Crest NICHOLSON

Keeping you in touch

Your pension newsletter

Bringing you the latest information about **the Crest Nicholson Group Pension & Life Assurance Scheme** – alongside wider pension and financial news

Welcome to our 2018 edition. You will notice that our newsletter has had a slight revamp this year, with a few new features that we hope will interest you. In particular, we hope you enjoy the 'Company news' item – especially if it has been some time since you left Crest Nicholson – and the 'Pension bulletin', which will take a hot topic each year and explore it in depth.

Our main article this year takes a closer look at how to spot and avoid falling prey to a pension scam – a subject that keeps returning. As the UK pension system undergoes changes – many of which are designed to suit savers and give them more flexibility – it gives fraudsters more room to exploit people's decision making.

We take the opportunity to point you towards the wide range of help and support you can find online – and we hope to develop this approach in future issues.

One of the most pressing issues for scheme trustees – and employers – is keeping members' details secure. Around the time you will be reading this, an important new law called the GDPR – or General Data Protection Regulation – will have come into effect. We have been working hard to make sure our Scheme records are as accurate as possible, and gone over our procedures and processes to check they are in line with the GDPR. You can read more about this in our 'Focus on your details' section.

With this newsletter, we aim to make reading about the Scheme and your benefits interesting and accessible. If you have any questions after reading it, suggestions for any subjects you would like us to include or explain in the 'Pension bulletin' section, or any other feedback you want to pass on, please contact Stephanie Fleming, the Assistant Secretary to the Trustees, using the contact details on page 8.

Best wishes

Duncan Revolta

Duncan Revolta
Chairman of the Trustees

SCHEME UPDATE

New Rules document for 2018

In our last issue, we mentioned that we had started a 'rule consolidation' exercise with our advisers – and we are pleased to report that this is now complete.

The Scheme Rules are the official document that sets out in detail how we manage and run the Scheme.

Because of the Rules's size and complexity, we make separate rule amendments in the short term to reflect any changes we make within the Scheme, or to comply with any new pension measures as they pass into law.

Our last set of fully consolidated rules were finalised in 2005. As you will no doubt recall from the wider media, as well as past issues of our newsletter, the pace of change to UK pensions in recent years has been relentless – so it has been a major task to bring each amendment into the overall framework of the main document. As well as adding any necessary information, we had to make sure the document was 'clean' of any outdated details or references that no longer applied.

As the Scheme Rules are available for everyone to see, we also decided as part of the exercise to introduce plainer language in some areas of the document, to make it more readily understandable for those without expertise or in-depth knowledge of pensions or financial law.

The final document is now ready – and, as usual, the Rules take their place in the list of official documents available on request (see the back page for our contact details).

Valuation under way

In most issues of the newsletter, we aim to bring you up to date on the Scheme's funding position in our 'Summary Funding Statement'. However, we are not required to include the statement in years when a formal valuation is in progress – and that is the case for this edition.

The valuation is a thorough financial 'healthcheck' that the Scheme undergoes every three years. When carrying out a valuation, the Scheme Actuary takes a 'snapshot' of Scheme figures on a particular day (the 'valuation date'), and uses certain assumptions – for example, likely increases to inflation or changes to member life expectancies – to estimate how the Scheme finances will develop into the future.

The valuation compares the money the Scheme has coming in from contributions and investments (its assets) with the amount it is paying out in costs and benefits (its liabilities). The Actuary adds a suitable safety margin to the liabilities to arrive at an ideal funding level for the Scheme, called its 'technical provisions'.

A full valuation is a lengthy, complex process, involving a huge number of calculations – and, as a result, scheme trustees are given 15 months from the valuation date to complete them. Our previous Scheme valuation looked at the Scheme's position at 31 January 2015, and work has now begun on the latest valuation, at 31 January 2018.

In the years between valuations, we receive less formal, yearly updates from the Actuary on the Scheme's progress. These do not go into the same level of detail as a formal valuation, but they provide enough information for us to keep track of any changes in the Scheme's position and consider any action we might need to take. We will report back the results of the next update in our 2019 newsletter.

NEWS FROM THE COMPANY

We have had another year of growth, with good sales momentum, achieving total sales of £1,065.6 million. We delivered 2,935 new homes in 2017, an increase of 2.3%. We have achieved an average selling price of £388,000 and the business is clearly positioned as a quality developer in the market. We remain focused on the steady growth of our business as we progress towards our 2019 target of £1.4 billion sales.

