

Pensions Watch

An update from the EEF Staff Pension Fund

November 2023

Dear member,

I hope this newsletter finds you well. It has been another busy year and there is a lot to update you on.

Over 2023 we have been working with our advisers to ensure that the Fund continues to operate smoothly. The Fund's actuarial valuation as at 31 March 2023 is currently underway and as part of this we are reviewing the Fund's investment strategy.

On the following pages we have included a business update from the Principal Employer, Make UK, and the latest on the Fund's investment strategy.

Since the last newsletter we launched a new member website and some new options for members. On pages 4 and 5 we include further details on this alongside a reminder of your retirement options, and the IFA support from Hub provided to members approaching retirement.

We include some wider pensions news on page 6 including details on changes to the pensions tax regime which was announced in the April 2023 Budget.

The remainder of the newsletter provides further useful information about the Fund,

including a recap of the financial position of the Fund, and a reminder of the payment plan we agreed with the Employers in 2021 (see pages 8 and 9).

Ross Trustees Services Limited has been the sole Trustee of the Fund since March 2017. Earlier this year Kate Hardingham stepped down as lead Trustee Director for the Fund and David Brickman has succeeded her. David has 30 years of investment experience and was previously Head of Fixed Income for the Tesco Pension Scheme. We thank Kate for her service to the Fund. You can contact us directly if you have any questions about the Fund, but for day-to-day questions about your benefits we suggest you contact LCP, your key contact for all pension-related queries. See page 12 for contact details.

We hope you find our newsletter helpful. Do let us know if you've any questions or comments on it.

Yours faithfully

David Brickman

On behalf of Ross Trustees Services Limited,
Trustee of the EEF Staff Pension Fund



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Further information

If you have any questions or need any further information please contact our administrator, Lane Clark & Peacock - contact details at the end.

Are your details up to date?

Please let us know if your contact details have changed. If you would like to change the people you have nominated to receive benefits upon your death, please complete an Expression of Wish form.

Business update as at 31 October 2023

It is hard to believe that the last full financial (and calendar) year of 2022 still had a Covid related impact in the early months of that year such that our Venues business started off suppressed compared to both pre Covid and where we find ourselves today.

2022 financial performance nevertheless delivered a robust result, with an uptick in business activity across all areas of the business, aided by the cost reduction programme that had been put in place during the height of the Covid pandemic.

After investment income the company turned in a small profit for the year, which contrasted favourably to the losses that were generated in 2021 and 2020.

Since then, 2023 has been a mixed year, with phenomenal growth in our Venues operations delivering both record top and bottom-line performance, a return to growth in Health & Safety but with contrasting ongoing pressures in our employment law area of the business.

The Apprentice training business in the meantime has started recording increasing intakes of student numbers into what is now a state-of-the-art single centre facility following the capital investment at the backend of 2022.

Whilst it is fair to say the overall company growth planned for 2023 hasn't materialised as we would have hoped, margins are still holding up, with 2023 expected to deliver a broadly similar outturn to 2022.

Member engagement in the meantime continues to be extremely strong, with growth in members numbers within both core manufacturing and defence and reflects the strong relationships and engagement we have with both government and the opposition in key ministerial areas that are critical to the manufacturing sector.

The high inflationary environment continues to be somewhat problematic as it does for most businesses, and I'm pleased to say the Company continues to positively engage with its staff forum to listen to any concerns, which for 2023 meant bringing the annual pay review forward from April to January of that year to ease the burden of energy costs on our staff.

Speaking of staff, I'd like to finish by thanking all Make UK staff, both past and present, for their support and contribution, and the Trustee of the Fund in continuing to engage positively with Make UK as principal sponsoring employer of the Fund.



*from Richard Greenway
(Finance Director, Make UK)*

An update on investments

The year to 31 March 2023 proved to be quite a volatile period for financial markets. The impact of Russia’s invasion of Ukraine continued to disrupt and add to inflationary pressures. The increase in inflation drove central banks to raise base rates significantly over the period. This had a knock-on impact to global equity markets, in particular for companies that are sensitive to rising interest rates such as technology stocks.

UK equities were resilient over the period, largely due to the outperformance of economically sensitive sectors such as industrials and consumer discretionary.

Credit markets also suffered due to rising interest rates as investor appetite for the asset class was challenged.

