

MEMBER BRIEFING

**For members of the Mitchells & Butlers Pension Plan
(DB Section)**

Winter 2022



WELCOME



I am pleased to present this year's newsletter for members of the Defined Benefit (DB) Section of the Mitchells & Butlers Pension Plan (MABPP). I hope you find it informative and interesting.


The newsletter summarises the key figures in the Plan's Annual Report for the year ended 31 March 2022. It is also an opportunity to update you on any developments in the Plan, and the wider pensions world, since the last December newsletter. If you have pension savings in DC Choice, the Defined Contribution Section of the Plan, you will receive a second newsletter covering those benefits.

One of the most important things the Trustee does is to manage the Plan investments. Along with ongoing contributions from Mitchells & Butlers plc, we need to make sure the Plan can pay all future member pensions and associated benefits. There has been a lot of volatility in financial markets this year, caused by the global economic slowdown, the war in Ukraine, inflation and most recently rising interest rates. Fortunately, our investment strategy has coped well with these various shocks. Indeed, the funding level within the Plan, which is the difference between what the investments are worth and what the future cost of pensions is estimated to be, has continued

to improve. You may have heard in the press that some Defined Benefit pension plans had problems in October with their LDI investments after the aborted mini-budget, requiring the Bank of England to come to the rescue. Again, we were not affected because of the conservative way in which our investments are structured.

The steady funding progress means that the Trustee is now thinking about something called an 'insurance company buy-in'. When the Plan can afford it, which might be in the next couple of years, the Plan would pay a lump sum to an insurer to buy a policy that would very closely match all the future pensions. It would bring great security to the Plan and is the long-term goal for nearly all DB plans that are no longer open to new members. The Trustee would remain responsible for paying pension benefits to members and there would be no change in any way to the benefits you receive. Such a move would be a significant step forwards, and the Trustee will update you on any future news here.

Every three years the Trustee is legally required to actuarially check the value of current investments and the value of future pension liabilities, a process called triennial valuation. The valuation, which is dated 31 March 2022 in line with the Plan's financial year, is then agreed with the sponsor, Mitchells



& Butlers plc. It forms the basis of negotiating the ongoing contributions the sponsor needs to make to the Plan, also now bearing in mind the goal of achieving 'buy-in'. The triennial valuation process is currently under way and should be completed well ahead of the legally mandated 15-month deadline.

Moving on from the finances, the Trustee has been keen to improve member service in several ways. To this end, the Trustee changed the Plan administrator from Mercer to XPS in July. Greater retirement flexibility is now possible with partial transfers. Free member advice is available from a well-known retirement specialist called Origen. Finally, the Trustee has updated the Plan website www.mbplcpensions.com, which is the first port of call for member information. The website includes a news section to keep you up to date, as well as frequently asked questions. As always, you can contact the Plan administrator for individual enquires and the contact details are at the end of the newsletter. Early next year an additional pensions self-service portal will be launched and XPS will write to you, explaining how to register.

As a busy 2022 draws to a close, I would particularly like to thank Martin Thomas and Rita Mitchell, who have stepped

down as Trustees after many years of steadfast support to the Plan. Will Francis joins as a new member nominated Trustee and we welcome him to the group.

Jonathan Duck
Chairman of the Trustee

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MONEY MATTERS

The following table summarises the Plan's key sources of income and how that money has been paid – as benefits to members and as fees to advisers.

The Trustee publishes its financial accounts once a year, which are then audited by Crowe UK LLP. The auditors have confirmed that the 2021/22 financial statements are a true and fair reflection of the Plan's income and expenditure.

	DB Section	DC Section	Total Plan
Value at 1 April 2021	£2,040.9m	£50.1m	£2,091.0m
Plus money in	£49.0m	£6.2m	£55.2m
Less money out	(£67.4m)	(£4.3m)	(£71.7m)
Plus the rise in the value of investments	£20.5m	£1.7m	£22.3m
Value at 31 March 2022	£2,043.0m	£53.7m	£2,096.7m*

*Figure does not sum due to rounding.

