Richards Hogg Pensions & Life Assurance Scheme

NEWSLETTER

September 2024

Note from the Trustees

The Trustees are delighted to welcome you to this year's newsletter – your annual update on how the Scheme is doing and latest news over the year. Our main role as Trustees is to ensure your benefits are protected now and in the future. We continue to work closely with all our advisers to do this, together with providing support and helpful education to you.

Over the past year or so the funding position of the Scheme (the assets that it holds relative to the benefits that it expects to pay to members) has improved significantly. As a result, we have now invested most of the Scheme's assets in an insurance policy with Canada Life Limited which is in the form of a "bulk annuity". This is something many pension schemes have done recently and is a type of business in which Canada Life are experienced. This bulk annuity insurance policy from Canada Life is effectively an asset of the Scheme and from March 2027 it will provide income to the Scheme by covering all current and future benefits due to you and all other members. This therefore significantly reduces the risk of member benefits not being paid in full in the future, due to matters such as Scheme assets underperforming or failure by the employer (the Company) to support any shortfall in the Scheme.

In this newsletter we also highlight the Government changes to pension tax allowances which came into effect in April.

The Trustees of the Richards Hogg Pensions & Life Assurance Scheme

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Management of the Scheme

Trustees

Since the August 2023 Newsletter Update, there have been no changes to the Trustee board.

The current Trustee are:

David Habgood	Chair of Trustees
Andrew Paton	Member Nominated Trustee
Gordon Whyte	Member Nominated Trustee
Barbara Jennings	Company Nominated Trustee

We ran the Member Nominated Trustee (MNT) nomination exercise in September 2023. Due to no MNT nominations received, the exisiting MNT, Andrew Paton and Gordon Whyte were re-elected for a further five-year term.

IMPORTANT POINTS

All contributions due from the Company have been paid to the Scheme.

The latest annual pension increases were applied with effect from 1 May 2024.

Regular Scheme Information

We regularly send members of the Scheme certain communications, some of which are required by law. The information provided differs depending on whether you are an Active, Deferred or a Pensioner member. An Active member is a current employee who is currently contributing to the Scheme (the Scheme is closed to new entrants, as such no further employees can contribute to the Scheme). A Deferred member is a member who is no longer contributing to the Scheme but has not yet drawn their pension. A Pensioner is a member who is currently in receipt of a pension from the Scheme.

A summary of these communications is set out below:

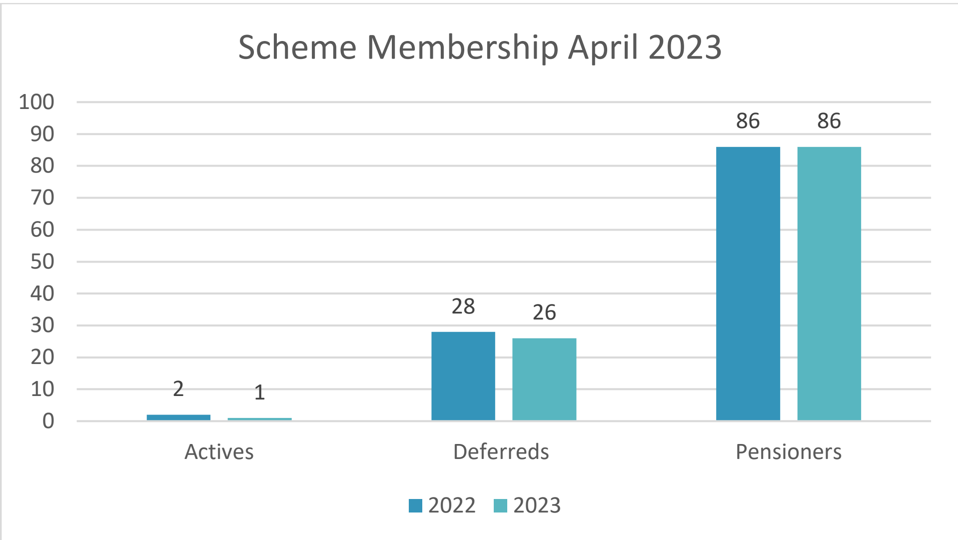
- ***Newsletter*** – This provides general information about the Scheme, including a summary of the annual accounts.
- ***Summary Funding Statement*** – This contains information about the funding position of the Scheme.
- ***Pension Increase Letter*** – This confirms the annual increase to their pension payment and is sent to Pensioner members only.
- ***Annual Benefit Statement*** – This confirms the pension benefits accrued over the previous year of Pensionable Service and is sent to Active members only.

