 2028. The aim of this change is to keep the minimum retirement age at around 10 years below the State Pension age, which is gradually increasing and will reach 67 by 2028.

Please contact the Administrator if you need any information about receiving your pension (see contact details on page 6).

Lifetime Allowance

The Lifetime Allowance (LTA) is the value of overall retirement savings you can build up during your lifetime which qualifies for full tax relief (excluding State Pension). In the March 2023 Budget, it was announced that the Lifetime Allowance charge would be removed from 6 April 2023 before the LTA is abolished entirely from 6 April 2024. The LTA remains at £1,073,100, under legislation, for 2023/24. Find out more about the LTA:

www.gov.uk/tax-on-your-private-pension/lifetime-allowance.

High Court rejects RPI reform appeal

The trustees of schemes of three of the UK's largest employers recently lost in their challenge against the Government and UK Statistics Authority's plans to align the Retail Prices Index (RPI) with the Consumer Prices Index including owner occupiers' housing costs (CPIH) from 2030.

The CPIH measure of inflation is different to the RPI in the way it's calculated.

The trustees of the BT, Ford and Marks and Spencer pension schemes argued that the change would result in lower pension payments over time and lower transfer values. They also claimed that it would reduce the value of pension schemes' assets that are linked to the RPI, potentially increasing the financial pressure on sponsoring employers.

The decision means that, from 2030, RPI-based pension increases will be aligned to the CPIH, which could result in a lower level of increase compared to that previously expected.



More information

To find out more about the Plan, please use the contact details below.

There are lots of useful websites that can help you understand your options and support you with your retirement planning.

Get to know your pension at www.yourpension.gov.uk.

The site has a tool that can quickly generate you a retirement checklist to help you assess where you are with your planning. It also has useful links to a pension calculator, a State Pension calculator and more.

Picture your future at

www.retirementlivingstandards.org.uk The retirement living standards show you what life in retirement looks like at three different levels, and what a range of common goods and services would cost for each level.

MoneyHelper

MoneyHelper is a free, impartial guidance service, backed by the Government. It brings together the support that was previously available through the Money Advice Service, the Pensions Advisory Service and Pension Wise.

www.moneyhelper.org.uk

Contact point

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

Email: mippensions@aon.com

Phone: 0333 207 9429
(lines are open Monday to Friday, 9am to 5pm)

Write to: Motor Industry Pension Plan, Aon, 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.

If you haven't done so already, please fill in an Expression of Wish form to let us know who you would like considered for any payments due in the event of your death. The Trustee will always take into consideration members' wishes when considering payment of death benefits. However, the Trustee is not bound by your instructions. As the Trustee has to consider all possible beneficiaries under the Plan Rules. It is really important that you let us know about the people you would like to be considered.

Please also remember to fill in a new Expression of Wish form if your personal circumstances change (marriage, divorce, birth of a child etc). You can do this by contacting Aon using the details above.

Pension Scams

Pension scams continue to increase, with a number of members within the pensions industry being targeted by pension scammers, typically promising to unlock significant amounts of cash to members or offering so-called 'deals' that assure high investment returns. The sad reality is that most individuals end up with lost investments and a high tax charge (usually 55% of what's transferred) on top of what's been paid. Please be very cautious if you are approached about ways to cash-in or enhance your retirement benefits. Scammers often find their victims by cold-calling or targeting individuals through social media.

More information on pension scams and how to spot the warning signs can be found on The Pensions Regulator's and Financial Conduct Authority websites here:

www.thepensionsregulator.gov.uk/en/pension-scams

www.fca.org.uk/scamsmart

Further information on pensions can also be found at the Government's Money Helper site

here:

www.moneyhelper.org.uk

Moving your benefits out of the Plan is a significant financial decision. If you're thinking of leaving the Plan or making changes to any of your pensions, we encourage you to get the right advice first to ensure you're making appropriate, long-term decisions, allowing for your personal circumstances, and not putting your pension savings at risk from a scammer. If you are thinking of transferring your pension and the value of your defined benefit pension is over a certain amount (currently £30,000) then you are required to obtain advice from a regulated financial adviser.

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.

Financial advisers should be regulated by the FCA and must follow strict rules when they give you advice – make sure you check that they're registered before you start talking to anyone: www.fca.org.uk/register.

Remember: if you would like more information about the Plan, you can request a copy of the Trustees' Annual Report & Accounts. Contact the administration team (details on the left).

More information

Behind the scenes

As Trustee, we maintain up-to-date knowledge of pensions, investments and finance. We are a professional trustee company, so our entire purpose is to manage occupational pension schemes. We have independently audited procedures for running pension schemes and ensure that all our staff receive appropriate training on pension issues. We meet regularly throughout the year to discuss how the Plan is progress

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

Administrator	Aon Solutions UK Limited
Actuary	A Beale, FIA, Aon Solutions UK Limited A Shah, FIA, Aon Solutions UK Limited D Grimley, FIA, Aon Solutions UK Limited
Auditor	PricewaterhouseCoopers LLP (resigned 16 May 2022) Cooper Parry Group Limited (appointed 22 June 2022)
Investment Adviser	Aon Investments Limited
Legal Adviser	CMS Cameron McKenna Nabarro Olswang LLP