

Motor Industry Pension Plan Newsletter

2023/2024

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Welcome to this latest issue of your Plan newsletter, in which we update you on Plan developments and wider pensions news that may be relevant to you.

The Motor Industry Pension Plan (the "Plan") is a pension plan 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.

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%. 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 matters that may impact the Plan and will be proactive in making any changes we consider necessary.

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

To note, the figures shown in this newsletter are in relation to the Plan year ended 5 April 2023, so please be aware that market conditions have changed since then.

Wider news

In other pensions news, we provide updates on:

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

If you have any questions about the Plan or your benefits, or you have a topic you want to see covered in our next issue, please get in contact using any of the details on page 7.

Ross Trustees Services Limited,
part of the Independent Governance Group
Trustee to the Motor Industry Pension Plan

February 2024

In numbers

The membership

At 5 April 2023 there were 2,148 members in the Plan compared with 2,221 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.
1,263	Deferred members No longer building up benefits but have benefits in the Plan for when they retire.
875	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 2023

£69.1M



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

(£27.3M)



The total value of Employer and member contributions paid in to the Plan during the year

£1.9M



The total value of benefits paid to members* and expenses during the year

(£6.0M)

* 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 2023, the Plan held assets of £69.1m compared with £100.5m at the same date in 2022.

Whilst the overall asset size has dropped, the Plan sections' funding positions have remained relatively stable as the sections' liabilities have also reduced in size due to how market conditions have moved.

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 their agreed benchmarks. Each benchmark is an agreed indicator of how the fund is expected to perform, bearing in mind economic and market expectations.

Fund	Over one year (%)		Over three years (% p.a.) (% per year)	
	Performance	Benchmark	Performance	Benchmark
Adept SF9 (Growth only)*	-3.8	2.3	5.5	0.8
Adept SF20 (Fixed + 2%)*	-31.3	-27.0	-14.6	-15.8
Adept SF21 (Real + 2%)*	-29.3	-24.4	-7.4	-8.5
Adept SF22 (Fixed + 1%)*	-29.4	-27.3	-14.8	-15.6
Adept SF23 (Real + 1%)*	-27.5	-25.2	-7.8	-8.7
Adept SF25 (Low Risk Bonds)*	1.1	2.3	2.3	0.8
LGIM (80% equities/20% bonds)	-3.7	-4.2	9.6	9.3
LGIM (50% fixed gilts/50% index-linked gilts)	-30.1	-30.0	-12.8	-12.8

Performance shown is for the 1-year period and 3-year period to 31 March 2023.

Adept fund performance is net of fees, whilst LGIM performance is gross of fees.

The target of Adept SF20 and SF21 was to return 3% p.a. above their respective benchmarks from 28 January 2021. From 31 March 2023, this was formally revised to 2% p.a.

*The plan invested in SF25 in February 2021. The performance shown above is for the 12-month and three-year period to 31 March 2023 and therefore is shown for illustrative purposes.



Investment update continued

Investment market update

This market update relates to the period 5 April 2022 to 5 April 2023, which is in line with the timeframe covered by the last Trustee Report and Accounts.

Global equities generated negative returns over the twelve month period to April 2023, as geopolitical risk continued to take centre stage with Russia's ongoing invasion of Ukraine.

US equities were the worst performer over the year, falling 8.5% in local currency terms. Equities fell sharply in 2022 as elevated inflation weighed on the region, leading to the underperformance of sectors such as Information Technology and Consumer Discretionary (for example companies that manufacture goods or provide services that people want but, don't necessarily need, such as high-definition televisions).

Emerging markets (EM) were the second worst-performing market in local currency terms over the twelve month period to April 2023, falling 6.2%. Increases in interest rates by major central banks and a strong dollar resulted in EM returns lagging other markets.

Over the year, the UK gilt yields rose as inflationary concerns drove yields higher. Then in September 2022, the Bank of England temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt/gilt market after Kwasi Kwarteng's and Liz Truss' mini budget. The mini budget increased investor concern over the sustainability of public finances, resulting in a considerable rise in yields. The rise in yields was also exacerbated by the forced unwinding of Liability Driven Investment (LDI) positions, as UK pension schemes sold gilts provide collateral to LDI managers following sharp yield increases. However, in the fourth quarter, yields fell following Liz Truss' resignation as prime minister. Overall, UK fixed-interest gilts fell by 16.3% and index-linked gilts fell by 26.7% over the 12 months to 31 March 2023 (according to FTSE All-Stocks indices).



