

PENSION NEWS

*For members of the
Institute of Physics Retirement Benefits Plan (1975)
May 2024*

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We are pleased to present the May 2024 newsletter, which provides funding and investment updates, as well as an extract from the Trustees' Report and Accounts for the year ended 31 December 2022.

Plan Funding

Every three years, the Plan Actuary carries out a formal valuation of the Plan to assess the funding position and interim assessments take place each year in between. The last full actuarial valuation was completed as at 31 December 2022 and the results were reported to the Pensions Regulator by the statutory deadline of 31 March 2024.

Investments

As part of the actuarial valuation, the Plan's investment strategy has been reviewed. The Trustees have done this to help minimise the Plan's exposure to market volatility and provide further security to members. As part of this review, we appointed Schroders as our investment manager in April 2023.

Details of our investment strategy will be outlined in the next newsletter, as well as our next Statement of Investment Principles which is currently being prepared by XPS Investment and will be posted on our member web page.

In July 2023 we also published our latest Implementation Statement on our member web page, which summarises our investment engagement policies.

Member Web Page

Members can access documents including newsletters, the Implementation Statement and the Trustees' Report and Accounts online at <https://www.iop.org/ioprpb>.

Professional advisors

XPS Pensions Group provide Actuarial, Administrative, Consultancy and Investment services to the Plan. XPS work closely with the Trustees and members of the Institute's payroll and pensions team, and they attend each Trustees' meeting to provide updates on the Plan as well as wider pension developments.

We hope that you find this newsletter helpful. Should you have any questions, please contact XPS Pensions Group at the address shown on page 4.

I would like to take this opportunity to acknowledge the work that the Trustees do on behalf of all members and to thank them for their support and commitment.

Fiona Stark, Chair of Trustees

Key messages

Member web page

We encourage you to periodically visit our web page – accessible at <https://www.iop.org/ioprpb> – as we update it throughout the year to ensure the latest key pension materials are accessible. This includes:

- ✓ Our annual report and accounts
- ✓ The latest summary funding statement
- ✓ The Implementation Statement and Statement of Investment Principles
- ✓ Details from the Financial Conduct Authority (“FCA”) on pension scams

State Pension and Plan pension increases

An overview of the State Pension can be found at: <https://www.gov.uk/state-pension>. Since 2010, the state pension has increased in line with the triple lock commitment. The ‘triple lock’ means that the state pension rises in line with the highest of these three measures every year: a flat 2.5% rise, average earnings growth, inflation. Unlike state pension increases, IoP pensioners’ benefits are increased as follows:

- Benefits accrued before 1 January 2001 – fixed 5% increase.
- Benefits accrued between 1 January 2001 to 31 December 2005 – Retail Prices Index (RPI) inflation to a maximum of 6.5%.
- Benefits accrued after 1 January 2006 – RPI capped at 2.5%.

Pension scheme transfer regulations

Prospective transfers are now subject to additional scrutiny, which can lengthen the overall transfer process. While the Trustees use XPS’ scams protection service, which provides an additional layer of screening to any prospective transfer, we encourage anyone looking to transfer to remain vigilant, and to be aware of the tell-tale signs of a pension scam. More information can be found at: <https://www.fca.org.uk/scamsmart>. You can also find information on the MoneyHelper service at: <https://www.moneyhelper.org.uk/en>.

Pension tax allowances

In the 2023 Spring Budget, the Government announced that it would abolish the Lifetime Allowance. The Lifetime Allowance is the tax-free limit on an individual’s total value of pensions savings from all sources. From 6 April 2023, the tax charge for exceeding the Lifetime Allowance was removed, and the allowance itself will be withdrawn from 6 April 2024. We encourage members to consider the implications of the Lifetime and Annual Allowance changes and, where appropriate, seek independent financial advice.

Responsible investment

We have delegated the ongoing monitoring and management of ESG (Environmental, Social and Governance) risks and those related to climate change to the Plan’s investment managers. The Trustees have received ESG training and have taken an active interest in the importance of responsible investment. More information can be found in our Statement of Investment Principles and Implementation Statement, both of which can be accessed at <https://www.iop.org/ioprpb>.

Investments and Liabilities

Over the course of 2022, the Plan’s investments decreased in value due to market volatility, in-part driven by the September 2022 ‘Mini Budget’. However, market changes also reduced the capital required to provide future

pension benefits, and hence the valuation of the pension scheme liabilities also fell by a similar amount. This, in addition to ongoing contributions by the Institute, resulted in the Plan's funding level improving.

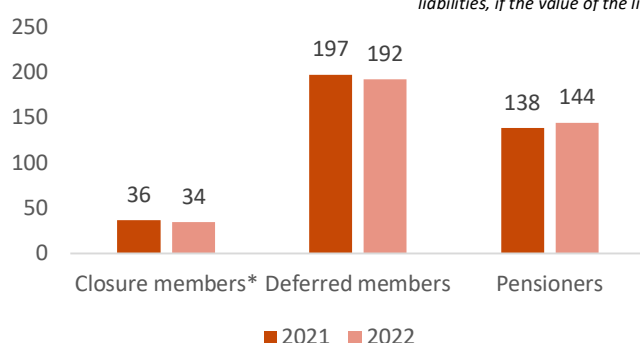
During 2023, the Trustees considered appropriate changes to the investment strategy and have agreed to target a long-term investment portfolio that focusses on contractual credit-based assets, which provide a greater certainty of returns relative to the Plan's previous equity-based investment portfolio. As a result, the Trustees have taken some immediate de-risking steps and fully disinvested from the direct equity holdings, investing the proceeds in the liability matching assets. Therefore, the investment portfolio shown below is as at 31 August 2023. As part of the valuation discussions, we actively developed an appropriate target strategy for the Plan.