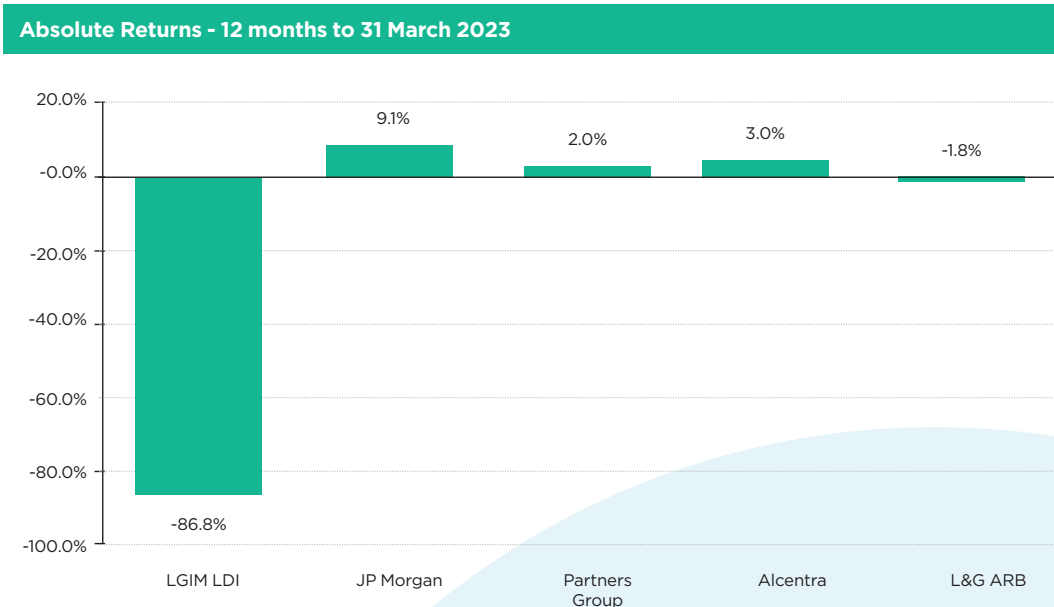
During the period UK pension schemes were significantly impacted by the UK government bond market crisis that was widely reported in the news. UK government bond yields increased significantly in a short space of time following the “mini-budget” announcement on 23 September 2022. This reduced both the value of the Fund’s liability measures and the Liability Driven Investments (“LDI”) held by the Trustee and triggered calls for cash to support LDI funds. The UK government bond markets stabilised in October 2022 as the Bank of England intervened with an emergency bond purchase scheme and the UK’s new chancellor reversed the majority of the decisions in the “mini-budget” leading to a reduction in government bond yields.

Due to the government bond market crisis the Fund’s LDI manager, Legal & General, reduced exposure to UK government bonds within the Fund’s LDI portfolio, and the Trustee agreed to reduce the target level of UK government bond exposure temporarily until the liquidity position improved.

To improve the Fund’s liquidity position the Trustee fully redeemed three holdings - M&G AOF, Apollo Semi-liquid credit and JP Morgan infrastructure funds. In Q2 2023, the Trustee used some of the proceeds from these sales to increase UK government bond exposure back to higher levels.

Despite the volatility experienced over the period, the Fund was in a stronger position going into the 2023 valuation compared to the 2020 valuation.

The Fund’s mandate performance for the 12 months to 31 March 2023 are set out in the table below.



Since 31 March 2023 the Trustee has continued steer the Fund through continued interest rate rises and ongoing market volatility resulting from geo-political events. The Trustee recently appointed LCP as their new investment adviser and, with their input, is currently reviewing the Fund’s investment strategy. One of the aims of the review is to make sure the Fund is more resilient to volatility in government bond yields in the future.

Reminder of retirement options

If you have not yet started receiving your pension, there are a number of options available to you. In particular you can:

- transfer the value of your pension to another pension arrangement (available at any point before you reach normal retirement date); or
- take your pension from the Fund. This can be done from age 55 (rising to 57 from 2028 under current Government proposals) or possibly earlier if you are retiring due to ill-health. Pensions are reduced for early payment.

On retirement, subject to eligibility requirements, you have an option to:

- Receive your pension in full.
- Receive a temporary higher initial pension until State Pension Age in exchange for a lower pension from State Pension Age. This is called a “bridging pension”.
- Exchange around 25% of your benefits for a lump sum which is tax free at the present time.
- Choose a combination of above.

