



# SECURITY IN UNCERTAIN ECONOMIC TIMES

PENSIONS UPDATE 2023

The Institute of Chartered  
Accountants' Staff Pensions Fund

[icaew.com/icaew-staff-pensions-fund](https://icaew.com/icaew-staff-pensions-fund)



# A MESSAGE FROM EDWARD LEVY, CHAIR OF THE TRUSTEE BOARD

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Welcome to the 2023 issue of Pensions Update. The economic uncertainties and cost of living worries continue to dominate the news. Against that backdrop, I can reassure you that a full valuation of the Fund as at 31 March 2022 has been signed off and successfully navigated the market volatility after the September 2022 mini budget. The Fund remains in a very healthy position. This means that there is no need for our sponsor, ICAEW to make contributions at present, allowing it to continue to invest in the Institute's work.

The Trustee Board is made up of seven Trustee Directors who sit for a fixed term of five years. I represent the Fund's independent Chair, Law Debenture. Three of the remaining Trustee Directors are appointed by ICAEW and the remaining three are chosen by the Fund's members. The ICAEW appointed Trustee Directors are Andrew Penketh, Ian Bell, and Taylor Dewar. The Trustee Directors nominated and elected by members are Phil O'Halloran, Veronica Fulton, and Peter Burton.

We introduced members of the Trustee Board to you in our 2022 Pensions Update and there have been no changes since then. However, the Trustee Board decided to extend the groups of members who can apply to be Member Nominated Trustee Directors in future. When a vacancy occurs all Fund members, that is those in receipt of a pension and those who have yet to retire will be invited to apply. Applicants will be required to attend a meeting with a committee of the existing Trustee Board

and a Fund member representative who will put forward a small group of candidates for election.

Each year the Fund increases pensions in payment to help them keep pace with inflation. Like most pension schemes, the Fund places a cap on the maximum increase it can pay - this helps the Fund remain financially sustainable, which in turn protects the security of our pensioners, their dependants and members who are still waiting to retire.

Inflation currently remains above the Fund's pension increase cap which means that increases to pensions in payment will again be capped at the maximum permitted by the Fund's rules which is 5%. The next pension increase is due to be applied from January 2024.

In last year's Pensions Update, it was my great pleasure to announce the return of the pensioners' lunch which this year was held on 18 September. Guests were welcomed in the Great Hall by ICAEW's President Mark Rhys. I very much enjoyed meeting many of the attendees.

Mairead Woodman, who has worked in the Pensions team since 2008 retired earlier this year. I am sure you will join me in sending thanks for all her work for the Fund and best wishes for her retirement.

Finally, please remain vigilant against scammers. While the Pensions Department undertake checks when members ask to move their benefits out of the Fund, it's up to you to make sure your financial adviser is regulated by the Financial Conduct Authority and qualified to talk to you about the complexities of saving for retirement. We have published a list of trusted resources on page 9.

Edward Levy  
Chair  
**For The Law Debenture  
Pension Trust Corporation plc**

# FACTS AND FIGURES: AN OVERVIEW OF THE FUND'S FINANCIAL WELLBEING

Rachel Myatt,  
Fund Actuary



Members' benefits are paid by the Fund from a central pool of investments which are managed by the Trustee Board and its team of specialist advisers.

A full valuation of the Fund is undertaken every three years to give an assessment of the Fund's ability to meet its commitments to pay pensions and other benefits and to monitor any shortfall in funding. Additional annual checks are also undertaken allowing the Trustee Board and ICAEW to keep a close eye on the Fund's financial health.

A full valuation of the Fund which looked at the position as at 31 March 2022 has been completed and signed off by the Trustee Board and ICAEW. The next full valuation will take place as at 31 March 2025.

## THE LAST FULL VALUATION CARRIED OUT AS AT 31 MARCH 2022

Assets:  
£213.9m

Liabilities:  
£201.5m

Funding level:  
106%

## ANNUAL UPDATE CARRIED OUT AS AT 31 MARCH 2023

Assets:  
£159.4m

Liabilities:  
£150.4m

Funding level:  
106%

As you can see, when the full valuation was carried out as at 31 March 2022, the Fund had a healthy surplus with 106% of the money it needed to meet its commitments to members.

