

The John Hogg & Co Limited Retirement Benefits Scheme

Scheme Financial Update at 30 September 2022

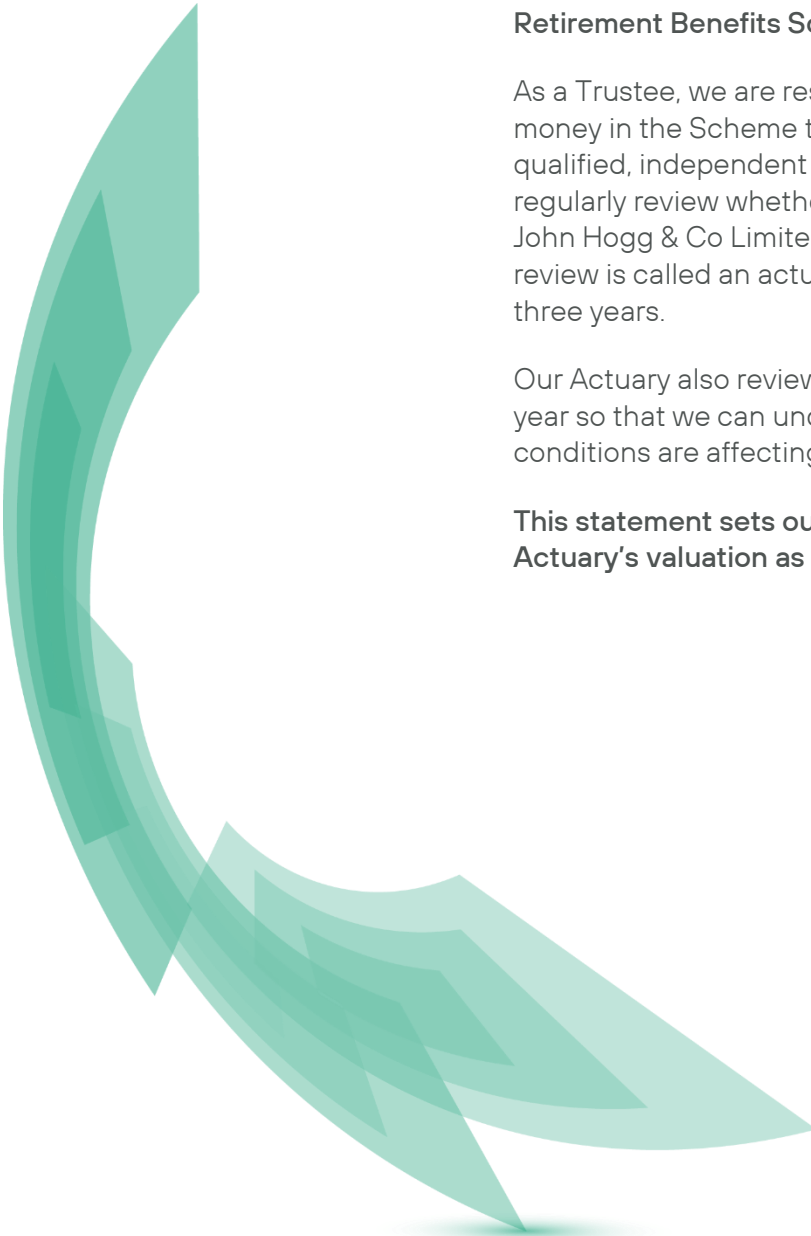
The purpose of this update is to give you some important financial information about the funding position of the John Hogg & Co Limited Retirement Benefits Scheme

This statement is from the Trustee of The John Hogg & Co Limited Retirement Benefits Scheme (referred to as the "Scheme").

As a Trustee, we are responsible for making sure there is enough money in the Scheme to pay everyone's benefits. We have appointed a qualified, independent professional, known as an Actuary, to help us regularly review whether the Scheme has enough money and whether John Hogg & Co Limited (the "Employer") needs to pay more. This review is called an actuarial valuation and is carried out at least every three years.

Our Actuary also reviews the financial position of the Scheme every year so that we can understand how changes in financial market conditions are affecting the Scheme.

This statement sets out the Scheme financial position following our Actuary's valuation as at 30 September 2022.



The Scheme's funding position

Since the formal valuation as at 31 March 2020, the Scheme's funding level has improved from 58% to 69%.