Accounts summary

The highlights of the latest set of Plan accounts, which cover the year to 31 December 2022, are outlined below. The full set of accounts is available at: <https://www.iop.org/ioprpbp>.



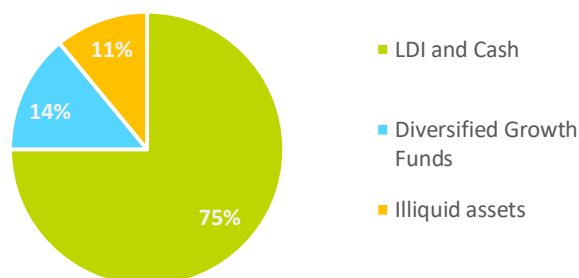
Plan membership



*Closure members are members of the Plan who still work at the Institute.

*The negative return on investments is not a concern as the value placed on the Plan's liabilities also fell significantly over the period. As the Plan hedges a significant proportion of the risks inherent in the liabilities, if the value of the liabilities declines then this will also be reflected in the Plan's investments.

Investment portfolio*



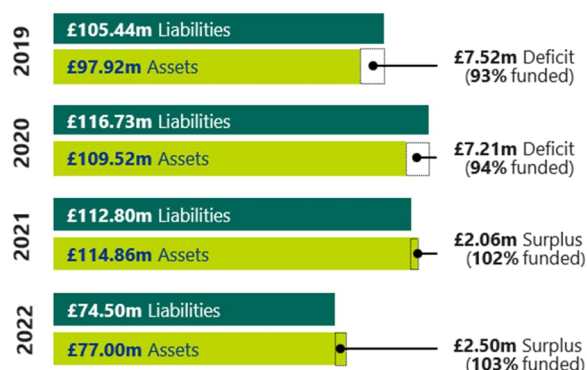
*The above allocation is as at 31 December 2023. This has been provided as a result of a move towards the Trustees' new investment strategy that took place following the December 2022 valuation date.

Funding update

The funding position, assessed at the end of each of the last three years, has steadily improved. Every three years the Plan undergoes a formal 'health check' valuation which compares the Plan's assets (i.e., its money) with its liabilities (i.e., the value attributed to everyone's benefits), assessed using standard assumptions known as 'technical provisions'. This then determines the Plan's overall funding level: if the Plan's assets are more than its liabilities then there is a surplus; if they are less then there is a deficit.

The last formal valuation had an effective date of 31 December 2022. This was finalised on 20 March 2024 and concluded that the Plan had a surplus of £2.50m, equivalent to a funding level of 103%. Please refer to the May 2024 Summary Funding Statement for more information.

As the Plan is now in surplus, there is no requirement for the Institute to continue to make contributions towards the Plan; however, the Institute made an additional lump sum payment of just over £3m in March 2024 to further strengthen the Plan's funding position. The Institute and the Trustees continue to work together, keeping one another well informed, to ensure the continued security of the Plan.



Other information

Please help the Trustees by keeping your contact details (address, email address, telephone number) up to date. It is also important to complete a nomination form. Although not legally binding, nomination forms assist the Trustees in their decision-making process regarding the discretionary benefits that may be payable to your surviving dependants in the event of your death. Any forms should be sent to XPS Administration.

When contacting XPS Administration by telephone, please have your National Insurance Number and Policy Number to hand, as this will help the team locate your record.

The Trustee Board

The Plan is managed and administered by the Trustees in accordance with the Plan Rules and relevant legislation; the assets of the Plan are held in trust for the benefit of members. The current Trustees are:

Fiona Stark of Capital Cranfield Pension Trustees Ltd (Independent Trustee and Chair)	Professor Julian Jones (Employer Nominated)
Claire Garland (Member Nominated)	Michael Bray (Employer Nominated)
Ed Martin (Member Nominated)	

Other resources

Other helpful information can be found at the following websites:

<https://www.gov.uk/plan-retirement-income>

<https://www.ageuk.org.uk/money-matters/pensions/what-to-think-about-when-planning-for-retirement/>

<https://www.thepensionsregulator.gov.uk/individuals.aspx>

<https://www.retirementlivingstandards.org.uk>

<https://www.unbiased.co.uk/>

Feedback

We welcome any feedback you have on this newsletter, or any of the wider communications or services you receive from the XPS Administration team. To provide feedback, please contact XPS via the details below.

Contact us

If you have any other questions, or would like any more information about your benefits under the Plan, please contact XPS Administration at:

The Trustees of the Institute of Physics Retirement Benefits Plan (1975)

XPS Administration

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