A copy of the latest newsletter, Summary Funding Statement, Statement of Investment Principles and the full latest Trustees' Report and Accounts can be found here: https://members.pensionpal.co.uk/RichardsHoggPensions

Scheme Summary as at the end of the Scheme's financial year – 30 April 2023

(including latest financial highlights)

At the date of the latest Trustees' Report and Accounts the Scheme membership was as follows (compared to the previous year):



Financial Highlights

The assets of the Scheme reduced from £28.53m at 1 May 2022 to £22.3m at 30 April 2023.

Net Assets as at 1 May 2022	+	*Contributions*	+	*Return on investments*	−	*Benefits Payable*	=	*Net Assets as at 30 April 2023*
£28.53m		*£1.94m*		*-£6.67m*		*£1.50m*		***£22.3m***

The most significant market event in the twelve months ending 30 April 2023 was the volatility in bond markets caused by the mini-budget of the Truss Government, at the end of September 2022. The UK Chancellor surprised markets with the announcement of more tax cuts than expected and little reassurance on how the books would eventually be balanced. While the measures could have had some positive impact on growth, the main concern was a disproportionate impact on inflation, which was already running high. Gilt yields rose sharply in response to the Government announcement of significant issuance, while market expectations built of the Bank of England turning more aggressive on its interest rate policy, to offset the fiscal accommodation and fight inflation.

The rise in Gilt yields caused losses to LDI investments across the industry, prompting LDI managers to request extra capital from pension schemes at very short notice. This caused a liquidity issue in the sector as the funds requested were often higher than the typical cash buffer kept in the portfolios; as a result, pension schemes were forced to liquidate other investments in order to raise funds for these cash calls.

The Scheme was able to meet the LDI capital calls with existing cash without having to liquidate other investments. Precautionary measures introduced after the mini-budget event included an increase in the cash buffer in the portfolio, while LDI managers took the decision to reduce leverage in their funds, lowering the risk of additional capital calls going forward.

The sharp rise in Gilt yields at the end of 2022 and reduction in Gilt capital values caused negative returns in the investment portfolio. On a more positive note, higher Gilt yields resulted also in a lower valuation for the liabilities. All in all, notwithstanding the turmoil caused by the mini-budget, the funding position of the Scheme had an improvement during the reporting period, with a significant reduction of the Scheme deficit as shown in the 2023 annual valuation.

In Q4 2023, we started preparing the portfolio for the purchase of a deferred cover bulk annuity policy with Canada Life, which was completed successfully in January 2024.

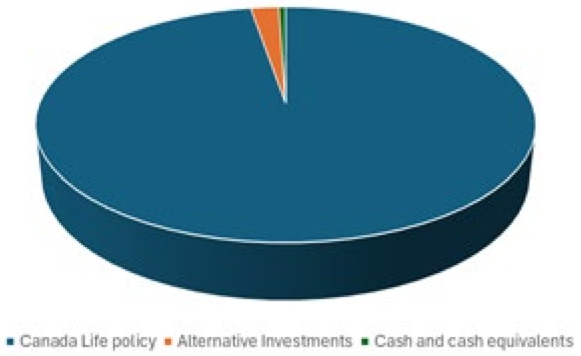
Investment Performance

The Scheme's overall investment performance to 31 December 2023 preceding the buy in transaction was as follows:

