KEEPING YOU IN TOUCH

Your pension newsletter

July 2022

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

Welcome to the latest edition of our newsletter.

I hope you and your families have been able to keep well as, with luck, we hopefully head back towards normality. With restrictions lifted, we have been able to gather as a Trustee board in person again, with many of our advisers doing the same. We are back to our quarterly schedule of main meetings, with another two investment sub-committee meetings each year. However, the pandemic has influenced the way we work, and we are continuing our shorter operations updates online, as they occur every month.

In this issue, we are able to bring you up to date on some activities that were still ongoing when we last went to press – for example, we can announce our new administrator (see page 3).

Our biggest headline is the result of the latest valuation. Taken alongside the most recent update – giving us the position at the end of 2021 – it tells an encouraging story, and for now, the Scheme is on the way to being self sufficient, and no longer needing to rely on contributions from the Company. Inside we give the full run-down of the facts and figures, and what the funding position means for the Scheme going forward.

We also include an update from the Company on page 11.

If you would like to know more about the Scheme or your benefits, remember to check the website first (see page 3). If you cannot find what you need on the website, please do get in touch.

Best wishes

Duncan Revolta

Duncan Revolta
Chairman of the Trustee

THE TRUSTEES

Our board line-up is still the same for this issue:

Introducing.... Jane Kola

Welcome to a new feature where we will find out a bit more about one of the Trustees and take a closer look at their take on the role. This issue, meet **Jane Kola representing Pension Lawyer Trustee Limited.**

Some background: I'm a pension lawyer with almost 30 years' experience giving legal advice in relation to schemes. For over 7 of those years, I've acted as a trustee to several pension schemes.

My employer, Pension Lawyer Trustee Limited (PLTL), is a professional trustee company owned by a law firm. I've represented PLTL on the Trustee board for your Scheme since 2019. We're independent of Crest Nicholson and our role, with our fellow Trustee directors, is to make sure the Scheme is well run and pays benefits in line with its rules, and current pension law.

My role: This is one of the most engaging and interesting of the trusteeships I hold. The board runs as an effective team with good debates on important issues. The support from Crest Nicholson's pensions team means we have our fingers on the pulse of the Scheme and its membership. We have good professional advisers who make sure we make sound decisions for the Scheme and our members.

Being a Trustee director is an important and responsible role. We look after and invest over £300 million of Scheme assets, to pay all of the members pensions over their lifetimes. We hold benefits for more than 1,460 people and pay over £375,000 in pensions every month. That's a lot of work! It's also very rewarding to know that we are making a difference to members in later life.

Away from work: I'm married with two almost grown up children. My interests include going for long walks, loving my daughter's 'edgy art' and helping my son with his 'experimental cookery'.

Finding out more

If there is something you need to know about the Scheme and your benefits, please check the website first, in case it has the details you are looking for:

https://www.crestnicholson.com/legal-information/pension-scheme

If you cannot find the answer on the website, please e-mail as follows:

- For questions about your benefits, contact EQ: **dbadmin.reading@equiniti.com**
- For any wider issues about the Scheme or its official documents, contact: **pensions@crestnicholson.com**

Stop press: announcing our new administrator

Following on from our progress report in the last issue, we are pleased to announce that we have appointed our new Scheme administrator. XPS Administration. As you might recall, parent company XPS Pensions Group already provide actuarial services to the Scheme, led by Adam Stanley.

For the time being, please continue to contact EQ using the details above, if you need any help or support. There will be an 'overlap' period as responsibilities and services pass from EQ to XPS, but we expect XPS to be fully up and running by December 2022.

SUMMARY FUNDING STATEMENT

This statement brings you up to date on the Scheme's funding position.

Background

The Scheme is a 'defined benefit' pension arrangement. This means that your benefits are based on your salary and length of service in the Scheme. The Scheme has a pool of money to pay for these benefits as they become due; it does not hold assets separately for each individual member.

At least once every three years, the Scheme undergoes a thorough financial 'health check' called a valuation. When carrying out the valuation, the Scheme Actuary compares how much money the Scheme has (its 'assets') with how much it needs to be able to pay everyone the benefits they are entitled to (its 'liabilities'). If the Scheme's assets are higher than its liabilities, there is a 'surplus'; if they are lower, there is a 'shortfall' or 'deficit'.

As part of the valuation, the Trustee agrees a funding plan (the Statement of Funding Principles) with the Company, which aims to make sure there is enough money in the Scheme to pay for pensions now and into the future. This is why the Scheme relies on the Company's ongoing support.