We have also invested significant time and resources in quality and service across the business. Improving our processes in this area has resulted in our overall customer satisfaction score increasing by 2% over the year to 88%.

While customer service is always a key topic for us, in 2017 we have intensified our focus on health and safety performance. At Crest Nicholson, we will always seek to be at the forefront of safe construction. The tragedy of Grenfell Tower led to the Government announcing an independent review of Building Regulations and Fire Safety. We will support this review, actively engaging with the Government and other industry bodies, and take full account of its findings. Health and safety will remain a priority, forming part of our culture, making our sites and offices even safer places to work.

There are still challenges for us to meet. One example is the skills shortage across our industry. We are responding to this through our award-winning Site Management Academy, offering degree-level qualifications as well as our Graduate Programme and Apprenticeship Scheme – and were rated the top company in our industry for graduates to work for in 2017 by The Job Crowd.

Despite these challenges, the outlook for the UK housing market is encouraging, with strong levels of employment, low interest rates, and good mortgage access. Crest Nicholson is well placed to take full advantage of the opportunities ahead. We are committed to exploring new ideas, designs and building methods – ready to deliver the homes our customers want and sustainable value to all our stakeholders.

For more information, view or download our full Annual Integrated Report – you can find it on the Company website at:

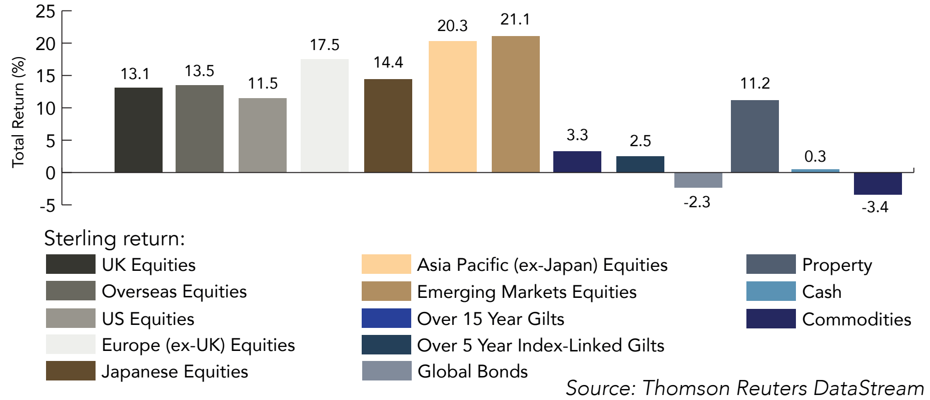
www.crestnicholson.com/investor-relations

INVESTMENT REPORT

2017 in review

In 2017, **equities** continued to perform strongly across the board against a backdrop of broad economic growth and increasing business and consumer confidence. As the chart below shows, all major equity markets achieved **returns** in double figures during the year to 31 December 2017, with **Emerging Markets** leading the way. Although the market began to focus on the effects of higher **interest rates** (with the **Bank of England** raising interest rates in November), **bond** performance was still slightly positive over the year.

Twelve Month Performance to 31 December 2017



Source: Thomson Reuters DataStream

Since the start of 2018, markets have become significantly more volatile. Equities have provided mixed returns: negative in the UK, but positive in the US and Emerging Markets over the year to date. Meanwhile, bonds have generally fallen in value due to expectations of interest rate rises.