Account	31/12/2023 Market Value	1 Mo. %Rate of Return	3 Mos. %Rate of Return	6 Mos. %Rate of Return	9 Mos. %Rate of Return	YTD % Rate of Return	1 Yr. % Rate of Return	2 Yrs. % Rate of Return[1]	3 Yrs. % Rate of Return[1]	4 Yrs. % Rate of Return[1]	5 Yrs. % Rate of Return[1]
Richards Hogg Scheme	22,596,762	5.91	8.41	8.16	2.19	5.48	5.48	-17.70	-9.78	-5.14	-1.05

Investment Strategy

As at 30 April 2024 the assets of the Scheme were invested as follows:



After completion of the buy-in transaction with Canada Life, the residual assets left in the portfolio managed by London & Capital consist of a small number of illiquid investments - representing approximately 2% of the original investment portfolio - which are not tradable on a market and are expected to amortise, i.e. generate cashflows, over time. The objective of this residual portfolio is to maximise the expected cashflows and minimise the residual life of the assets. In one case, the managers could find a private buyer and the security was sold; an additional security made its final payment shortly after the reporting period. The managers are monitoring expected cashflows on the residual assets.

Scheme Events

Increases to Pensions in Payment

Pensions in payment by the Scheme will increase with effect from 1 May each year in line with the Scheme Rules.

Current/forthcoming pension topics – What's on the Trustees' agenda?

The Trustees discuss many items at their three annual meetings (timings approx. April/September/December), including the items mentioned in the previous sections. Trustees also review and discuss matters pertaining to the Scheme on a regular basis during the periods between their formal meetings.

Some other items that the Trustees have on their agenda that they would like to make you aware of are as follows:

The Pensions Regulator's new single Code of Practice

As noted in the last Newsletter, the UK pensions governing body (The Pensions Regulator) has now published the General Code of Practice which came into force on 27 March 2024. The General Code covers various aspects such as investment, governance, administration, communications and reporting to the Pensions Regulator.

The Trustees are currently conducting a review of the Scheme to ensure compliance with all newly implemented governance measures. As mandated by the new requirements, the Trustees shall establish and maintain an effective system of governance, encompassing a comprehensive framework that guarantees the proper administration and management of the pension scheme. Furthermore, the Trustees have initiated the development and implementation of a risk management framework, designed to review and mitigate potential risks to the scheme. Additionally, the Trustees are conducting a thorough review of their policies and procedures to ensure adherence to the requirements set forth by the General Code of Practice.

The Department of Work and Pensions publishes final funding and investment strategy regulations

On 29 January 2024 the DWP published its final funding and investment strategy regulations to amend the funding regime for DB pension schemes as required by the Pension Schemes Act 2021. The new regulations will apply to a scheme's first actuarial valuation with an effective date on or after 22 September 2024.

These regulations aim to ensure that defined benefit pension schemes are well -funded and can meet their long-term obligations to members. The Trustees are working in accordance with these regulations.

Combatting Pension Scams

In previous newsletters we have highlighted the importance of looking out for anything suspicious if you are contacted about your pensions.

On 8 November 2021, regulations designed to protect savers against pension scams were laid before Parliament, alongside new TPR guidance to help guide trustees, pension managers and administrators through the new requirements.

With the aim of making it "as hard as possible for criminals to carry out their malevolent intentions", the regulations introduce new conditions restricting the statutory right to transfer for both occupational and personal pension schemes.

<u>What does this mean for members looking to potentially transfer their benefits out of the pension scheme?</u>

Under the new regulations, the trustees and scheme managers of occupational and personal pension schemes may only permit a transfer if one of two new conditions are satisfied.

The first condition will be met if the transfer is to a low risk scheme: a public sector scheme, an authorised master trust or an authorised collective money purchase scheme. The second condition will be met if the transfer is to an occupational pension scheme and you can demonstrate an 'employment link' and if the transfer is to a qualifying recognised overseas pension scheme (QROPS) you must demonstrate a 'residency link'.