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.

At a glance

The table below includes:

- the figures from the 31 January 2020 update;
- the results of the latest valuation at 31 January 2021; and
- the latest figures from the 31 January 2022 update.

	UPDATE	**VALUATION**	**UPDATE**
	31 January 2020	**31 January 2021**	**31 January 2022**
Assets (A)	£213.2m	£221.2m	£237.1m
Liabilities (B)	£228.2m	£232.0m	£221.3m
Surplus / (Shortfall) (A-B)	(£15.0m)	(£10.8m)	£15.8m
Funding level (A/B)	93%	95%	107%

How the funding position has changed

We are encouraged to note the upward trend in the funding level over the last few years, in particular the Scheme's shift from shortfall into surplus since the valuation date.

This is mainly because of better than expected asset returns and the significant contributions the Company is paying (see right).

Company support

When a pension scheme valuation shows a shortfall, the Scheme's actuary recommends the contributions needed to bring it back to full funding – this is known as the 'recovery plan'. Over the period from 1 February 2020 to 31 January 2022, the Company paid £9 million a year into the Scheme. However, this year, we had a slightly unusual outcome – we prepared a recovery plan following the Scheme's 95% valuation result; however, by the time the valuation was approved and signed off, the January 2022 update had revealed the surplus.

Technically, this meant the recovery plan was no longer necessary. However, we agreed a new contribution plan to help the Scheme make progress towards its secondary goal (see right). The Company is now due to pay £1.5 million a year (in monthly contributions) to the Scheme until 30 April 2025.

If the Scheme reaches a 95% funding level against the secondary goal for three months running, the Company can pay ongoing contributions to a separate escrow account instead. (This means an account where the money would be held outside the Scheme in reserve, for it to draw on only if needed.)

If the Scheme reaches a secondary funding level of 101% for three months running, the Company may have the option to stop its contributions.

Secondary goal

The figures in our table show the Scheme's funding level on the 'ongoing' basis. This is normally the main measure in pension scheme valuations that is required by the Pensions Regulator, and estimates the funding level assuming the Scheme will continue into the future.

However, the Trustees have a 'secondary funding objective' – essentially, an additional funding goal – which is more cautious and means the Scheme is less likely to need Company contributions to help meet Scheme liabilities. For example, it allows for lower investment returns in future years, and includes a higher safety margin. So, if the Scheme reaches full funding in line with this secondary goal, it is in an even more secure position than on the | ongoing basis.

At 31 January 2021, the Scheme's funding level on this secondary basis was 87%.

Payment to the Company

We have to tell you whether there has been any payment made to the Company out of the Scheme's assets since the last summary funding statement – this has not been the case.

In certain circumstances the Pensions Regulator can:

- direct how the Scheme's liabilities must be calculated;
- set the period for removing any funding shortfall; and
- set the level of Company contributions to be paid.

None of these things have happened in the Scheme.

If the Scheme were to end

Even if funding is temporarily below target, benefits will still be paid in full while the Scheme is still running. However, as part of the valuation, the Actuary is required to look at what would happen if the Scheme started to 'wind up' – that is, to close down completely. This does not mean that the Trustee or Company are considering this step.

When pension schemes wind up, benefits may be secured with an insurance company. The cost of securing pensions in this way is considerably more expensive than if the scheme were to continue with the support of the employer. This is because insurers take a very cautious view of the future and need to make a profit; they will also take into account the future cost of running the Scheme. A scheme that aimed to cover this cost would be likely to have far more money than it actually needs to keep running normally.

If our Scheme had started to wind up on 31 January 2021, the Actuary estimated that it would need £296.1 million to secure members' benefits. This was £74.4 million more than the value of its assets on that date.

If the Scheme did not have enough assets to secure all benefits, the Company would have to make up the difference. If the Company is not there to pay for any shortfall (for example it had become insolvent), the Pension Protection Fund ('PPF') might be able to take over the Scheme and pay compensation to members. Further information is available at **www.ppf.co.uk**.

NOTICEBOARD

Cyber-crime: reading between the lines

In our last issue, we talked about pension fraudsters developing more and more online scams, reflecting how the current situation has resulted in so many people working, socialising and – most importantly from the criminals' perspective – carry out financial transactions on the web.

Now we turn our attention to e-mails you might receive from a financial firm or provider. Even if you think you know and trust the source, you should double check that you are happy the message is genuine.