The bridging pension option was introduced at the end of last year and further details on this option can be found in the bridging pension option guide which is available on the member website.

If the cash value of your pension benefits is over £30,000, you have to take advice from HUB Pension Consulting (or your own financial adviser) if you want to transfer your pension benefits out of the Fund. If your pension is small, you might have the option to take it all as a (taxed) cash sum. You will be notified at retirement if this option might apply to you.

On the following page we set out how you can discuss your options with an FCA-registered financial adviser.

New member website

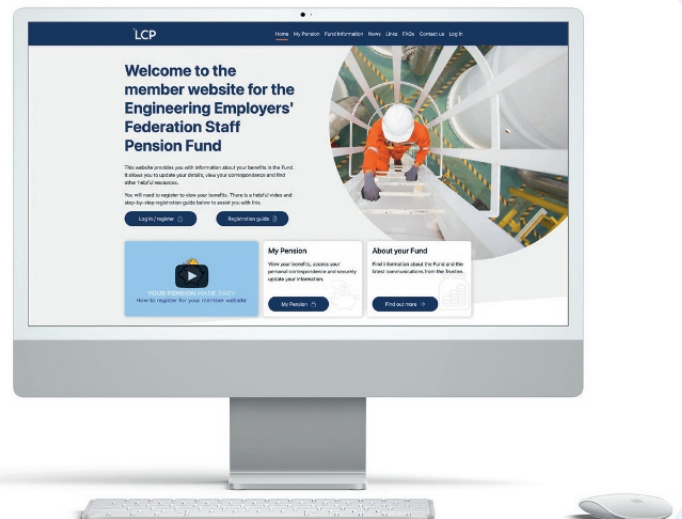
Earlier this year we launched a new website for members of the Fund.

We want to be able to provide you with news and information about the Fund and your benefits quickly and efficiently. Our new website holds a wealth of information about the Fund, explanations about your pension benefits and sources of help if you have a question. Members can now access their correspondence with the Fund administrator at any time. Deferred members can find tools to help their pension planning and pensioner members are able to keep up to date with online payslips.

If you haven't already registered, you can do this by going to <https://eefstaffpensionfund.lcp.uk.com> and following the step-by-step registration guide. There is also a video available on the website to guide you through the registration process, should you need it. If you need a reminder of your registration code, please contact LCP using the details provided at the back of this newsletter.

You can register now

<https://eefstaffpensionfund.lcp.uk.com>



Taking independent financial advice

To help you understand your pension options, the Trustee of the Fund has appointed HUB Pension Consulting to provide you with FCA registered financial advice relating to your Fund benefits, for which the first piece of advice will be paid for by the Fund.

Who is HUB?

HUB Pension Consulting is a specialist professional firm which gives financial advice about pensions and retirement planning. HUB Pension Consulting is independent of the Employers and the Trustee of the Fund, and is being paid to provide you with advice based on your own personal and financial circumstances. The advisers are not paid a commission based on any decision that you make. Their role is simply to help you make the best decision for you.

The financial adviser will discuss your personal and financial circumstances with you, answer questions about your options and provide you with a written recommendation. It is important that you give the financial adviser as much information as you can about your personal and financial circumstances so that they can factor these points into their financial advice to you.

How do I contact HUB Pension Consulting?

You can call HUB Pension Consulting's helpline on **0800 031 5787** (UK Free Phone) between 9:00am and 8:00pm Monday to Friday (excluding UK Public Holidays).

HUB Pension Consulting can provide you with advice up to the point you transfer out from the Fund, start taking your pension from the Fund directly (with or without a lump sum and/or bridging pension option).

How to contact HUB Pension Consulting



HUB Pension Consulting helpline:
0800 031 5787



Email inbox:
EEF@hubpc.co.uk



Website:
hubpensionconsulting.co.uk/eef

Do I have to pay for advice?

Members are eligible for one piece of financial advice with HUB Pension Consulting at no cost to you. If you wish to take a further piece of advice this will be at your own expense.

Neither the Trustee of the Fund nor the Employers can provide you with any financial advice and they do not take any responsibility of the advice provided to you by HUB Pension Consulting.



Can I use another financial adviser?