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.

In 2023 the Pensions and Lifetime Savings Association (PLSA) updated the Standards' figures to reflect higher inflation and the current cost-of-living crisis.

- The 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 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.

Pensions Dashboard Update

In previous issues, we have reported on the Government's Pensions Dashboard Programme – an industry-wide project to develop a 'dashboard' portal which anyone could use to keep track of all their pension savings on one secure online site.

Due to the size and complexity of the task – which will involve all UK pension schemes linking to the system – the Government has extended the project's timetable.

Previously, the intention was to onboard groups of schemes in stages, with the largest first.

There is now a single deadline for all schemes to connect: 31 October 2026 (a year later than planned). Individual schemes will still be given guideline connection dates to aim for in the meantime.

Normal Minimum Pension Age

Normal Minimum Pension Age (NMPA) is the earliest age at which you may draw your pensions and lump sums from a registered pension scheme without incurring any unauthorised payments charges.

The NMPA was introduced in 2006 and was increased from age 50 to age 55 in 2010. In 2014, following the consultation on 'Freedom and Choice in Pensions', the government announced it would increase the NMPA to age 57 from the 6 April 2028 to coincide with the rise of state pension age to 67. This potentially impacts individuals born after 6 April 1971.

For more information about the pension dashboard, visit www.pensionsdashboardsprogramme.org.uk. You can also read regular updates on their blog as the programme progresses: www.pensionsdashboardsprogramme.org.uk/category/blog

In the news



Changes to the pension tax allowances

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

In summary:

- The Lifetime Allowance is being removed in two stages:
 - From April 2023, the 'Lifetime Allowance tax charge' on any benefits above the Allowance was removed. Instead, you would pay tax on your normal highest rate on the 'extra' benefits.
 - From April 2024, the Lifetime Allowance (LTA) will be abolished whilst broadly aiming to maintain the status quo for the tax treatment of lump sums on retirement and death.
 - Two new allowances will be introduced:
 - A lump sum allowance of £268,275 (25% of the current LTA), which will continue to limit the tax-free lump sum that can be paid on retirement; and
 - An overarching lump sum and death benefit allowance of £1,073,100 (100% of the current LTA), which will continue to limit the tax-free lump sum that can be paid on death or serious ill-health.
- The Annual Allowance increased from £40,000 to £60,000 with effect from 6 April 2023.
- As of 6 April 2023, the tapered Annual Allowance applies 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 increased from £4,000 to £10,000 with effect from 6 April 2023.

The Lifetime Allowance is a limit on the total amount of pension benefits you can build up over your lifetime (excluding the State pension) without triggering an extra tax charge.

The Annual Allowance is a limit on the amount of 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

Scheme website

To find out more about the Plan, go to:
www.pensioninformation.aon.com/mipp/default.aspx

You can find the following information on the site:

- Previous Newsletters
- Investment Engagement Policy Implementation Statement
- Frequently Asked Questions

Contact point

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

Email: mippensions@aon.com

Phone: 0333 207 9424
(lines are open Monday to Friday, 9am to 5pm)

Write to: Motor Industry Pension Plan,
Aon
PO Box 196
Huddersfield
HD8 1EG

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 progressing.

Over Normal Retirement Age?

If you are over the Normal Retirement Age (NRA) for the Plan, which is 60 or 65 depending on when you were a member, you should have previously received details of the benefits due in advance of your NRA. However, if you would like an up to date quotation or further information on the options available to you, please use the contact details provided above. Please note, neither Aon nor the Trustee are able to provide financial advice and we would always recommend seeking independent financial advice regarding your options.

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 Wishes 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. We will consider your Expression of Wishes 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*.

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).

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
Auditor	Cooper Parry Group Limited
Investment Adviser	Aon Investments Limited
Legal Adviser	CMS Cameron McKenna Nabarro Olswang LLP