The Fund's financial health remains strong and stable so there has been no need for the Trustee Directors to ask ICAEW for payments to the Fund, which stopped with effect from 1 March 2021, to restart.

## CHANGE IN FUNDING POSITION BETWEEN 31 MARCH 2022 AND 31 MARCH 2023

In the 12 months from the formal valuation as at 31 March 2022 to 31 March 2023, both asset values and liability values fell significantly. This was due to a significant rise in gilt yields following the announcement by the UK Government of a 'mini budget' in September 2022. Despite the fall in £ amounts of assets and liabilities, the funding level remained broadly stable at the start and end of this period.

## CHANGE IN FUNDING POSITION BETWEEN 31 MARCH 2021 AND 31 MARCH 2022

From 31 March 2021 to 31 March 2022, long-term inflationary expectations increased which increase liabilities. This effect was more than offset by a corresponding increase in gilt yields, which reduces liabilities. The overall impact of inflationary expectations and gilt yield changes was a slight reduction in liabilities. Asset values also reduced slightly but the funding level remained stable at 106%.

## ENSURING FINANCIAL STABILITY

When pension schemes mature, trustees begin to look at ways to secure their members' benefits in such a way that they are self-sufficient and their schemes independent of their sponsoring employers' support.

One way of achieving this is to wind up the pension scheme and use the scheme's investments to purchase individual buy-out insurance policies which pay members' future pensions.

If the Fund had been wound up on 31 March 2022 (the date of the last full valuation) the cost was estimated to be £226.6 million. On this basis the Fund's assets were worth £215.7 million as at 31 March 2022 giving a shortfall of £10.9 million to wind up the Fund.

The Trustee Directors are continuing their discussions with ICAEW to explore how and when the Fund may achieve full funding on a buy-out basis.

### THE IMPACT OF THE 2022 MINI BUDGET

Many defined benefit pension schemes invest in Liability Driven Investments which help protect their funding levels against market volatility. The Government's mini budget in September 2022 led to financial jitters around the globe resulting in significant falls in the value of holdings in Liability Driven Investments.

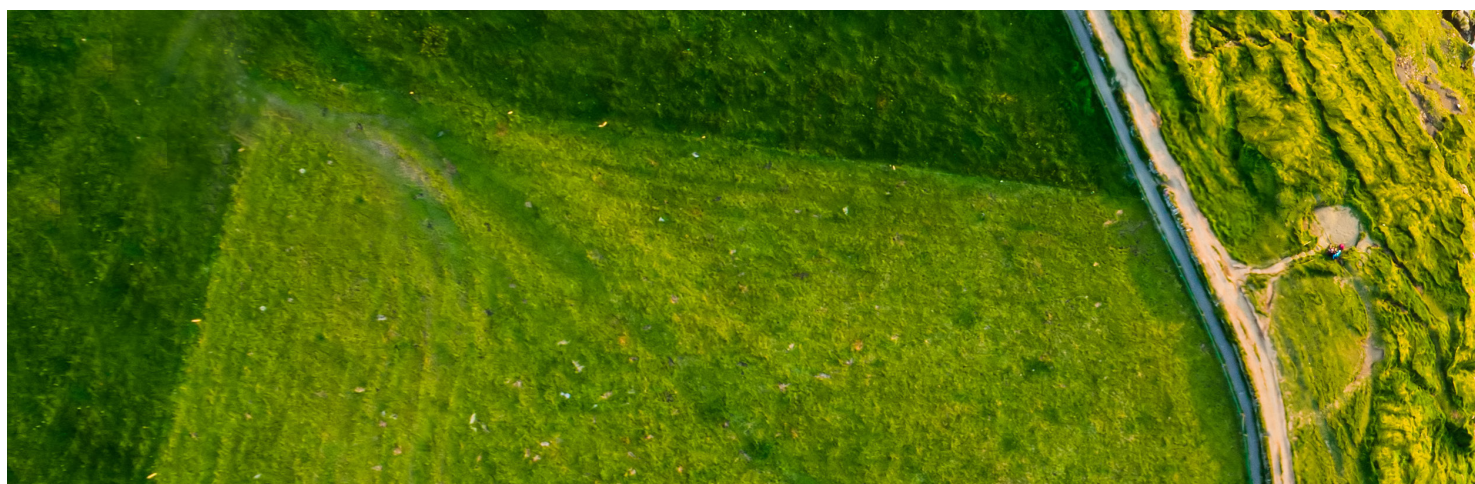
Despite this, the Fund's funding level has been stable even though you'll see that the value of the Fund's assets and liabilities have both reduced. The Trustee Board remains comfortable with the level of funding, particularly as they have support from ICAEW as sponsor and that the Fund is comfortably meeting the new liquidity buffers introduced by the Pensions Regulator following the crisis.

