Home Group Pension and Life Assurance Scheme (HGPLAS) Annual Review 2024

1st April 2023 to 31st March 2024

Defined Benefit Section

Have you changed address, or planning to do so?

Please let us know by emailing **pensions@homegroup.org.uk**, or by calling the Pensions Administrator (see useful information section on the final page).

Have your personal circumstances changed?

You may wish to send us a new beneficiary nomination form. Please see page 17.

Chair's Message

Welcome to the 2024 Annual Review!

In this newsletter, we inform you of the progress and current position of the Defined Benefit (DB) Section of the Home Group Pension and Life Assurance Scheme (the Scheme).

This newsletter has been prepared exclusively for members of the Defined Benefit (DB) Section; a separate version will be sent to members of the Defined Contribution (DC) Section.

You may recall extreme market volatility through 2022. This appears to have steadied, and those investment markets aimed at growth (such as company shares) have shown more consistent growth over the last year, although the performance of some types of government bonds (gilts) is still not as stable as it might be.

As defined benefit scheme members, this does not directly affect your pension benefits. In addition, the rises in interest rates have been positive for the Scheme's funding position and the security of your benefits. The Trustees also take considerable comfort from the support offered by Home Group, with whom we continue to enjoy a very good working relationship. There is more information about this on page 8.

Increase in minimum retirement age

You are currently able to access your pension from age 55. The Government has confirmed that the minimum age for drawing pension benefits, except if you are retiring due to ill-health, is to rise to 57 from 2028.

Some members of the Scheme may also qualify for a protected pension age, meaning they will still be able to retire at age 55 if they meet certain conditions.

We are reviewing the full Scheme membership and if you are affected, we will write to you separately with more information once available.

Pension scams

Unfortunately, pension scams continue to be a cause for concern and we would still caution you to be very wary. Never take advice from someone who has approached you out of the blue. To help keep yourself safe, please read the article on scams on page 14.

Change in investment adviser

The Trustees regularly review their advisers, and following a recent review appointed XPS Group as investment advisers from 1st January 2024. More information on the investments can be found on page 11.

Email communications

The majority of the communications that you currently get about the Scheme are sent through the post. Going forwards, the Trustees will be working with Home Group to increase the number of email addresses we hold on file. This will enable us to provide communications and updates by email in future.

I hope that you find this newsletter useful and informative. If there is anything you would like to see more of in future Annual Reviews, please get in touch as your feedback is very valuable.

Bhavna Kumar

Align Pensions, Chair of Trustees for the HGPLAS

Terms used in this Review

Some of the words used in this review have special meanings:

Active members: Members actively paying contributions in order to save for a pension in the Scheme.

Deferred members: Members who no longer contribute to the Scheme but are not yet drawing a pension and have kept their benefits in the Scheme.

Defined Benefit (DB) Section: The section of the Scheme where members receive a pension based on their length of service and their final salary at date of leaving. The DB Section is sometimes called the Final Salary Section. No new members are able to join this section.

Defined Contribution (DC) Section: The section of the Scheme in which the benefits are not calculated based on length of service and final salary, but depend on the value of a member's fund when they retire.

Equities: These are investments in company shares, either in the UK or overseas.

Bonds: These are loans typically to a company, governments or other bodies (such as the European Investment Bank). Bonds generally pay a fixed rate of interest to the investor, and at the end of their term, the investor receives the capital back. Some UK government bonds pay a rate of interest linked to inflation (index-linked bonds).

Scheme Actuary: An independent professional specialist who is appointed by the Trustees to advise on the financing of the DB Section of the Scheme. The Scheme Actuary carries out periodic reviews of the Scheme's funding position, known as actuarial valuations.

AVCs (Additional Voluntary Contributions): AVCs are a way for active members of the DB Section to increase their pension and cash sum at retirement by paying extra contributions. If you paid AVCs in the past but haven't yet taken your Scheme benefits, your AVC fund will remain invested and will be used to provide additional benefits for you when you retire. AVCs are invested separately from the main assets of the Scheme.