You can use your own financial adviser but the Trustee will not pay towards their costs. If you use your own financial adviser, please be careful. You should be aware that there are some fraudulent plans which exist such as 'pension release arrangements' (sometimes called pension scams or pension liberation plans). There may be significant tax penalties levied on you personally by HMRC if you transfer to these types of arrangement and high fees levied by the 'provider' which will significantly reduce your retirement income. Scammers may try to entice you with a so-called free pension review, 'one-off investment opportunity' or a 'legal loophole'.

For more information, see the pension scams booklet available on www.thepensionsregulator.gov.uk/pension-scams

The Financial Conduct Authority (FCA) has more information on how to protect yourself against pension scams. It also publishes a list of unauthorised firms and individuals of which it is aware. www.fca.org.uk/consumers/unauthorised-firms-individuals#list

This service is only available to members within the UK.

Pensions news

Changes to pensions tax

It's important to be aware of recent changes to pensions tax allowances, which apply for the current tax year (2023/24).

From 6 April 2023:

- **The Annual Allowance increased from £40,000 to £60,000 a year.**
- **The minimum Tapered Annual Allowance increased to £10,000 (previously £4,000).**
- **The Money Purchase Annual Allowance increased to £10,000 (previously £4,000).**
- **The Lifetime Allowance charge was removed.**

These changes have had a knock-on impact on some rules on tax-free cash, or Pensions Commencement Lump Sums (PCLS). The maximum amount of tax-free cash for most people will be up to 25% of their retirement savings, up to a limit of £268,275 from the 2023/24 tax year onwards.

The future of the Lifetime Allowance

Now the Lifetime Allowance charge has been removed, the Government's intention is to abolish the Lifetime Allowance altogether during the 2024/25 tax year. Until the Lifetime Allowance is abolished:

- The framework will remain in force, with pension schemes needing to carry out Lifetime Allowance checks and issue Lifetime Allowance usage statements to members.
- You may have to pay income tax at your normal rate if your retirement savings exceed your Lifetime Allowance and you take the excess as a lump sum.

Important information

These tax allowances apply to the total amount of your retirement savings across all pension schemes. This is not intended to be a complete guide to the allowances and what these changes mean for you will depend on your own circumstances. These matters are complex, and you should consider whether to seek professional advice from a tax or financial adviser.

For more information, please visit: <https://www.moneyhelper.org.uk/en/pensions-and-retirement/building-your-retirement-pot/lifetime-allowance-for-pension-savings>

Benefit review

For a long time the Government paid State pension benefits to men at age 65 and women at age 60. There is an element of benefits within the Fund (GMPs) which replicated this. However, sex discrimination law made this unlawful and a recent Court decision has confirmed that pension schemes such as the Fund need to review member benefits to ensure this discrimination is addressed.

We expect any changes to benefits to be small and this will only affect members with benefits built up between May 1990 and April 1997. It is terrifically complex and will take the Trustee and our advisers some time to work through what this means for our members. However, we will write to any of you who are affected to let you know what this means.



Jargon buster

Annual Allowance

The amount of retirement savings you can build up in pension schemes each tax year before you are at risk of a special tax charge.

Tapered Annual Allowance

A reduced (tapered) version of the Annual Allowance which may apply if you earn more than £200,000 a year.

Money Purchase Annual Allowance

A reduced version of the Annual Allowance which may apply if you have 'flexibly accessed' your pension savings, for example if you have taken a taxable benefit from your pension pot (which might be 'income drawdown' or a lump sum where part of the benefit is subject to income tax).

Lifetime Allowance

The amount of retirement savings you can normally build up in pension schemes during your life without paying a Lifetime Allowance tax charge. The level of the standard Lifetime Allowance is currently £1,073,100, but some people may have a higher Lifetime Allowance if they have previously applied to HMRC for a special protection.

Expression of wish forms

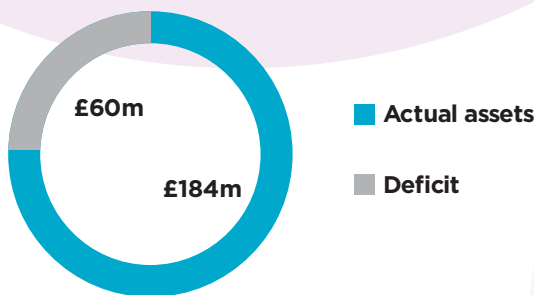
It might be that benefits are payable to your beneficiaries on your death. It is important to complete an Expression of Wish form and to keep it up to date if your personal circumstances change. This will ensure that the Trustee is aware of whom you nominate to receive any benefits from the Fund in the event of your death, where the Trustee has discretion over the beneficiaries. Please contact our administrators, LCP, using the contact details provided on page 12. if you would like to update your expression of wish form.