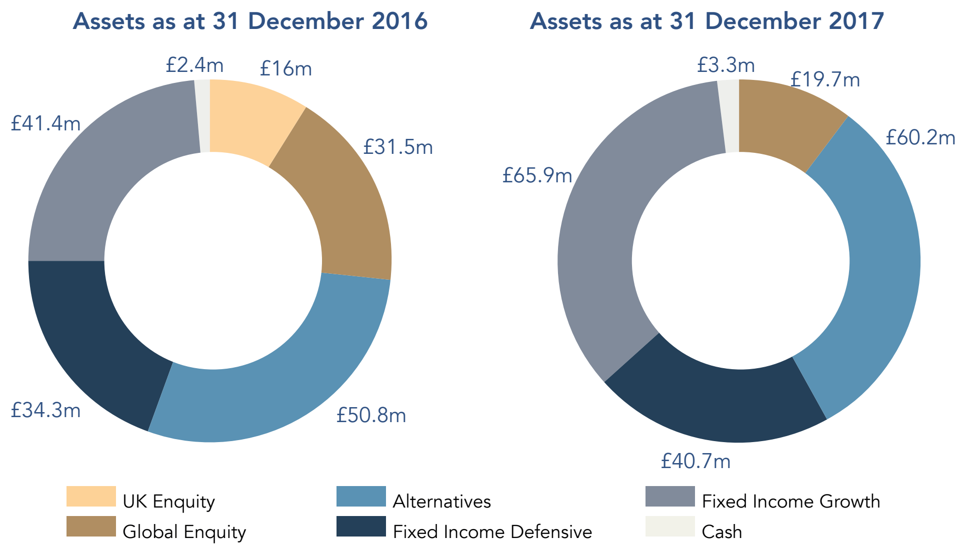
Scheme investments

The Scheme's assets returned 5.5% over 2017, 2.0% above its **benchmark**, with all of the funds held by the Scheme achieving positive returns. Since the restructuring of the Scheme's investments in 2009, the Scheme's assets have given a return of 8.7% a year against a benchmark return of 6.2% a year.

The Scheme further reduced its investment in equities over the year as the Trustees banked gains made from strong equity performance amid concerns that equities could be becoming expensive. The proceeds from these sales were invested in the **Alternative** and **Fixed Income Growth** portfolios. As part of this switch, a new manager, Insight, was appointed in the Fixed Income Growth portfolio.

In July **2017** the Trustees decided to terminate Winton's appointment due to concerns with their long term performance and changes to the investment team. GMO was chosen to replace Winton and assets were moved across in October 2017.

The spread of the Scheme's assets at the beginning and end of 2017 is shown in the charts below.



JARGON BUSTER

Alternatives
A term used for growth investments to 'diversify' from equities (that is, if equities were to underperform, it need not affect the rest of the Scheme's assets). The Alternatives portfolio is expected to provide performance in excess of the Scheme's liabilities.

Bank of England
The central bank of the United Kingdom which controls money supply, including the interest rate.

Benchmark
A standard against which the performance of an investment manager or assets more generally can be measured.

Bond
A debt investment in which an investor loans money to an entity (corporate or government) that borrows the funds for a defined period of time, usually at a fixed interest rate.

Equities
Stocks and shares in a company.

Emerging Markets
Countries whose economies are progressing towards, but have not yet reached, a mature stage of development (such as that of the UK, the US or Japan). These markets are expected to provide greater returns over the long term but are associated with a greater potential for economic or political instability. Examples of emerging markets include Brazil, India and China.

Fixed Income Growth
This portfolio is expected to 'diversity' from the Scheme's other holdings and provide less volatile returns than equities. Fixed Income investments are generally bonds (as defined above) or bond-like in nature.

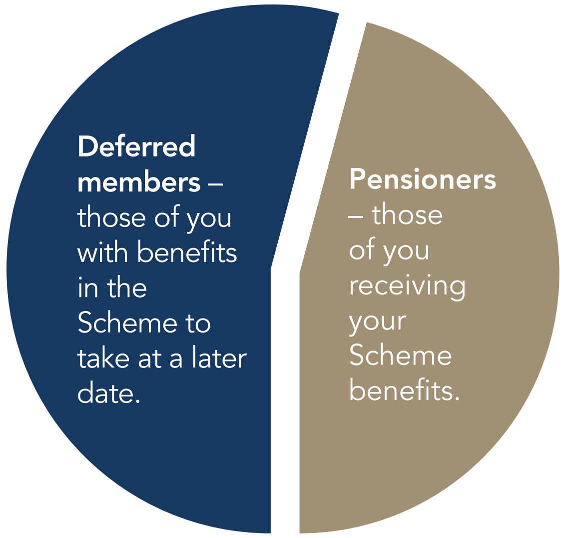
Interest rates
The proportion of a loan that is charged as 'interest' to the borrower. In the case of the interest rate set by the Bank of England, this is often referred to as the base rate, the rate set for lending to other banks. The base rate is used as the benchmark for interest rates generally.

Return
A profit or loss from an investment.

FOCUS ON YOUR DETAILS

Keep us informed

As you will be aware, the Scheme membership is now made up of:



This means that many of you are no longer working at the Company and of course, this number will only get larger as time goes on. Our challenge is to make sure we stay in contact with you – and to do this, we need your help.

If the information we have about you on our records is out of date, it could have a real effect on your benefits. For example, we need to have your latest address and bank details to pay your pension promptly and accurately.

With this in mind, please let us know if there is any change to your personal details. It is particularly important that you tell us if you change your name or address.