Membership

The table below shows a summary of the membership for the DB Section as at 31st March 2024:

	No. of members
Active members	26
Deferred members	341
Pensioners	665
Total	**1,032**

The year in summary

Here is a brief overview of what has happened during the year 1st April 2023 to 31st March 2024, and some of the key projects the Trustees have undertaken:

Trustee meetings

The Trustees met on four separate occasions over the year. There were also seven meetings of the General Purposes Committee and four meetings with Home Group.

The Trustee Board

The Trustees continue to regularly invest time in training on pensions to ensure they have sufficient knowledge and experience to effectively run the Scheme.

Triennial actuarial valuation as at 31st March 2023

The Scheme's Actuary is required to carry out a full financial investigation of the Scheme every three years. This actuarial valuation was finalised in April 2024, and the Trustees agreed a new Schedule of Contributions with Home Group. An update on the funding position of the Scheme is included on page 8.

Actuarial report as at 31st March 2024

As required by law, the Scheme's Actuary also carried out an interim review of the financial position of the Scheme in order to see whether the current funding plan for the Scheme remains on track. Further details are on page 8.

Service standards

The Trustees continue to monitor the service standards of the Scheme's advisers and service providers. Over 2023, the service provider for the DB Section achieved around 98% of the targets set by the Trustees for the administration of the Scheme. This is consistent with the high service standards achieved in previous years.

Pension increases

All pension increases are paid in either February or April and are now based on the increase in RPI inflation to the previous September.

Investment strategy review

The Trustees engaged their investment advisers, XPS Group, to review the Scheme's investment strategy in early 2024 and are now discussing next steps with Home Group.

AVCs

The Trustees continue to work with their advisers to finalise the transfer of members' AVCs with ReAssure and Santander to Aviva. This transfer will be finalised shortly. The Trustees have separately written to any impacted members with further information.

Privacy notice

The Scheme's data privacy notice was updated in June 2023 and is available on Home Group's public website here:

https://www.homegroup.org.uk/about-us/working-with-us/careers/benefits-and-rewards/home-group-pension-and-life-assurance-scheme

Amounts from accounts

The Trustees prepare a formal report and a set of accounts to 31st March each year. A copy of the full Trustees' Report and Financial Statements to 31st March 2023 is posted on the Home Group intranet.

A brief summary of the transactions of the DB Section of the Scheme during the year to 31st March 2023 is set out below:

Fund value as at 31st March 2022	**£156,308,683**
PLUS increase in fund from:	
Contribution by members	£111,866
Contributions by the employer	£5,456,063
TOTAL INCREASE IN FUND	**£5,567,929**
LESS expenditure:	
Pension payments	£4,528,914
Cash sums on retirement	£565,861
Transfers out	£764,195
Refunds of contributions on death	£74,346
Insurance premiums	£6,825
Fund expenses – administrative costs* (excl. PPF levy), including adviser fees	£458,655
Net return on investments	£8,560,382
TOTAL REDUCTION IN FUND	**£14,959,178**
Fund value as at 31st March 2023	**£146,917,434**

* Home Group pays £400,000 a year towards these expenses. It also pays the Scheme's levy to the Pension Protection Fund (PPF).

Update on the Scheme's financial position

How the Scheme operates

The objective of the Scheme is to be able to pay members' benefits both now and in the future. The success of the DB Section of the Scheme therefore relies on the continuing support of Home Group to:

- pay the balance of the cost of benefits accruing each year, after allowing for the contributions paid by active members;
- pay any future running expenses of the Scheme; and
- meet any funding shortfall in relation to benefits that have already accrued, including pensions in payment and deferred benefits.

The money to pay for members' benefits is held in a fund, separate from Home Group. It is not held in separate funds for each individual member of the DB Section.

Assets can only be returned to Home Group if they are more than is needed to arrange for an insurance company to pay all Scheme benefits. No such payment to Home Group has been made since the last summary funding statement included in the 2023 Annual Review (which covered the period up to 31st March 2022).

How much money does the Scheme need?

How much money is needed to pay all the members' pensions depends on several things, including inflation, investment returns and how long members live.

An actuarial valuation is carried out by the Scheme Actuary every three years to assess the level of the Scheme's assets against the expected amount of money needed.

The Scheme Actuary also carries out an approximate annual update of the Scheme's funding position between triennial valuations, in order to see whether the recovery plan is on track.