### THE LEGAL BIT

The Pensions Regulator has not made any orders, modifications or other directions to the Fund or imposed a schedule of contributions under Section 231 of the Pensions Act 2004. The Trustee Board can also confirm that, since the 2022 edition of Pensions Update, the Fund has not made any payments to ICAEW under Section 37 of the Pensions Act 1995.

The Trustee Directors and ICAEW continue to monitor the Fund's financial wellbeing at quarterly trustee meetings.

A copy of the full financial statements and the Statement of Investment Principles can be found [www.icaew.com/icaew-staff-pensions-fund](http://www.icaew.com/icaew-staff-pensions-fund). A summary of the Fund's annual report and accounts is given on the next page.





## A SUMMARY OF THE FUND'S ANNUAL REPORT AND ACCOUNTS

This extract of the Fund's annual report and accounts will give you an overview of the money coming in and going out of the Fund during the last year. A full copy of the annual Report and Accounts is available on request from the Pensions Department. The accounts have been audited and signed off by the Fund's auditors, Evelyn Partners.

	£,000
<b>Value of the Fund as at 31 March 2022</b>	<b>211,626</b>
<b>MONEY PAID IN</b>	
Employer contributions	0
<b>Total</b>	<b>0</b>
<b>MONEY PAID OUT</b>	
Benefits payable	(7,057)
Payments to and on account of leavers	(339)
<b>Total</b>	<b>(7,396)</b>
<b>INVESTMENTS</b>	
Investment income	5,435
Change in market value of investments	(50,372)
Investment management expenses	(138)
<b>Net return on investments</b>	<b>(45,075)</b>
<b>Value of the Fund as at 31 March 2023</b>	<b>159,155</b>

All figures are subject to rounding.

### OUR MEMBERS

As at 31 March 2023 the Fund had 656 members including:

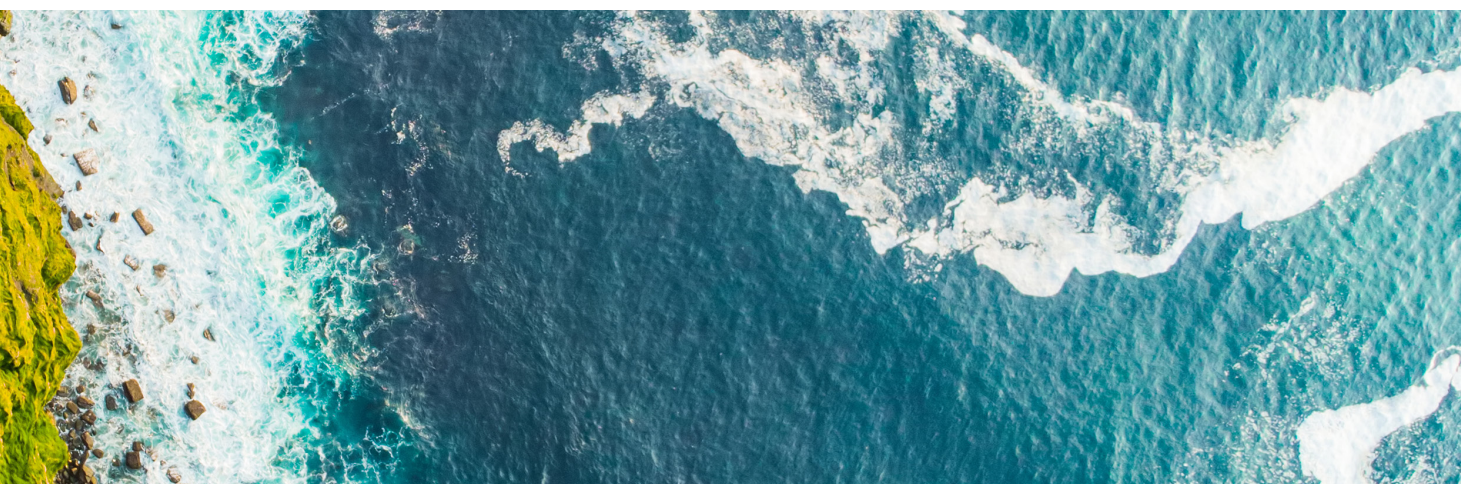
**44** Employed  
2010 members

**181** Members who have left  
ICAEW but are not drawing  
a pension

**431** Pensioners and  
dependants

Sadly, over the last twelve months 12 of our members have died. We offer our condolences to their families and friends.

Geoffrey Kinsey	Lydia Reeves
Grace Gilbert	Myrtle Pereira
Melissa Ellis	Olive Barden
Mollie Potts	Keren Johnson
Margaret Ware	Martin Luke
Richard Nelson	Monica Dickenson



# A ROUND UP OF THE NEWS

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## HAVE YOU THOUGHT OF TREATING YOURSELF TO A MIDLIFE MOT?

The Government has launched a Midlife MOT, aimed at people between the ages of 45 and 65, to help them check the status of their work, health, and money.

It's an online tool, so you will need to have access to the internet to use it, but it's easy to navigate and is clearly signposted so well worth a try.

You can calculate your ideal retirement income, check your State Pension age, and even get a State Pension forecast. Information about pensions is in the Money section.

Go to [www.gov.uk](https://www.gov.uk) and type 'Midlife MOT' in the search bar.

## RETIRING FROM THE FUND

Your normal retirement age for the Fund will be either 62 or 65 depending on when you left ICAEW's employment. You can apply to retire from age 55 (this is rising to age 57 from 6 April 2028). If you retire before your normal retirement age, your benefits will be reduced because you're taking them early and so your pension will be paid for longer.

The Trustee Board regularly reviews the factors used in calculating benefits. These factors are used to calculate early and late retirements, the amount of pension you need to exchange to take a lump sum and cash equivalent transfer values. Following the completion of the 2022 valuation the factors have been reviewed and the new factors are being applied to calculations for these benefits. Please ask the Pensions Department for an illustration if you are thinking of retiring. The final figures will of course be confirmed when you retire.

## INCREASES TO STATE PENSIONS

At the time of writing, the Government is committed to retaining the triple lock when increasing State Pensions in 2024 and will announce in November how much State Pensions and other benefits will increase by. The triple lock means the Government must increase State Pensions by the higher of the average increase in wages, September's inflation figure and 2.5%.

## KEEPING YOUR SAVINGS SAFE

The rising cost of living has been a windfall for criminals who are preying on people worrying about paying their bills and offering early access to their pension funds. Unless you are suffering from serious ill-health and have special permission from the Trustee to retire, you cannot access your pension before you are 55 and this is rising to 57 in 2028. Do not speak to anyone who cold calls you – they are breaking the law as cold calling about pensions is illegal in the UK. Never respond to social media posts or unexpected emails. Always check that your financial adviser is qualified. MoneyHelper, the Financial Conduct Authority and Vouchedfor all provide lists of qualified and regulated financial advisers – you can find their details on page 9. Don't just rely on recommendations from family or friends, always undertake your own checks.

## GMP EQUALISATION

There was a time when Fund members paid lower National Insurance contributions because the quality of the benefits offered by the Fund meant you were not part of the State Second Pension. Your State Second Pension was replaced by a Guaranteed Minimum Pension (or GMP) paid by the Fund. This was known as contracting out. GMPs are subject to different rules to the remainder of your Fund benefits. Following the equalisation of the State Pension age for men and women, all defined benefit pension schemes must treat GMPs in the same way for both men and women.