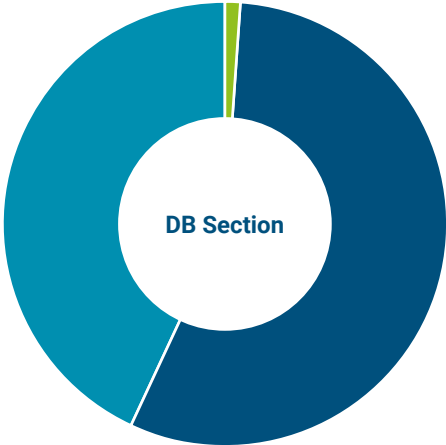
Find it on the website

www.mbplcpensions.com

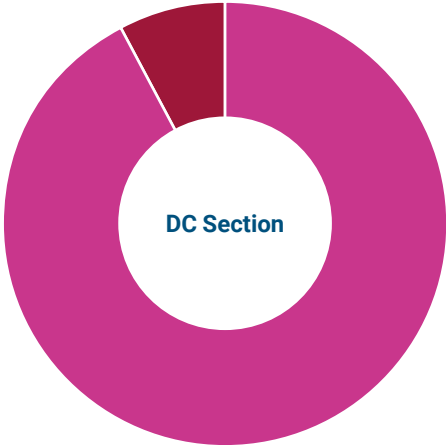
You can download the Plan's full Report & Accounts.



MEMBERSHIP AS AT 31 MARCH 2022



- 263 employed deferred members
- 11,630 deferred members
- 8,899 pensioners and beneficiaries



- 1,255 active members
- 103 deferred members

A NEW OFFER: FLEXIBILITY AND FREE ADVICE

If you haven't taken your pension yet, you'll be pleased to hear the Trustee is introducing a new option called partial transfer – and is also providing financial advice through a retirement specialist called Origen, at no cost to you.

Partial transfers

Taking a partial transfer allows you to transfer part of your benefits out of the Plan to another provider, where you may be able to use it in a more flexible way.

Unlike a full pension transfer, where all your Defined Benefit (DB) retirement benefits from the Plan would be moved into another pension arrangement, a partial transfer allows you to transfer part of the value of your benefits into a Defined Contribution (DC) scheme.

The remainder would be left in the Plan and would provide you with a guaranteed income (a pension) at retirement, with the option to give up part of this pension to provide a tax-free cash lump sum.

There are some rules around who can take a partial transfer, summarised here:

- You can take a partial transfer if you have a transfer value of more than £100,000.
- You can only take one partial transfer – if you decide to take a second transfer then you will need to transfer all of your remaining benefits.
- You must take between 25% and 75% of your transfer value.
- The benefits you leave in the Plan must be worth at least £50,000.

Find it on the website

www.mbpplcpensions.com

Visit the website for more information about partial transfers.





Free financial advice

As choosing a transfer or partial transfer is an important decision, the Plan have appointed a well-known retirement specialist, called Origen, as a partner financial adviser for the Plan.

This service will be available from 19 January 2023, so if you want help in understanding your options and advice on the best course of action to take, you can speak to one of Origen's independent experts – what's more, the Trustee has agreed to meet the cost of your first session with Origen.

This offer is available to all deferred members aged 55 or older, whether they still work for Mitchells & Butlers or not. However, there are a few limitations to the offer of paid-for advice, which are set out below:

- The Trustee will only meet the cost of advice on one occasion for members.
- If you do approach Origen on a second occasion, then although this will be at your own expense, it will be made

available at the commercially reduced rate agreed by the Trustee with Origen.

- The advice paid for by the Plan doesn't cover any specific advice relating to taking benefits from the DC Section, other pension arrangements you have, or individual tax and wealth advice. Origen would be able to advise you on such matters, but this additional advice would be at your own expense.

Feel free to contact Origen to ensure your advice will be covered, or if there are any additional charges you'll be asked to meet yourself.

Contact Origen

Telephone: 0800 124 4882

Email: MitchellsandButlers@origenfs.co.uk

NOTICEBOARD

XPS replaces Mercer as administrator

We wrote to all members of the Plan in July to confirm that the administration of the Plan had moved from Mercer to XPS Administration. If you have a question about your benefits in the Plan, please direct your enquiries to XPS. Their contact details are given on the back page of this newsletter.

Early next year, XPS will write to all members to explain how to register for their online member portal. Through their portal you will be able to:

- See details of your DB benefit entitlement in the Plan, along with your service history, personal details and data
- View digital copies of correspondence from XPS – such as your monthly pension payslip and annual increase letter (including the October 2022 increase letter) – if you have already, or go on to, retire from the Plan
- Update your address and nominated beneficiary details
- And if you are yet to retire from the Plan:
 - View an illustrative transfer value of your DB entitlement in the Plan
 - In most cases, produce your own early, normal or late retirement illustrations so you can see an estimate of the options available to you from the DB Section of the Plan at various points in time.

Revamped website launched

You'll notice that this issue of *Member Briefing* has a new look... well so too does the Plan website. We've updated it so it provides a more comprehensive guide to your benefits in the Plan, and of course it will link to the new XPS portal, when it's ready next year (see page 8).

We'll continue to update the website with important information, so we'd encourage you to regularly visit www.mbplcpensions.com. We would be delighted to understand how you find the new website, and any feedback should be provided to pensions@mbplc.com.