Triennial actuarial valuation as at 31st March 2023

The most recent triennial actuarial valuation of the Scheme as at 31st March 2023 showed a funding surplus of £1.6m.

As the Scheme was in surplus as at 31st March 2023, Home Group is not required to pay deficit contributions into the Scheme.

Home Group will though pay contributions into the Scheme of 25.0% of Pensionable Salaries in respect of future accrual of benefits for active members, along with £0.4 million per year for the Scheme's ongoing administration expenses of the DB Section. In addition, Home Group pays the Scheme's annual Pension Protection Fund (PPF) levy, which amounted to £67,858 for the year commencing 1st April 2023.

In the year to 31st March 2025, Home Group will also pay around £5.0 million into an escrow account which the Trustees can use in certain circumstances.

Contributions paid over the period 1st April 2023 to 1st April 2024 were in line with the Schedule of Contributions agreed following the previous valuation as at 31st March 2020.

Annual update as at 31st March 2024

The Scheme Actuary's approximate annual update as at 31st March 2024 showed a further improved financial position with a funding surplus of around £15.1m.

The next formal actuarial valuation of the Scheme is due as at 31st March 2026. This is a complex and detailed process and could take up to 15 months to complete. In between valuations, the Trustees obtain approximate updates annually to monitor the Scheme's funding position.

Changes in the funding position

We last reported a surplus of £4.8m as at 31st March 2022. This reduced in the year to 31st March 2023, mainly due to the use of more prudent assumptions which place a higher value on the liabilities and higher than expected inflation.

The improvement in the following year was then mainly due to a rise in government bond yields which has reduced the value of the Scheme's liabilities and the contributions paid into the Scheme by Home Group.

Longer-term objective

DB pension schemes will in future have to have a longer-term objective to become fully funded on 'low risk' assumptions by the time they are significantly mature. In this context, 'low risk' means that, once a scheme has reached full funding, there will be only a minimal chance of the scheme needing further contributions or support from the employer.

The full details of this requirement are still awaited. However, as part of the actuarial valuation as at 31st March 2023, the Trustees aligned the Scheme's funding basis with what they consider to be 'low risk' assumptions.

The updates above therefore mean that the Scheme is estimated to have surplus assets on 'low risk' assumptions.

Winding up the Scheme – the buy-out position

The above figures have been prepared on the basis that the Scheme continues in its current form. If the Scheme were to start to wind up, Home Group would be liable to pay a one-off contribution to the Scheme to cover the extra cost of securing members' benefits with an insurance company. If this had happened at 31st March 2023, the contribution required from Home Group would have been an estimated £20.1m.

It is a legal requirement to include this information in this statement and it does not imply that Home Group is thinking about winding up the Scheme.

The buy-out position is reassessed as part of each triennial actuarial valuation, and the next assessment will therefore take place as at 31st March 2026.

Additional protection

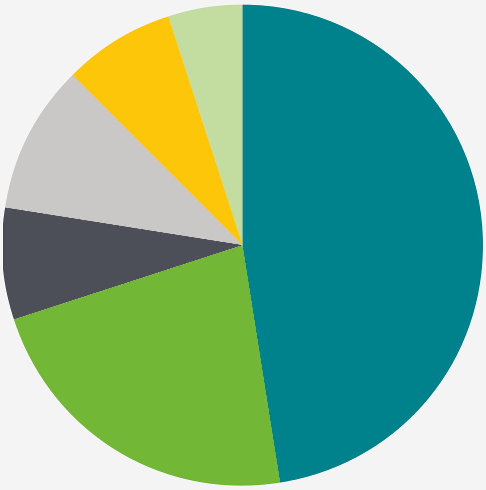
If an employer becomes insolvent, for example if it were unable to pay the one-off contribution due to its pension scheme on winding-up, the Pension Protection Fund can pay compensation to members of the scheme in certain circumstances. Further details are available at www.ppf.co.uk/our-members.

The Pensions Regulator looks after work-based pension schemes and has certain powers it can use if it has concerns about a scheme. It has not used any of these powers in relation to this Scheme.

Investments

The pie chart below shows the Trustees' benchmark investment strategy for the DB Section of the Scheme as at 31st March 2024, summarised by asset class. The relevant investment manager is shown in brackets.