Taking positive action

The more members we are in contact with, the better, and we appreciate it when you take the time to keep us informed and let us know about any changes to your circumstances.

However, we are taking active steps to find those members who are currently 'off the radar' and re-establish contact. This can be a complicated task – for example, there have been times in the Scheme's history when it has included members from a number of firms bought by the Company. We know there may be former colleagues out there who have lost our Scheme's details, and may not be aware of the Government's pension tracing service.

So, we are carrying out our own ongoing tracing exercise to track down as many of our 'missing' members as possible.

If you are in touch with any former colleagues and have reason to believe they may no longer have any ties with the Scheme or the Company, please check with them and encourage them to contact us.

Data privacy

As Trustee, we are allowed to use your personal information – and share it with others involved in the Scheme, such as the Company and our advisers – as long as it is for the purposes of carrying out our Scheme duties and managing your benefits.

From May 2018, a new law called the General Data Protection Regulation (or 'GDPR') is being introduced, to give individuals greater protection and control over their details.

We take data security very seriously, and in this age of online information and pension scamming, we take every precaution we can to keep your details safe. That said, we are looking at the GDPR closely to make sure we comply with the new measures.

For example, the GDPR now requires us – as data controllers – to publish a 'data privacy' statement, which outlines the Scheme's data protection procedures.

When you contact the Crest Nicholson Group Pension & Life Assurance Scheme we will ask you to supply us with sufficient personal information to help us process your request. We'll use your information to check your identity against our data base to ensure we are dealing with the right person and as well as update your records so we can administer your benefits effectively.

Please go to **www.crestnicholson.com/pension-scheme** to view our full member privacy notice online. It outlines:

- the personal information we will use, and our reasons for doing so;
- how our use of the information might affect you; and
- the rights you have relating to your personal details.

If you have any questions about how we use and treat your personal information, or you want to see the details we hold about you on our records, please contact the Trustee, c/o Stephanie Fleming.

PENSION BULLETIN

Pension scams

It is increasingly clear to us that this particular problem is not going away – and we are keen to take the opportunity each issue of this newsletter gives us to remind you to beware of pension fraud.

In these days of online financial transactions and growing concerns about protecting personal data (as we discussed on page 4), scammers are always looking for ways to reach potentially vulnerable savers.

A particular area of focus has been the new flexible retirement choices brought in by the Government (we reported on these last year). People with savings in defined contribution schemes now have a much wider range of options for receiving those benefits. For example, as alternatives to buying a pension, they can take more of their savings as cash, or draw income from their 'pot' while continuing to invest the rest.

While this new freedom of choice is likely to be good news for most people, it gives them more to think about and adds some complexity to their decisions. Scammers are able to prey on any confusion or lack of knowledge these savers have about their options – there have even been reports of fraudsters suggesting they are associated with Pension Wise,

the Government service that aims specifically to help plan members understand the new flexibilities.

If you are contacted with an offer about investing your savings or drawing them early, please be on your guard, and look carefully for signs that it might be a scam. The Pension Regulator has published ongoing guidance for protecting yourself against pension fraud, and here are some tips based on their advice…

Staying alert

Ignore cold calls, or e-mails you receive out of nowhere.

Reputable organisations are very unlikely to contact you, as a stranger, about your savings with no warning or background.

Don't take anyone's word for it.

While it can be tempting to take advice or helpful suggestions from family, friends or colleagues, you should never do this without checking the facts carefully for yourself. It is not a matter of trust – they could have fallen victim to a scam themselves.

Satisfy yourself that any offer really is above board before you do anything, and take financial advice if you are in any doubt whatsoever.

Make sure your adviser is authorised.

If you are planning to consult a financial adviser, check that they are on the Financial Conduct Authority's Register. (If they are not, it means they are not properly approved.)

You can find the register at:

https://www.fca.org.uk/firms/financial-services-register

Report anything suspicious.

If you have reason to think you might have been caught by a scammer already, then report them straightaway to:

Action Fraud: 0300 123 2040

If you find yourself having doubts or second thoughts immediately after arranging a transfer of your benefits, it may not be too late to stop it. Contact the administrators as soon as possible. (The same applies to the providers of any other pension plan where you have asked to transfer out savings.)

Learn the warning signs.