Results of the valuation at 31 March 2020

Every three years we undertake a formal assessment of the present cost of providing the future benefit payments to our current and future pensioners using lots of assumptions about how long members will live, the impact of inflation and what return we will make on our invested assets – this is the Technical Provisions. We then compare that to the current value of assets and update the Employers' payment plan.

Technical Provisions: £244 million



At 31 March 2020 the Technical Provisions were £244m, but the assets were £60m less than this.

This £60m shortfall does not affect the pensions being paid out of the Fund – we have always paid members their full pensions.

To an extent, the Fund's shortfall was a reflection of the turbulence of financial markets at that point in time following the first UK lockdown on 23 March 2020. The funding position improved materially after the valuation date, and at 31 August 2020 had reduced to £47m. To meet this deficit, the Employers agreed with the Trustee to pay:

- £2.6m into the Fund by 31 March 2021;
- £3.3m by 31 March 2022;
- £2.7m pa from 1 April 2022 to the agreed end date; and
- an extra contribution of £0.5m in 2026.

Further contributions may also be payable depending on the financial performance of Make UK.

Assumptions

The Trustee employs an independent expert to provide regular checks on the Fund's finances. These regular check-ups involve calculating a target level of assets.

The target level of assets is the amount that is expected to be enough to continue to pay out all the pensions that members have already built up in the Fund.

Nobody knows exactly how much money will be needed to pay everybody's pensions. This will depend on how long members live, the level of inflation, and the returns earned on the investments, amongst other factors.

Assets of the Fund

The assets of the Fund come from contributions paid by members and by the employers together with investment growth.

The assets of the Fund are held separately from the employers and the Trustee is responsible for investing this money, after taking professional advice.

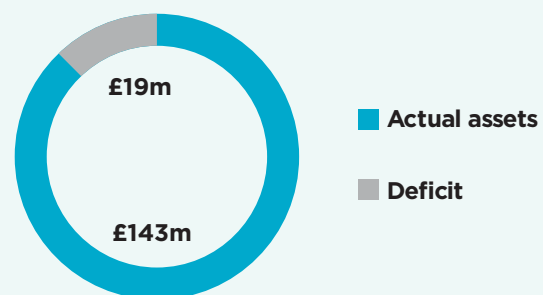
The assets are held in a common fund – they are not held in separate pots for each member or each Employer.

Pensions are paid to retired members out of this common fund.

A snapshot of the Fund at 31 March 2023

The 31 March 2023 valuation is currently underway. The figures below represent the Trustee's current estimate of the position.

Technical Provisions: £162 million



At 31 March 2023, the Fund's deficit had reduced by £41m compared to March 2020.

The chart on the left shows that on 31 March 2023 there was a shortfall of £19m between the value of Fund assets and its liabilities. This is a slight deterioration of £2m from the position as at 31 March 2022, due in part to the volatility described earlier in the investment update. However, this is still a significant improvement from the shortfall as at 31 March 2020 which was then £60m.

The Trustee recognises that the funding position can be volatile, and we expect the snapshot to change from year to year because the Fund's finances depend on changes in global financial markets.

The 31 March 2023 valuation is still ongoing and any changes to the contributions payable to the Fund by the Employers are yet to be agreed.

Your questions on funding answered

Q: Have the Employers taken any money out of the Fund?

Regulations require us to confirm to you whether the Employers have taken any money out of the Fund since the date of our last Summary Funding Statement. We can confirm that they have not.

Q: How does ongoing high inflation affect the Fund

The Fund provides benefits which are increased in line with inflation subject to certain caps as set out in the Fund's governing documents, the Trust Deed and Rules. The Trustee is responsible for investing the Fund's assets to provide for benefits as they fall due and takes professional advice when doing so. It does this in the best interests of members, and with a view to meeting the pension benefits promised over the short and long term.

Q: Is my pension protected?