Benchmark Investment Strategy



Index-Linked Gilts (LGIM)	47.5%
Buy-and-Maintain Corporate Bonds (BlackRock)	22.5%
Climate Aware World Equity (UBS)	7.5%
Corporate bonds (Janus Henderson)	10%
Multi-Asset Credit (Janus Henderson)	7.5%
UK Property (Nuveen)	5%

Broadly, this strategy follows a 20% allocation to 'growth assets' and an 80% allocation to 'risk-reducing assets.'

Growth assets, which include equities, multi-asset credit and property, are expected to generate real rates of return above inflation over the longer term. Risk-reducing assets, which include government and corporate bonds, are expected to change in value in a broadly similar way to some or all of the Scheme's liabilities.

Investment strategy

As well as monitoring the performance of each of the Scheme's investment managers, the Trustees also periodically review the overall investment strategy of the Scheme, to ensure that the Scheme is investing appropriate amounts in each asset class.

Following the significant change in strategy and de-risking of the Scheme's assets in 2022, there was a further adjustment to the investment strategy in 2023 on the advice of the Scheme's former investment consultant. The Scheme's funding position had improved again which created a further opportunity to de-risk. De-risking involves moving some of the Scheme's growth investments, such as equities, into risk-reducing investments, such as bonds.

The hedging characteristics of these lower-risk assets also means that the Scheme was able to lock in some of the improvement in its funding position.

As part of this de-risking, 10% of the equities with UBS were disinvested and moved into index-linked gilts with LGIM.

The Trustees appointed XPS Group to provide investment advice from 1st January 2024, and XPS carried out an Investment Strategy Review following the completion of the 2023 triennial valuation. A key priority of this review is refining the risk-reducing asset portfolio to achieve a closer match to the Scheme's liabilities, and to increase the liquidity of the investment strategy to support the Scheme's ongoing cashflow needs.

Socially-responsible investment

The Trustees believe that environmental, social and governance (ESG) factors may have a material impact on investment risks and future returns. However, because the Scheme invests in pooled funds (which are open to many different investors), the investment managers must exercise the stewardship function on behalf of their investors, for example by engaging where necessary with companies to improve their environmental policies. The Trustees review, at least annually, how ESG factors, including climate change, are integrated into the investment managers' processes and whether the managers are exercising their voting and engagement rights in accordance with best practice.

The Trustees and their investment consultant considered ESG and climate change factors as part of the Investment Strategy Review.

Statement of Investment Principles

The Trustees have prepared a Statement of Investment Principles (SIP), which sets out their investment policies, including their approach to responsible investment. The SIP has been updated to incorporate the further de-risking from growth assets into risk-reducing assets in Q3 2023.

The SIP is publicly available on the Home Group website at the link below.

https://www.homegroup.org.uk/about-us/working-with-us/careers/benefits-and-rewards/home-group-pension-and-life-assurance-scheme/

The Trustees have also prepared a Statement of Investment Arrangements (SIA) which sets out the investment funds and managers currently selected. A copy of the SIA is available to members on request.

Implementation Statement

The Trustees prepare an annual Implementation Statement explaining how they have complied with the policies which are outlined in the SIP, and how the investment managers have undertaken their voting and engagement responsibilities on the Scheme's behalf.

The latest Implementation Statement for the DB Section of the Scheme was prepared for the year to 31st March 2023, and was published as part of the annual Trustees' Report and Financial Statements. The Implementation Statement is available through the website link shown above.

Points of interest

Guaranteed Minimum Pensions (GMPs) – rectification and equalisation

If you earned benefits in the Scheme before 6th April 1997, it is very likely that part of your pension entitlement will include a right to a Guaranteed Minimum Pension (GMP). The GMP is the minimum pension that the Scheme is required to provide you with because the Scheme was contracted-out of the State Additional Pension (this used to be called SERPS). Your GMP forms part of your overall pension from the Scheme, but it is subject to different legal rules which affect how it must be increased before and after you retire.

The Scheme has now completed the process of correcting members' pensions where GMP discrepancies have arisen between their records and those held by HMRC. If you were affected, you will have been notified of an adjustment to your pension by the Scheme's Administrator, XPS Administration.