The Scheme is a "defined benefit" or "final salary" pension scheme. This means that your benefits are based on the period of time you were earning benefits in the Scheme and your salary in the years prior to you ceasing to earn benefits.

The Scheme holds a pot of assets (or investments) that will be used to pay all members' benefits. It does not hold individual accounts for each member. If additional funds are required to pay for members' benefits, these must be provided by the Employer.

The formal valuation of the Scheme as at 30 September 2022 showed that we need an extra £4.6m of assets to be able to pay everyone their benefits in the future.

The shortfall of £8.3m at 31 March 2020 decreased to £4.6m at 30 September 2022. The changes were mainly due to changes in market conditions, deficit contributions paid into the Scheme and higher than assumed asset returns over the inter-valuation period. These improvements were partially offset by changes to the derivation of financial assumptions to align the Technical Provisions to a low dependency basis, as well as higher than assumed inflation over the period.

The results are as follows:

Results (£'m)	2020 Valuation 31 March 2020	2022 Valuation 30 September 2022
Scheme Assets (A)	11.3	10.2
Value of Scheme Benefits (B)	19.6	14.8
Shortfall in the Assets (A-B)	(8.3)	(4.6)
Funding level (A ÷ B)	58%	69%

In order to eliminate this shortfall, the Employer paid contributions of £540,000 in the period from 1 October 2022 to 30 September 2023, an additional £2m payment on 30 September 2023 and has agreed to pay a further contribution of £2m by 31 March 2024.

An annual funding update will be carried out as at 30 September 2023 and the next full actuarial valuation of the Scheme will have an effective date as at 30 September 2025.

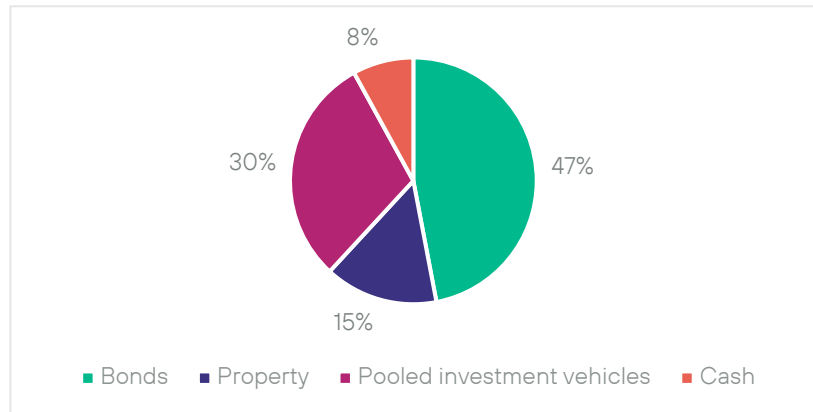
The Employer has agreed to accelerate the Scheme to full funding by payment of £4.54m by 31 March 2024.

A broad allocation of the Scheme's assets as at 30 September 2022 is set out opposite.

The Scheme's assets

The Scheme has an investment strategy, whereby they invest in both 'growth' and 'matching' assets, which are managed by investment managers. The 'growth' assets include shares and property holdings and the 'matching' assets include bond holdings. Bonds are effectively loans to the issuer and are considered lower risk investments than company shares.

The Scheme's long-term investment strategy is to build up a portfolio invested mainly in gilts and bonds to reduce the volatility in the Scheme's funding level.



Further details regarding the investment strategy are contained in our statement of investment principles, a copy of which is available on request.

As at 30 September 2022, our Actuary estimated that we would have needed an additional £7m on top of our assets to buy all our benefits with an insurance company. This is called a solvency estimate.

The Scheme's solvency estimate

The funding position shown on the previous page is on the basis that the Employer will continue to be able to provide financial support to the Scheme in the event of a shortfall arising in the future, for example due to poor investment returns. If the Employer were to become insolvent, we may need to consider transferring the Scheme's assets to an insurance company who would then be responsible for paying members' benefits. This is normally a more expensive way to pay benefits because the insurers that take over such responsibilities need more money to allow for their profit and the additional risks they are taking on.

The Pension Protection Fund

If the Employer becomes insolvent and there is not enough money to buy all the benefits with an insurance company, members may be protected by the Pension Protection Fund (known as the PPF). The PPF is a government body which provides a safety net for all members but would pay lower benefits than the Scheme would.