Transfers to all other schemes will be subject to a 'flag' regime. Where there are tell-tale signs of fraud or methods frequently used by scammers, trustees and scheme managers will be able to prevent a transfer request – giving it a 'red flag'. In other circumstances where fraud is suspected, an 'amber flag' will pause a transfer and you will be required to attend a guidance session with Money and Pensions Service (MaPS) before the transfer can proceed. The Money and Pensions Service provides free and impartial pension guidance to members of the public. To determine whether any amber flags apply the administration team may ask you several intrusive questions. High risk or unregulated investments in the receiving scheme and unclear or high scheme charges are examples of amber flags.

It is good to remember that pension scams can take many forms and usually appear to most to be a legitimate investment opportunity. But pension scammers are clever and know all the tricks to get you to hand over your savings. They target anyone and everyone, pressuring you into transferring your pension savings, often into a single investment.

The investments are normally overseas, where you have no consumer protection, and typically promise you a high guaranteed rate of return (typically 7 or 8% or higher). These are often false investments in luxury products, property, environmental solutions or storage and parking, which often don't exist or are extremely high risk with low returns.

REMINDER : Scammers can be articulate and financially knowledgeable, with credible websites, testimonials and materials that are hard to distinguish from the real thing. Scammers design attractive offers to persuade you to transfer your pension pot to them. The pension funds are then invested in unusual and high-risk investments like overseas property, renewable energy bonds, forestry, storage units, or simply stolen outright.

The warning signs

- Contact out of the blue – cold calling about your pension is now illegal.
- Promises of high/guaranteed returns
- Free pension reviews
- The promise to get you access to your pension before age 55
- High pressure sales tactics

How can you protect yourself?

- Reject any unexplained pension offers
- Check who you are dealing with before changing your pension arrangements
- Do not be rushed into making any decision about your pension
- Consider getting impartial information and advice

Use The Financial Conduct Authority's ScamSmart website to:

- *Check an investment or pension opportunity that you've been offered and avoid a scam.*
- *Find out how to protect yourself from the most common types of scams.*
- *Find out how to watch out for online trading scams.*
- *Take the FCA quiz - could you spot an investment scam?*

ScamSmart at **www.fca.org.uk/scamsmart**

What to do if you think you're being targeted:

1. Contact your pension provider straight away. They might be able to stop a transfer that hasn't taken place yet.

2. Report it on the FCA Scam Smart website and to Action Fraud on 0300 123 2040. Or report it on the Action Fraud website. Action Fraud will collect the information and give you a police crime reference number. You can see the status and update details of your case through their online crime report system.

3. You can report a regulated financial adviser or unauthorised adviser to the FCA by contacting their Consumer Helpline on 0800 111 6768 or reporting it online on the FCA website.

Member Communications

Guaranteed Minimum Pension (GMP) Rectification and Equalisation

Following a High Court judgment that took place on 26 October 2018 relating to the "Lloyds Bank case" and subsequent legal rulings, it has been confirmed that all pension schemes are now legally required to address

any inequality in benefits between men and women which result from the historic differences in their GMPs and must review and correct any member's benefits where it is found inequality exists.

If a member's benefit would be higher by calculating their benefits accrued since 17 May 1990 using the GMP applicable to an individual of the opposite sex, then they must be increased accordingly.

Although all members with benefits earned between 17 May 1990 and 5 April 1997 have had their benefits reviewed, not all members will be affected by GMP equalisation, or will be due any additional benefit.

An exercise has been undertaken to identify all members of the Scheme who have a GMP earned between 17 May 1990 and 5 April 1997. For these members, for benefits accrued during the period 17 May 1990 to 5 April 1997, two records have been established; one based on the member's actual GMP, and another based on the GMP they would have if they were of the opposite sex. When benefits first come into payment, the benefits for this period are then based on whichever of these records produces the higher pension. The position is then reviewed each time the level of pension is reviewed, usually at the time of the annual pension increase. On each occasion, the level of pension for the next year is set at the greater of the amount based on the member's GMP and the amount based on the GMP they would have if they were of the opposite sex.