Additionally, laws around how GMPs were built up and paid were different for men and women (reflecting differences in the state pension between men and women at the time these benefits were built up). This means there are sometimes small inequalities in the overall Scheme pension. Following various legal rulings, the Trustees continue to consult with their advisers to decide on the appropriate method for correcting these inequalities and expect to begin work on the project over the coming year. The Trustees currently expect that any adjustments will be made towards the end of 2025, at the earliest. Note that any adjustments due as part of the GMP equalisation work will be pension uplifts (i.e., pensions will not be reduced due to these changes). You will be notified if there is to be any change to your pension entitlement once GMP equalisation has been completed, but any adjustments are expected to be small.

Check your State pension

From April 2016, the government introduced a new State pension, replacing the previous basic State pension and State additional pension.

If you reached State pension age before April 2016, you were not affected by this change. If you reach State pension age after April 2016, then the State pension you had already earned up to that date will count towards the new State pension. You will also earn 1/35th of the new State pension for each further year you pay National Insurance contributions, until you have reached the full entitlement of £221.20 per week (for 2024/25).

It's important to know that, as a member of the DB Section of the Scheme, you were contracted-out of the State additional pension. When working out the State pension you had earned up to April 2016, the government makes a deduction to reflect the fact that you were contracted-out for this period, and had therefore paid lower National Insurance contributions.

State pension age is also set to rise, depending on your date of birth. For people reaching State pension age now, it will be age 66 for women and men. For those born between 6th April 1960 and 5th March 1961, there will be a phased increase in State pension age to 67. State pension age will further increase to age 68 between 2044 and 2046, although the government continues to review this timetable. To find out your State pension age and to obtain an estimate of your new State pension, go to **www.gov.uk/check-state-pension**

Beware of pension scams!

The Trustees are keen to remind members of the dangers of pension scams, as the level of scam activity in the UK relating to pensions continues to be a cause for concern. Generally, the scams start by persuading you to transfer your fund to another pension arrangement, sometimes with the prospect that all or part of your fund can be released to you as cash. Remember that, if you are under 55, it's illegal for you to access your fund unless you are retiring due to ill-health.

Some of the tell-tale signs of pension scams are:

- An offer of a free pension review
- The promise of guaranteed returns on your investment

- Low tax/tax-free rates, including tax-free lump sums
- Exotic sounding and/or overseas investments
- Pressure to sign up quickly to avoid missing out.

The Government introduced a ban on 'cold calling' in relation to pensions. If you receive a call about pensions from someone you haven't asked to call you, and with whom you have no existing relationship, then it is likely that caller is acting illegally. You would be strongly advised to take the caller's name and then end the call immediately.

Trustees of pension schemes now have the power to prevent a pension transfer taking place if the conditions proving the legitimacy of the receiving scheme are not met, or if any of a number of 'red flags' arise in relation to the circumstances of the transfer. This means that pension scheme trustees and scheme administrators now have an even more important role to play in helping to protect members from pension scams. They will need to carry out additional checks when dealing with a pension transfer request, and if the evidence obtained is not satisfactory, they will alert the trustees who may refuse to pay the transfer.

These new protections are not a substitute for members' own responsibility to ensure they do not become the victim of a pension scam. Key to this is making sure that you have taken appropriate independent financial advice, you are familiar with the pension arrangement to which the transfer is to be made, and that you know why the transfer is being made.

The Annual Allowance

The pension savings you can make tax-free in each tax year (the year beginning 6 April) to all pension arrangements combined are limited to the Annual Allowance (AA). The Annual Allowance rose from £40,000 in 2022/23 to £60,000 in 2023/24 and is due to remain at £60,000 for 2024/25.

A reduced Annual Allowance may apply if you have taxable income above a certain threshold. Also, if you access a DC pension pot flexibly, there is a lower annual limit on the amount of contributions that you can subsequently pay with tax relief into another DC arrangement. This lower annual limit is known as the Money Purchase Annual Allowance and is £10,000 for 2024/25.

Changes to pensions savings tax

The Lifetime Allowance (LTA) , which was the maximum amount of tax relieved pension savings an individual could build up over their lifetime, was removed on 6 April 2024.