The Government has set up the Pension Protection Fund which provides pension scheme members with added security should their employer become insolvent and unable to pay the final contribution. If the Fund were to enter the Pension Protection Fund, the amount members receive may be less than the pension benefits built up for them in the Fund.

The Pension Protection Fund rules are complex. The amount they will pay depends on the rules of the scheme, whether a pension is

already being paid, a member's age and the type of pension benefit.

More information and guidance about the Pension Protection Fund is available at www.ppf.co.uk or by emailing them at information@ppf.co.uk or calling them on 0345 600 2541.

Q: What if the Fund has to wind-up?

The Employers and the Trustee do not intend to wind up the Fund. We do, however, monitor the impact on the Fund should the Employers no longer be able to support the Fund. In this event, a wind-up of the Fund is likely to begin and responsibility for paying members' pension benefits would be transferred to an insurance company.

The Trustee monitors the cost of securing all members' benefits with an insurance company.

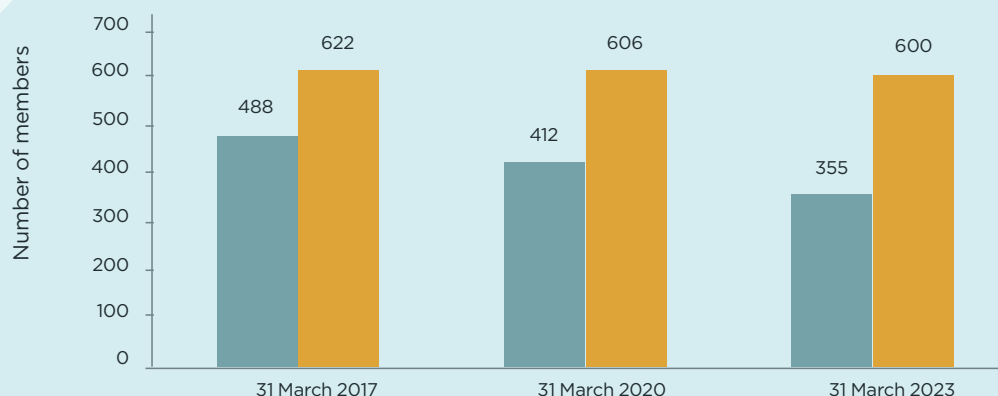
The most recent estimate provided by our independent advisers looked at the position on 31 March 2023. This estimate showed that the employers would have had to make an additional final contribution of about £37m to make sure all members' pensions could be paid in full by an insurance company. This is larger than the shortfall shown on page 8, but this is common amongst similar UK pension schemes.

If all of the Employers became insolvent and could not afford to pay this, you might not get your full pension benefits.

Summary of the Fund's membership

■ Deferred pensioners

■ Pensioners and dependants



Making decisions about your pension?

Be wary of scams

With the recent rise in the cost of living affecting spending power, early statistics show that people are beginning to turn to their pension as a potential source of income. A report by the Financial Conduct Authority found that a quarter of consumers would consider withdrawing money from their pension earlier than planned to cover the cost of living.

You might be thinking about taking your pension earlier than Normal Retirement Age or transferring it to a different arrangement. You should be aware that scammers will be trying to exploit people, in particular those that are struggling with their finances. Before making a decision about your pension you should make sure you understand the warning signs of a scam. Here are three of the most common tactics to be aware of:

- **You should be suspicious of ‘free pension reviews’, or any offers out of the blue.**

This includes adverts on social media, email, comparison websites, door-to-door sales and phone calls. Pensions cold-calling has been banned by the Government – if you get a call you should hang up straight away.

- **Scammers often promise unrealistically high returns on your investments.**

Offers to put your money into unusual or high-risk investments could result in you losing large sums of money.

- **An offer to access your pension early is probably a scam.**

Offers to unlock or ‘liberate’ your pension by transferring out of the Fund could result in a high tax charge. The minimum retirement age for the Fund is currently age 55.

The Fund administrator will carry out checks to try and minimise the risk that you transfer your money to a fraudulent scheme. But you should also make sure that you follow the steps below before requesting a transfer.