Following a court judgement in 2018, we are now looking back at our GMP calculations to see if any adjustments are required. This will only affect some members and beneficiaries who have a GMP earned between 17 May 1990 and 6 April 1997 when contracting out ended. We are not expecting any changes to be significant but it's a long process. We will be in contact with affected members by the end of the year.





### **CHANGES TO THE ALLOWANCES FOR TAX EFFICIENT PENSION SAVINGS**

Three key announcements were made in this year's Spring budget which will have an impact on the taxable benefits of saving for retirement.

1. Abolishing the Lifetime Allowance from 6 April 2024.
2. Increasing the Annual Allowance.
3. Setting a limit on the amount of tax-free lump sum at retirement.

These do not generally affect people who are receiving their pension. For full details speak to your financial adviser or visit the government's website at [www.gov.uk](http://www.gov.uk).

#### **Abolishing the Lifetime Allowance**

The Lifetime Allowance is the total value of pension benefits you can build up during your lifetime without paying a tax charge. The Lifetime Allowance was set at £1,073,100 for the 2023/2024 tax year. The Chancellor has announced his intention to abolish the Lifetime Allowance by 5 April 2024 with benefits put into payment on or after 6 April 2023 being subject to income tax only.

#### **Reforming the Annual Allowance**

The Annual Allowance is the most you and your employer can pay into your pension scheme in any one tax year without paying a tax charge. For the 2022/2023 tax year the Annual Allowance ranged between £4,000 and £40,000 a year, depending on your income.

For the 2023/2024 tax year the Annual Allowance is between £10,000 and £60,000 depending on income.

Any excess contributions are taxed at your marginal rate of income tax, but you can use any allowances left over from the previous three tax years to increase the allowance available for the current one. The Annual Allowance applies to ALL your pension savings.

There are additional restrictions that apply to members of defined contribution or money purchase pension schemes.

#### **Tax free lump sum changes**

The maximum amount of tax-free lump sum available at retirement will be kept at the current level of £268,275 and frozen going forward. However, individuals with a protected right to take a higher amount of tax-free lump sum will continue to be able to do so.

# A MESSAGE FROM ICAEW

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ICAEW continues to make progress on many fronts, guided by our strategy and the themes which lie at its heart.

Much of our activity during the past 12-18 months has focussed on supporting and representing our members through difficult circumstances, brought about by Russia's invasion of Ukraine, spiralling inflation and the resulting cost of living and doing business crises. Even in this challenging environment, our key performance indicators remain strong.

In 2022, we once again set a new record for ACA student intake, of 11,962, marking a more than 8% increase on our previous global high in 2021 and further expanding our pipeline of future talent. ICAEW membership has also continued to grow, which at the end of 2022 stood at 166,397 globally.

**"Our year-on-year operational income increased to £124.8m, with a strong net result after tax of £14.6m."**

The significant growth in our net assets also continued, which now stand at £178m and continue to underpin our commitment to serve the public interest, not least within the context of ongoing global volatility.

Our discussions around closer working with the Chartered Institute of Public Finance and Accountancy (CIPFA) have continued.

By joining forces, we believe we can achieve greater reach – both nationally and

internationally – and be better equipped to serve the public interest across all areas of economic activity.

If you are an ICAEW member you may be aware that on 1 November 2023, ICAEW's revised Continuing Professional Development (CPD) Regulations bring in new CPD requirements, including a minimum number of hours. We have published resources and support to help you understand what the changes mean for you.

Further details are available online at [www.icaew.com](http://www.icaew.com). Choose the Membership tab and then 'Continuing Professional Development (CPD)' from the drop down menu.

Internally, we are in the midst of fundamental change to our leadership and governance. Michael Izza will be retiring as Chief Executive Officer later this year, and the search for his successor is in progress. David Franklin has been appointed Chief Financial Officer and Will Holt has returned to ICAEW to become Managing Director, Education and Training, following the departure of Hazel Garvey. We have also engaged Andrew Moffat OBE as Interim Managing Director of Operations to help build capacity at leadership team level, and Paul Veal has taken on the further new role of Interim Chief Technology Officer.