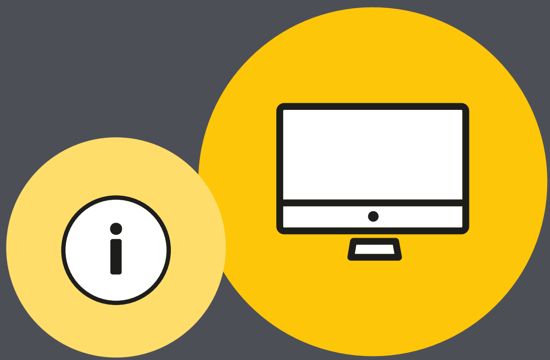
However, a new limit applies to the maximum amount most members will be able to take as a tax-free lump sum across all of their pension savings.

You may wish to seek financial advice if your pension benefits are impacted by the limits above.

Pensions dashboards

Pensions dashboards will enable individuals to access their pensions information securely online. The intention is for the dashboards to provide clear and simple information about your multiple pension savings, including your State Pension.

The Trustees are working with our advisers to connect to the Pensions Dashboards Programme in 2025.



Helpful websites about pensions

The following external websites provide useful information and are recognised independent sources:

MoneyHelper

MoneyHelper is part of the **Money and Pensions Service (MaPS)**, which is an arm's-length body sponsored by the Department for Work and Pensions (DWP). It joins up money and pensions guidance to make it quicker and easier to find the right help. MoneyHelper brings together the support and services of three government-backed financial guidance providers: **the Money Advice Service, the Pensions Advisory Service** and **Pension Wise**. Visit their website for lots of information and support about your money matters.

www.moneyhelper.org.uk/en

Citizens Advice Bureau

www.citizensadvice.org.uk/debt-and-money/pensions

Age UK

www.ageuk.org.uk

There are numerous others, but you'll need to be cautious. Use online sites for background information, but you should seek independent financial advice before making key decisions about pensions, such as whether or not to transfer your pension to another arrangement.

Keeping in touch

Have your personal circumstances changed?

If your benefits from the Scheme have not started to be paid, or have been in payment for less than five years, a lump sum will be payable by the Scheme if you die. The Trustees have discretion as to who should receive the lump sum, but you can nominate who you wish them to consider. If you have not already done so, we recommend that you complete a nomination form, sometimes also called an expression of wish form.

Forms can be obtained from the Pensions Administrator by e-mailing **pensions@homegroup.org.uk**

Active members can update their beneficiary details using the link to the HRD Self Service Forms in Oracle self service.

If you have completed a nomination form in the past, you should review it if your personal circumstances have changed. If you are in any doubt, please complete a new form.

Please help us by ensuring your address on the Scheme's records is up to date. If your address has changed or if you need anything further, please contact the Pensions Administrator.

Lost pensions

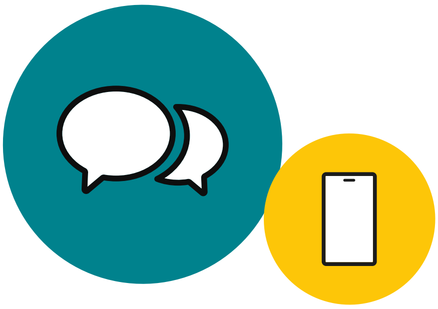
If you have lost track of any pension savings built up elsewhere, there is a tracing service available.

www.gov.uk/find-pension-contact-details

Queries and complaints

All comments are helpful. If you think we can improve our services, please let us know. All queries about the Scheme, other than requests for information, should in the first instance be addressed to the Pensions Administrator, whose contact details are shown in the 'Useful information' section at the end of this Review.

If you are not satisfied with the response to your enquiry, the Scheme has an internal disputes resolution procedure (IDRP). A copy of the IDRP can be obtained from the Pensions Administrator. The IDRP explains what further steps are available to you if you are unable to resolve your complaint satisfactorily.



Useful information

Trustees

Bhavna Kumar, Align Pensions, Chair

Sarah Deans

Harry Drennan

Chris Hopkins

Rachel Lawson

Harry Lowe

You can contact the Trustees via the Pensions Administrator.

Pensions Administrator

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