Many fraudulent offers will have something suspicious about them – sometimes obvious, sometimes less so. Keep your eye out for some of these giveaways…

Spotting a scam

'Too good to be true'.	Investing always involves a certain degree of risk – which is why you always see warnings like 'past performance is not a guide to future performance', or 'your investments may go down as well as up'. If your offer says nothing of the kind – and may even promise a particular level of return or guarantee you cannot lose out – you cannot trust it.
Nothing is really 'free'.	If you are offered free advice, don't take it. Registered independent financial advisers expect to charge for their services.
Against the clock.	If there is a tight deadline for you to reply to the offer, any pressure on you to make your decision quickly, or a suggestion you will miss out if you don't reply immediately – you should automatically be suspicious.
Exotic investments.	Think of a typical pension scheme investment fund – company shares or bonds, for example – often (though not exclusively) fairly traditional, financial assets. If the offer involves investment in the leisure industry, travel, or an unusual location, proceed with caution.
Too much tax relief?	Pension schemes already benefit from tax advantages from HM Revenue & Customs – so if an independent company suggests some kind of tax break as part of its offer, you should avoid it.

There is now a great deal of help and support online if you want to find out more about pension scams – and how to avoid them:

The Pensions Regulator

http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx

The Regulator's site is probably home to the most wide-ranging guidance, with more details on how to spot scams, booklets full of useful information and links to other websites providing further support.

The Money Advice Service

https://www.moneyadviceservice.org.uk/en/articles/how-to-spot-a-pension-scam

The Money Advice Service offers a useful, plain language digest of key points to consider about pension scams (including handy contact details and links to other websites for more support).

ScamSmart

https://www.fca.org.uk/scamsmart

ScamSmart is the Financial Conduct Authority's user-friendly guide to avoiding scams, with step by step features to help you work out if an offer you have received might be suspicious.

Tax allowances

As you may recall, HM Revenue & Customs have two limits in place for the pension benefits you can build up tax-free:

- the annual allowance applies to the increase to your benefits in any given tax year; and
- the lifetime allowance applies to the total value of the benefits you build up overall during your working life.

The standard **annual allowance** is currently £40,000. (This is approximately equivalent to your Scheme pension going up by £2,500 a year.) However, your personal annual allowance is likely to be different:

- It may well be **higher**, as you can carry forward 'unused' annual allowance from the past three tax years.
- Or it could be **lower**, as high earners (broadly, those earning more than £110,000 a year, or £150,000 a year including their pension contributions) have reduced annual allowances, potentially down to a minimum level of £10,000.

To add a further level of complexity, there is also a 'money purchase annual allowance', set at £4,000. This applies to any contributions you might be paying into a 'defined contribution' pension plan (such as a personal pension) if you are already drawing benefits from the same type of plan. The aim is to prevent people 'recycling' – that is, taking money out of one pension plan and putting it straight into another to benefit twice over from tax relief.

The **lifetime allowance** for the 2018/19 tax year is £1.03 million. (This is approximately equivalent to your receiving a total pension of around £65,000 a year.) It is expected to increase more or less in line with inflation each year.

If you have built up benefits high enough for the lifetime allowance to affect you, you may be able to apply for a type of 'protection'. (Because the lifetime allowance has fallen several times in the past, HM Revenue & Customs has introduced various forms of protection so that savers who have been careful to keep within the allowances need not necessarily be 'caught' solely because the allowance reduces.)

If you are reading this newsletter, you are either a deferred member – with benefits left in the Scheme for you to receive in due course – or you are receiving your Scheme pension already. So, if the allowances do not currently affect you, it is unlikely that your Scheme benefits by themselves will take you over them.

However, the allowances apply to your pension benefits from all sources apart from the State pension. This means that you also need to take into account any benefits you have in other arrangements – pensions you have due from past employer schemes, perhaps, or contributions you are making to a personal pension plan. Please check over all your savings to look at your overall position – and consider taking financial advice if you need assistance.

The Government's website contains more detail about the allowances, including how to apply for the lifetime allowance 'protection'. Visit:

https://www.gov.uk/tax-on-your-private-pension

AVC reminder

Many of you have now left the Company, and you are likely to be paying into your current employer's scheme, or a personal pension. But do you have any additional voluntary contributions – or 'AVCs' – left in our arrangement to receive when you retire? For some of you, it may even have been years since you last thought about them.