The calculations can be complex, but the essential point is that a member cannot be worse off as a result of GMP equalisation. The total amounts they receive will be at least as great as they would be before GMP equalisation, and some (but not all) members will receive more.

For Pensioners, any arrears due in respect of the period since retirement have been paid, and where appropriate pensions in payment have been adjusted.

Communication Preferences

The Trustees regularly send members information about the pension Scheme. As we have found with the 2020 pandemic there are times when contacting members via post may be difficult. If you would prefer to receive these communications via email please do let the Secretary to the Trustees, or Cartwright know (RichardsHoggPensions@cartwright.co.uk). We will still post out communications to those who wish to receive them in hard copy format. Also, if we have an email address for you it will be easier to trace you in future, should you move home.

Lifetime Allowance abolition

On 6 April 2024, the Lifetime Allowance (LTA) was officially abolished. Previously, the LTA was the total amount of pension benefits you could build up in your lifetime without incurring additional tax charges.
In place of the LTA, the government introduced three new tax allowances to regulate the amount you and your beneficiaries can withdraw as tax-free lump sums:

1. **Lump Sum Allowance (LSA)**

The maximum tax-free amount you can withdraw has remained at 25% of the value of your benefits however, this is now capped at £268,275 unless you have HMRC protections.

2. **Lump Sum and Death Benefits Allowance (LSDBA)**

The total amount you can withdraw as tax-free lump sums in your lifetime, and by your beneficiaries after your death, is limited to £1,073,100. This may be higher if you have HMRC protections.

3. **Overseas Transfer Allowance (OTA)**

If you are living overseas or plan to move abroad, you have the option to transfer your pension savings to a Qualifying Recognised Overseas Pension Scheme (QROPS). A QROPS is an overseas pension scheme, regarded by HMRC as eligible for a transfer from UK-registered pension schemes. The total amount you can transfer tax-free to a QROPS is limited to £1,073,100. This may be higher if you have HMRC protections.

Useful Contacts

Scheme Administrator

When to contact the Scheme Administrator

To avoid any difficulties in contacting you or in processing your benefits please notify the Administrator, using the contact details below, of any changes, such as:

- **If you change your home address**
- **If you change your name (marriage / divorce)**
- **If you change your email address/ telephone number**
- **If you start divorce proceedings**

Or, in the following circumstances:

- **To receive a pension illustration if you are approaching your normal retirement age or eligible for early retirement.**
- **Should you, or your financial adviser, wish to request a current transfer value.**
- **To receive copies of any Scheme documents.**
- **Should you have any queries about your benefits or the Scheme.**

The Scheme Administrator is Cartwright Benefit Consultants Ltd and they are your main point of contact while you are a member of the Scheme. For any enquiries about your pension entitlements, please contact them using the following:

Contact details for member enquiries:

Tracy Wooderson
Cartwright Benefit Consultants Ltd
250 Fowler Business Avenue
Farnborough Business Park
Farnborough
Hampshire
GU14 7JP
Email: **richardshoggpensions@cartwright.co.uk**
Telephone: 01252 894883

Secretary to the Trustees

Should you have any queries about the Scheme or have any comments on this newsletter please contact the Secretary to the Trustees:

Anita Chandna
Secretary to the Trustees
Willis Towers Watson
51 Lime Street
London, EC3M 7DQ
Telephone: **07385 933269**
Email: anita.chandna@wtwco.com

Statutory and Other Bodies

Money Helper
https://www.moneyhelper.org.uk/

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
East Sussex, BN1 4DW
http://www.thepensionsregulator.gov.uk

The Office of the Pensions Ombudsman
10 South Colonnade
Canary Wharf, London, E14 4PU
Telephone: 0800 917 4487
http://www.pensions-ombudsman.org.uk

HMRC – Useful Contact Details

PAYE ref for pensioners: **475/GB39373** Telephone – 0300 200 3300
(Note: You will require your NI number and Pension Reference for identification purposes)

HMRC Records Retrieval Service (retain historical data, including P60 details)
Telephone – 03000 552 292 Email: info.sars@hmrc.gsi.gov.uk