1. Carry out your own checks: one of the simplest ways to start is to check that anyone offering you advice is authorised by the Financial Conduct Authority: register.fca.org.uk

2. Find out more about pension scams: <https://www.fca.org.uk/scamsmart> and <https://www.thepensionsregulator.gov.uk/en/pension-scams>

3. Contact the Fund administrator with any questions: EEFAdmin@lcp.uk.com

4. Get advice - free guidance and information is available from MoneyHelper: <https://www.moneyhelper.org.uk/en/pensions-and-retirement>

A list of trusted independent financial advisers can be found at www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser. Make sure you check the costs of any advice.





The four steps to staying safe



Step 1

Reject unexpected offers.

If you get a cold call about your pension, the safest thing to do is to hang up. If you get unsolicited offers via email or text you should simply ignore them. Fortunately, most people do reject unsolicited offers – research suggests that 95% of unexpected pension offers are rejected.



Step 2

Check who you are dealing with.

Check the Financial Service Register (register.fca.org.uk) to make sure that anyone offering you advice or other financial services is FCA authorised.



Step 3

Don't be rushed or pressured.

Take your time to make all the checks you need – even if this means turning down an 'amazing deal'. Be wary of promised returns that sound too good to be true and don't be rushed or pressured into deciding.



Step 4

Get impartial information and advice.

You should seriously consider seeking guidance before changing your pension arrangements. Many members are told about the benefits of a new arrangement but not about tax penalties and high charges which often apply. As mentioned on page 5, the Trustee has appointed HUB Pension Consulting who can provide you with FCA regulated advice around your pension options.



BE WARY OF PENSION SCAMS

Further details on scams can be found at: fca.org.uk/scamsmart

Further information

Documents which provide more information about the Fund are listed below and are available on request. The Scheme's Statement of Investment Principles is now available to view via Make UK's website (www.makeuk.org).

Schedule of contributions -

Shows how much money is being paid into the Fund.

Annual report and accounts of the Fund -

Shows the Fund's assets, income and expenditure.

Full report on the actuarial valuation -

Provides more details on the check of the Fund's funding position as at 31 March 2020.

Statement of investment principles -

Sets out our approach to investing the Fund's assets.

Please contact LCP if you would like a copy of any of these documents.

You can find out details of your State Pension at www.gov.uk or check how much you are due here: www.gov.uk/check-state-pension

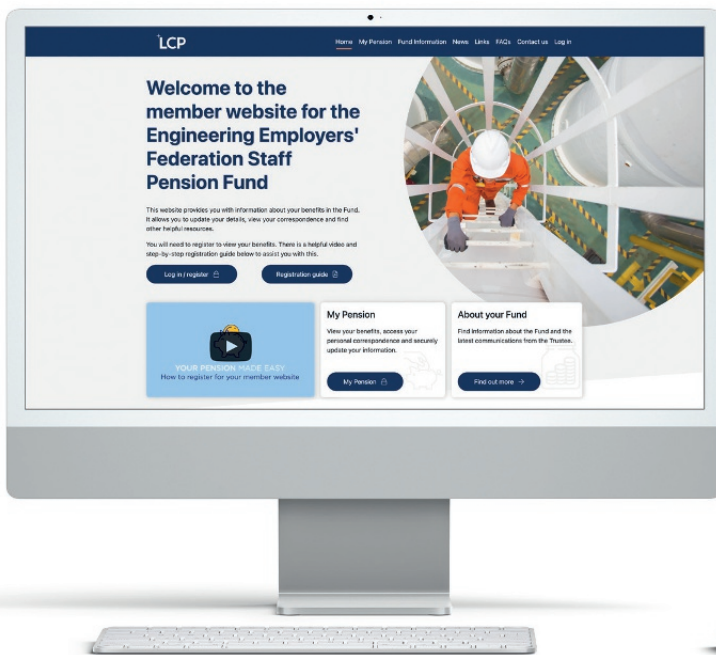
Trustee, EEF and professional advisers

Trustee:	Ross Trustees Services Limited London
Principal Employer:	EEF Limited (Make UK) Broadway House Tothill Street London SW1H 9NQ
Investment advisers:	LCP
Legal advisers:	ARC Pensions Law
Actuaries & consultants:	LCP
Administrators:	LCP 95 Wigmore Street London W1U 1DQ

LCP can be contacted by email or telephone:

Tel: [+44 \(0\)20 7432 6735](tel:+44202074326735)

Email: EEFAdmin@lcp.uk.com



New member website

If you haven't already registered, you can do this by going to

<https://eefstaffpensionfund.lcp.uk.com>

and following the step-by-step registration guide