ICAEW Council has also developed and approved changes to modernise and strengthen our governance, including appointing an independent chair of the ICAEW Board for a renewable three-year term – a role previously carried out by the ICAEW President.



# INDEPENDENT RESOURCES YOU CAN TRUST

Here are some resources you may find useful.

Some websites have warned that criminals may be using their official branding to create fake sites, so always check for the padlock symbol next to the address in the browser bar so you can be sure the website is secure.

0800 telephone numbers are free to ring on landlines and most mobile phones.

## LOOKING FOR A FINANCIAL ADVISER?

[www.vouchedfor.co.uk](http://www.vouchedfor.co.uk)


If you are ready to pay for professional financial advice based on your own personal circumstances, Vouchedfor has a list of financial advisers for you to choose from. It has details of each adviser's expertise and fee structure along with customer reviews. While primarily an online service, they do have a contact number: **020 3111 0580**.

[www.moneyhelper.org.uk](http://www.moneyhelper.org.uk)

MoneyHelper has information and guidance about all money matters not just pensions. You can also access the Government's new mid-life MOT service (see page 6).

The pensions helpline numbers are:

**0800 011 3797** (from within the UK).

 **18001 0800 915 4622**  
(for Typetalk users)

## FOR MORE GENERAL INFORMATION

[www.ageuk.org.uk](http://www.ageuk.org.uk)

Understanding the various benefits and support available to you can be daunting. Age UK is a useful resource for older people, their families, and carers. They have trained advisers who can help you navigate a whole range of topics from information to help you with any money and legal matters to support with your health and wellbeing. They can also help you with form filling if you need to claim State benefits or if you are considering appointing a lasting power of attorney.

You can ring Age UK on **0800 678 1602**.

[www.gov.uk](http://www.gov.uk) is the official website for information about government services.

It can help you track down lost pension schemes and find out more about benefits you may be entitled to. There is also more general information about taxation, passports, driving, transport, and housing.

For information about pensions call:  
**0800 731 7898**

Many areas of the website offer alternative telephone numbers if you have hearing loss, and a video relay service is available for British Sign Language users.

[www.moneysavingexpert.com](http://www.moneysavingexpert.com)

Money Saving Expert was founded by TV's Martin Lewis. The website has lots of information on a multitude of subjects from insuring your car to dealing with household bills and even shopping deals.

It is an online service, so they don't have a telephone number.


## FINANCIAL CONDUCT AUTHORITY (FCA)

The FCA regulates financial advice in the UK and maintains a list of authorised advisers on their website. Go to [www.fca.org.uk](http://www.fca.org.uk) and chose the 'Consumers' tab.

You can ring the FCA on:

**0800 111 6768**.

**+44 207 066 100** (from overseas)

 **18001 020 7066 1000** for users  
of next generation text relay.

## CHARTERED ACCOUNTANTS BENEVOLENT ASSOCIATION (CABA)

CABA looks after the wellbeing of the chartered accountant community and their families. Please reach out to them if you need help with your mental or physical health, your financial wellbeing or if you need legal support or help with your career development.

You can ring CABA on: **+44 (0)1788 556 366**. Lines are open 24 hours a day, seven days a week or use the live chat service at [caba.custhelp.com](http://caba.custhelp.com)







Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 202,450 members and students around the world. All of the top 100 global brands employ ICAEW Chartered Accountants.\*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading improvement regulator, we supervise and monitor around 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

ICAEW is the first major professional body to be carbon neutral, demonstrating our commitment to tackle climate change and supporting UN Sustainable Development Goal 13.

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create sustainable economies and a better future for all.

[charteredaccountantsworldwide.com](https://www.charteredaccountantsworldwide.com)  
[globalaccountingalliance.com](https://www.globalaccountingalliance.com)

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\* includes parent companies. Source: ICAEW member data  
March 2023, Interbrand, Best Global Brands 2022