Here are some warning signs to watch out for…

Impersonating authority: The message may appear to come from somewhere familiar, such as your bank or building society, or by a known sender, like HM Revenue & Customs. However, none of these organisations should e-mail you out of the blue about your finances, and they will not ask you to send them personal or financial details back to them by e-mail, either. If the message does this, or asks you to click on a link to do so, treat it as suspicious.

Sometimes an obvious way to spot these 'imposter' notes is by checking the contact details, which will often be wrong. If, for example, the message claims to be from your bank, you are likely to have a number of official documents where you can compare the addresses or phone numbers.

Equally, if it's a provider you don't know, you can find their genuine details on the Financial Conduct Authority Register (see page 8).

Trying to rush you: Depending on where the e-mail is supposed to come from, it may give an extremely tight deadline for you to reply ("offer only available for 24 hours", say) or even make a threat, such a tax penalty, if you don't get back by a certain date. Sometimes scammers will make the note topical in some way – whether it's a certain time of year (summer holidays, for example, or tax return time) or particular events (help with medication, or even sports or concert tickets). These are tricks to get you to make a quick decision without thinking it through.

Pension fraudsters mainly target members who have not started receiving their pension yet. Their aim is to get you to transfer your pension into an arrangement where they can get their hands on it.

If you decide you want to transfer out of the Scheme, we will carry out a series of checks that are designed to help you keep your benefits safe. We explain these checks in our transfer pack.

Appealing to your emotions: A classic technique here is the 'too good to be true' offer (it always is). But the scammers also try more subtle techniques to draw you in. For example, the details may be slightly vague, to make you curious; there may be a charitable element to work on your compassion; even prizes to play on people's want or need of money, or love of a bargain. Be wary of any messages that are going beyond giving you 'just the facts'

You can read more guidance about staying safe online at the National Cyber Security Centre website: **www.ncsc.gov.uk/guidance/suspicious-email-actions**.

The Financial Conduct Authority (FCA) website includes 'ScamSmart', an area dedicated to helping people spot and avoid pension fraud, with a wide range of information, plus a record of known scams. **www.fca.org.uk/scamsmart**

The FCA also maintain their Register of financial providers and services – make sure that any firm that contacts you is on the Register in the first place (if they do not feature, they are unlikely to be genuine), and if so, that the contact details match. **https://register.fca.org.uk/s/**

Finally, if you think you may have already been caught by a pension scam, call Action Fraud **immediately** on **0300 123 2040**. It may not be too late.

New trustee powers

The Government has recently given pension scheme trustees the authority to carry out a series of extra checks if a member asks to transfer their benefits. If they identify anything suspicious or find that the offer is a known scam, they can take action to stop the transfer before the member goes ahead.

In certain situations, these checks may mean we need to ask the member applying for a transfer to:

- supply extra information than we already have on their pension record, or
- confirm they have sought guidance from MoneyHelper, or
- consulted a financial adviser.

You can read more about the new rules at **www.thepensionsregulator.gov.uk** – then go to Document library / Scheme management detailed guidance / Administration / Dealing with transfer requests.

Lifetime allowance freeze

HM Revenue & Customs has two tax allowances in place for the value of pension benefits you can build up before paying tax charges on them. The ‘annual allowance’ applies to your yearly pension savings, while the ‘lifetime allowance’ applies to the value of pension savings you build up over your whole working life.

Both allowances are mostly aimed at high earners. The lifetime allowance in particular had started to increase each year in line with inflation. However, the Government has now frozen the lifetime allowance at its current level – which is £1,073,100 – until at least the 2025/26 tax year.

For the avoidance of doubt – that figure does not mean the allowance kicks in once you have a yearly pension of £1,073,100. The Government’s standard multiple for working out the value of a defined benefit pension against the lifetime allowance is 20. So, for the allowance to affect you, you need to build up a pension benefit of £1,073,100 divided by 20 – that is, £53,655 a year.

(There is a chance you will have a different lifetime allowance if you have one of the Government’s protection arrangements in place – see below.)

This is still a very high amount for many people. However, it is worth noting:

- All of your retirement pensions and savings (apart from the State pension) count towards the lifetime allowance. So, you need to add any pensions you are still due from an old employer’s pension scheme, any AVCs and any personal pensions to your main pension.
- As a result, it is your responsibility to keep track of their position against the lifetime allowance – as no single scheme will necessarily have the ‘complete picture’ of your overall benefits on their records.