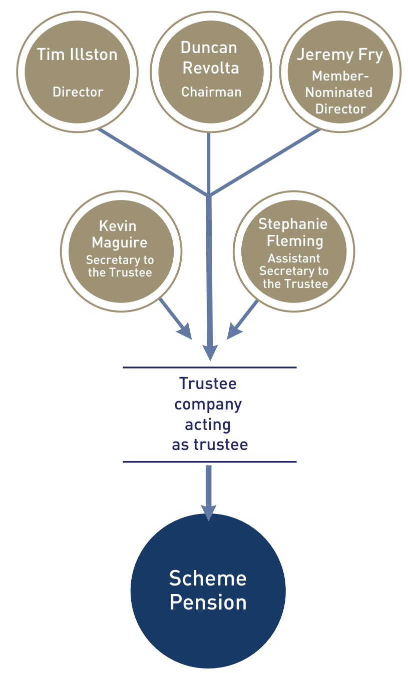
If this applies to you, please check the yearly letter and statement you receive from the Scheme that gives you the latest value of your AVCs, and where you are currently investing them. Your next AVC letter is due soon.

Even though you can no longer add further contributions to your AVCs (as you are no longer an active member of the Scheme), you can still make decisions about how to invest them, and switch them to other funds in Prudential's range if you want to. Details about how to do this are in the letter you will receive.

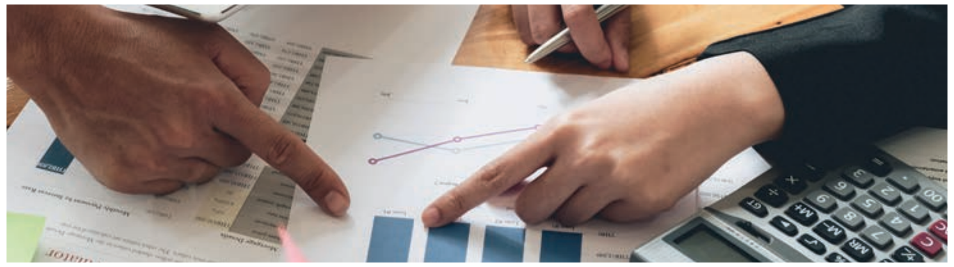
If you have any questions about your AVCs, please contact Bernie Hall at Equiniti in the first instance, whose contact details are on the last page.

WHO'S WHO

Trustee Directors



As Trustees, we are responsible for managing the Scheme in line with its Rules and current pension law, while safeguarding the best interests of all its members. In common with many other pension schemes, and with the Company's agreement, we have set up a dedicated trustee company (Crest Nicholson Pension Trustee Limited) to allow us to carry out these duties as efficiently and effectively as possible. Accordingly, we are now the 'Trustee Directors' of this company.



Pension rules require at least one-third of a trustee board should be made up of Directors nominated by members. As there are three of us, we need to ensure that one of us is always a member-nominated Trustee. In May last year, Jeremy Fry reached the end of his first three-year term on the board, so in our last newsletter, we invited members to nominate themselves if they were interesting in standing as a candidate for the trustee role.

Jeremy told us at the time he would be happy to serve another term – and you all clearly agreed, as he was the only nominee and an obvious choice to continue. We are delighted to welcome Jeremy back to the Trustee board for a further three years.

Our advisers

As Trustee Directors, we must demonstrate a broad enough knowledge of pensions and investment to run the Scheme properly and take informed decisions about its future. However, in areas where specific expertise is needed, we appoint expert advisers to assist us and carry out certain specialist tasks on our behalf.

Here is our current adviser line-up.

Scheme Pension

Solicitors
Baker & McKenzie LLP

Auditors
PricewaterhouseCoopers LLP

Bankers
Lloyds Bank plc
Barclays Bank plc

Scheme Actuary
Adam Stanley, Punter Southall Limited

Scheme Administrators
Equiniti Limited

Scheme Consultants
Mercer Limited

Fund Managers
BlackRock Investment Management (UK) Limited CQS (UK) LLP
CQS (UK) LLP
Gilliat Financial Solutions
GMO UK Limited
Insight Investments Funds Management Limited
JO Hambro Capital Management Limited
Kiltearn Partners LLP
Legal & General Assurance (Pensions Management) Limited
Mercer Global Investments Europe Limited
Ruffer LLP

GETTING IN TOUCH

If you have any questions about your benefits, please contact:

Bernie Hall, Senior Pension Administrator

Equiniti
27 Kings Road
Reading
Berkshire
RG1 3AR

0345 2680286

dbadmin.reading@equiniti.com

If you would like to know more about any of the subjects covered in this newsletter, please contact:

Stephanie Fleming,
Assistant Secretary to the Trustee

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Chertsey, Surrey
KT16 9GN

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