HMRC tax codes

If you retired from the Plan before July this year, then you should have received an announcement in August 2022 from XPS, advising that HMRC had issued a number of incorrect tax codes.

This followed the transfer of pensioner payroll services from Mercer to XPS. XPS immediately flagged this to HMRC, and we are pleased to advise that HMRC has now confirmed that it has corrected its systems, and that all new tax codes issued in relation to pensions paid from the Plan should now be correct.

If you're receiving your pension from the Plan and receive a new tax code notification that you don't think is correct, please contact HMRC on 0300 200 3300. And, if you receive a tax code notification that you believe is correct, but you can't see that it's been received and applied by XPS, then please email payrolladmin@xpsgroup.com or call 0191 341 0669, so that XPS can look into this for you.

Valuation update

The latest valuation, looking at the Plan's funding position as at 31 March 2022, is now under way. We will update you in a future *Member Briefing* as well as on our refreshed pensions website, www.mbplcpensions.com.

NOTICEBOARD CONTINUED

Court case – top-ups completed

As reported in last year's *Member Briefing*, the High Court case between the Plan Trustee and Mitchells & Butlers was resolved, with the judge ruling that it is the Trustee who has the power to move away from the default index (Retail Prices Index) under the Plan for pension increases.

While the case was ongoing, the Plan adopted increases that were in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). Following the judgment, RPI-based increases were reinstated. Because RPI-based increases would have been more generous, pensions have been retrospectively topped up where necessary (which will depend on an individual's pensionable service dates). We're pleased to report that this process was completed by Mercer in one of their last acts as the Plan administrator.

Pension increases

Pensions in payment and deferred pensions (in excess of the Guaranteed Minimum Pension) were increased on 1 October by 5%.

Pension payment dates

Pensions are typically paid in advance on the first working day of each month. For example, the pension you received on 1 September is to cover the period from 1 September to 30 September. When the first of the month falls on a bank holiday or weekend, pensions are paid on the first working day of the month.

In 2023, pensions will be paid on the first of the month except for 3 April, 2 May, 3 July and 2 October. Your January 2023 pension instalment will be paid on 16 December 2022.

GMP equalisation update

In 2018, the High Court determined that pensions should be adjusted to take account of inequalities in Guaranteed Minimum Pensions (GMPs) built up between 17 May 1990 and 5 April 1997 for men and women. This only applies to members who were building up benefits between those dates and a small uplift is expected to be required in some (but not all) cases.

The Trustee is working with its legal and actuarial advisers to make the necessary adjustments to Plan benefits but, due to the complexity of the calculations, this will be a lengthy process. We will provide updates via the website and also in future issues of *Member Briefing*.

MANAGING THE PLAN

The Plan is run by a Trustee Board that is made up of eight trustee directors, three of whom are nominated by the members. The Trustee Board includes the following trustee directors:

Nominated by the members

Eamonn Lavin

Rita Mitchell (retired 5 October 2022)

Will Francis (appointed 5 October 2022)

Clair Slevin

Appointed by the Company

AAA Trustee Limited

20-20 Trustee Services Limited

Independent

Jonathan Duck (Chairman)

Martin Thomas (retired 16 June 2022)

The Law Debenture Pension Trust Corporation plc

Chris Edger



INVESTMENT UPDATE

The Plan's investments are held in a Common Investment Fund (CIF), along with the assets of the Company's other Defined Benefit plan.

The Trustee has delegated responsibility for the Plan's investment strategy to the CIF Trustee, who works closely with the Plan's investment consultants to make decisions about the Plan's investments.

Investment strategy

The Plan's investment strategy is set out in a document called the Statement of Investment Principles (SIP), which can be viewed on the pensions website. The CIF Trustee also has to produce an annual Implementation Statement which describes how the policies set out in the SIP have been implemented. This is also available on the pensions website.

Investment performance

The table below shows the investment return over the last 12 months, three years and five years.

Period to 31 March 2022	Actual Fund return	Benchmark return
1 year (%)	0.9	(2.9)
3 years (% p.a.)	4.0	(0.5)
5 years (% p.a.)	4.1	2.2

In the year to 31 March 2022, the assets performed ahead of the overall benchmark return.



Chancellor's mini-Budget

As has been widely reported in the media, the last week in September saw an adverse reaction in the investment markets to the Government's tax package announced in the Chancellor's mini-Budget on Friday 23 September.