Even if the lifetime allowance is comfortably above your benefit level now, you – like everyone else – will start to ‘catch up’ with it for as long as it remains frozen. If you were to receive a promotion, or a windfall of some kind that you added to your pension savings, you may get closer than you think.

Find out more about the lifetime allowance, including the protections available, at **www.gov.uk/tax-on-your-private-pension/lifetime-allowance.**

UPDATES

Responsible investing

As Trustees, we take into account a range of financial criteria when making funding and investment decisions for the Scheme. These include the potential returns a fund could provide and the associated investment risks. After applying these financial criteria, we now also take into account environmental, social and governance ('ESG') factors wherever possible.

We began reporting on our responsible investing activities in our previous issue.

Since then, we have moved a significant amount of Scheme funds into the LGIM Low Carbon Transition UK Equity Index Fund. This fund invests only in shares of companies that feature on Legal & General's specialist low carbon index. In other words, it excludes organisations with poor records on green issues and climate change – for example, the instances given on the Fund's current fact-sheet include involvement in controversial weapons or thermal coal mining.

The aim of this fund is to offer an alternative to a typical shares fund, with a carbon footprint lower than the norm by about 60%, and ultimately reaching 'net zero' carbon usage by 2050. It also brings several other benefits to the Scheme:

- The new Fund's process for selecting investments will lessen the likelihood of the Scheme holding assets that carry risks associated with climate change;
- It is a passive fund – that is, it invests with the aim of following an index, so carries less risk of performing worse than the market. (Active funds involve their managers trying to 'beat' the market index – which also increases the risk of underperforming it.)
- It will simplify the Scheme's range of investments and lower costs accordingly.

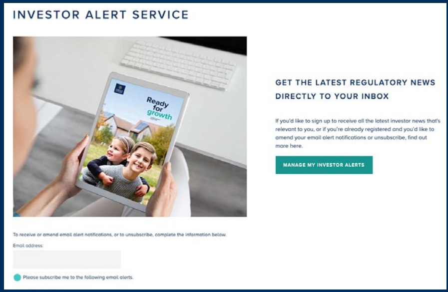
In our next issue, we will include the latest figures available for the overall asset spread for the Scheme.

News service – sign up now

We want to take the opportunity to remind you about Investor Alert. This service allows you to receive the latest Company and investment news, as and when it happens.

Whether you want to sign up for the first time, or update anything about your subscription (for example, making any changes to your e-mail notifications), follow this link:

www.crestnicholson.com/investors/shareholder-centre.



COMPANY UPDATE

The Company announced its half year results on 14 June 2022. Highlights were:

- Revenue increased 12.3% to £364.3m, reflecting strong operating performance and the underlying strength of the housing market
- Home completions increased 7.8% to 1,096 units
- Retention of the Home Builders Federation (HBF) five-star rating for customer satisfaction
- Continued investment for growth in a competitive land market with 1,543 plots approved for purchase and 2,204 plots added to the short-term portfolio in the first half of the year
- Expansion plans are progressing well. The Yorkshire office is now open in Leeds with several key team appointments in place and two sites approved for purchase. The East Anglia division is set to be established in second half of the year with two sites now acquired.

Sustainability

In 2020 the Company set out challenging targets to reduce greenhouse gas emissions intensity by 25%, waste intensity by 15% and increase renewable electricity procurement to 100%, all by 2025. The Company continues to make good progress against these targets.

The Company is stepping up its ambitions to reduce our carbon footprint and are setting out new science-based targets. These are designed to achieve net-zero by 2045 and have been submitted to the Science Based Targets initiative for validation.

More information about these targets and the wider Company performance can be found in the half year results announcement here: **www.crestnicholson.com/investors/results-centre**

Peter Truscott, Chief Executive, commented:

"We are delighted to have delivered a strong first half performance, making further strategic and operational progress. Given this underlying momentum and the resilient housing market we are upgrading our full-year adjusted profit before tax expectations to a range of £135–140m.

We are pleased to have reached a resolution with the Government by signing the Building Safety Pledge. We hope this now provides comfort and assurance to affected residents and stakeholders. It also allows the Group to move forward in remediating the affected buildings directly or through another party as soon as possible.

Despite the unpredictable global, economic and political outlook, we remain optimistic about the fundamentals of the UK housing market and are confident in the skill and determination of Crest Nicholson colleagues to manage and adapt to these challenges. We are firmly focused on delivering our ambitious growth strategy and ensuring as many customers as possible can benefit from living in a new Crest Nicholson home."


Monksmoor Park, Daventry

SB7847