This has led to a continuation of the widespread falls in the value of quoted UK company shares and UK government bonds (gilts), which make up some of the assets in which the Plan invests. As the price of government bonds decreases, the 'yield' we receive for buying government bonds increases. For technical and regulatory reasons, the estimate of how much the Plan needs to hold today, in order to be able to pay all pensions in the future, is based on government bond yields. The rise in gilt yields means that the estimate for how much the Plan needs to hold today to pay pensions in the future has fallen (as it has for most schemes). This also means that the transfer values for any members currently looking to transfer their pension rights from the Plan have

also decreased in value. This does not impact the value of the pension you would expect to receive if you drew it down normally, and the Plan's funding position, which compares the value of the assets relative to liabilities, remains on track.

You may also have heard in the media that the fall in gilt prices has had an adverse effect on pension schemes that invest in 'liability driven investments' (LDI), to provide protection against their inflation and interest rate risks. The CIF does invest in LDI, but had high levels of liquidity to support the programme and has therefore not suffered the fates of some schemes reported in the media. The Trustee, alongside its investment consultant, is closely monitoring the position, to ensure the Plan's assets continue to remain as robust as possible throughout this period of market uncertainty.

PENSIONS NEWS

Stronger nudge rules

The Government has finalised rules for a stronger nudge to guidance, and these came into force from 1 June 2022. In general, this means that if anyone wants to either transfer or receive their Additional Voluntary Contribution (AVC) benefits, XPS will first need to signpost them to a Pension Wise guidance session so they can get impartial advice. Members with AVCs won't be able to proceed with their application until the guidance has been taken or the member has opted out of the session.

Retiring early?

Under current legislation, the earliest age that you can usually access your pension savings without a tax charge is age 55, called the Normal Minimum Pension Age. The Government has confirmed that this will increase to 57 from 6 April 2028. Some members may have a protected pension age that means they won't be affected by these changes. We'll provide further details as we get closer to 2028 – or you can ask XPS to confirm whether you are affected.

Before taking early retirement from the Plan, we recommend you talk to an independent financial adviser as they will be able to advise you if taking your benefits is the right decision for you. You can either use Origen, the Trustee's partner financial adviser (see page 7), or find one local to you through: www.moneyhelper.org.uk.



Beware of pension scams

These days, more people may be tempted to access their retirement savings to help pay the bills – making them an ideal target for pension scammers.

Scammers may contact you by email, telephone or via social media – and very often these are ‘phishing’ exercises, as they don’t know for certain that you have a pension... they’re just looking for people like you who have a valuable asset – that is, your pension.

Remember, neither XPS nor the Trustee would ever share your pension information with anyone, and no reputable company would contact you out of the blue to talk about your pension. However, if you decide to transfer your pension to another arrangement, then you can expect to receive a short telephone call from XPS as part of their scam identification service.

They’ll ask you a few questions to help identify whether you’re at risk of being a victim of a pension scam. If their checks raise any warning flags, your transfer may be delayed while they refer you to MoneyHelper for scam-specific guidance – or even stopped completely, but they will let you know if this applies to you.

While this process provides an extra layer of protection, it doesn’t eliminate risks completely, so it’s important that you’re aware of what a pension scam looks like. This website gives you some useful tips on how to avoid a pension scam: www.fca.org.uk/scamsmart.

KEEPING IN TOUCH

Please contact the new Plan administrator, XPS, if you have any queries about your benefits in the DB Section of the Plan.

For all queries other than pensioner payroll/tax enquiries:

By email: mitchellsandbutlers@xpsgroup.com

By phone: 0121 387 8962 (between 9am and 5pm)

By post: Mitchells & Butlers Pension Plan
Administration Team
XPS Administration
1 Colmore Row
Birmingham B3 2BJ

For pension payroll matters (including tax code enquiries, and changes to your address, bank details or personal details after you retire from the Plan), you can contact our payroll team directly:

By email: payrolladmin@xpsgroup.com

By phone: 0191 341 0669 (between 9am and 5pm)

By post: Mitchells & Butlers Pension Plan Payroll Team
XPS Administration
4th Floor, Wellbar Central
Gallowgate
Newcastle NE1 4TD

Help us keep our records up to date

Please remember to let XPS know if you move house or if your contact details change, so we can continue to send you important news about your pension. This is especially important if you no longer work for the Company, otherwise we have no way of getting in touch with you about paying your benefits when they become due. We currently have around 90% of members accounted for, so if you know of anyone in the Plan who hasn't received this year's *Member Briefing*, please ask them to get in touch.

The benefits provided by the Plan are governed by the Plan's Trust Deed and Rules (copies of which are available on request). Nothing in this *Member Briefing* confers any right to benefits save as provided by the Trust Deed and Rules and in the event of any inconsistency between this *Member Briefing* and the Trust Deed and Rules, the Trust Deed and Rules prevail. This *Member Briefing* does not constitute legal advice or financial advice and should not be relied upon as such. The description of legislation in this *Member Briefing* is intended as a basic guide only, not a comprehensive or exhaustive guide to the legislation.