For more information on how and why a pension scheme enters the PPF, and the benefits that members would be entitled to, please visit the PPF's website at www.ppf.co.uk.

Pensions developments

Things remain busy in the world of pensions. Some relevant developments have been summarised for your information here.

Volatility in financial markets

There was significant volatility in UK financial markets following the government's mini-budget on 23 September 2022. Gilts rose above 4.5% over a matter of days, resulting in the Bank of England intervening to ensure markets remained functional. Yields then reduced, remaining relatively stable over the duration of Q1 2023. However since then, yields have steadily risen over Q2 and Q3 of 2023, reaching similar levels to those seen at the height of volatility in 2022, with markets remaining volatile.

Inflation

Annual inflation rose to 10.1% (Consumer Prices Index - CPI), and 12.6% (Retail Prices Index - RPI) in September 2022. While this has fallen to 6.7% and 8.9% respectively for September 2023, it is expected to take several years for inflation to reduce to meet the Bank of England's 2% target.

Cost of living crisis

As a Trustee, we continue to be aware of the current cost of living crisis in the UK. If you have any questions around your benefits please contact the Scheme's administrator using the contact details below.

More widely, the Trustee encourages you to check you are claiming all the government support you are eligible for by checking this website: www.gov.uk/benefits-calculators.

GMP Equalisation

If you joined the Scheme before 6 April 1997, part of your overall pension benefit is known as Guaranteed Minimum Pension (GMP). Historic rules set by the UK government meant the terms on which GMPs have been paid are not equal for males and females. Following a High Court ruling, we now need to adjust for any past differences and ensure equality going forward. This means that some members may see a small change to their overall pension in the future.

The Trustee is progressing work with their advisers and will provide further updates and details to affected members in due course.

Protecting yourself against pension scams

It is important to know the warning signs when it comes to pension scams. Often scammers will try to persuade pension savers to transfer their entire pension savings, or to release funds from your savings, by offering incentives such as higher returns or releasing cash before age 55.

What to look out for

- Calls, texts or emails from unknown numbers or email addresses
- Phrases such as “free pension review”, “pension liberation”, “loan”, “cashback”
- Guarantees that they can get you better returns on your pension savings
- Help to release cash from a pension before the age of 55, with no mention of the tax implications
- Complicated or unusual, high-risk investments

Help and advice

- The Government’s Pension Wise service (provided by MoneyHelper) explains your options at retirement (www.moneyhelper.org.uk)
- Speak to an adviser authorised by the Financial Conduct Authority (FCA) (<https://register.fca.org.uk>)
- Visit the Pensions Regulator website for more information on pension scams (www.thepensionsregulator.gov.uk)
- If you think you have been a victim of a scam, please report it to the FCA on 0800 111 6768 or email consumer.queries@fca.org.uk

Further information

Your benefits in the Scheme

If you are considering leaving the Scheme by transferring your benefits to another pension arrangement, we recommend that you obtain advice from a financial adviser.

You can find information about advisers local to you by visiting www.unbiased.co.uk

You can also contact MoneyHelper (formerly the Pensions Advisory Service) at any time for free and impartial guidance. You can find their contact details at www.moneyhelper.org.uk

Your Scheme administrators - Isio

If you have changed your address or wish to change your nominated beneficiary then please let us know by writing to us:

By email: johnhogg@isio.com

By letter: Isio, PO Box 4916, Interface Business Park, SN4 4RX

As administrator for the Scheme, Isio holds and processes personal data about the Scheme's members and beneficiaries enabling them to carry out their duties in respect of the Scheme on behalf of the Trustee.

The Privacy Notice sets out details of the data which the Scheme collects and what this is used for. We have attached the latest copy for your information, if however, in the future you would like to request a further copy of this please contact us using the details above.

Other information

By law, we are required to confirm whether any payment has been made to the Employer out of the Scheme's assets since the last Scheme financial update. We must also tell you if the Scheme has been modified by the Pensions Regulator or whether the Pensions Regulator has made any directions regarding the Schedule of Contributions or how Scheme benefits are valued.

We can confirm that none of these events has occurred.

Finally, there are a number of documents about the Scheme which are available for you to read. Please contact us if you would like to receive a copy of any of the following documents (a charge for copying and distribution may apply and we will confirm these costs when we receive your request):

Actuarial Valuation Reports – this shows the Scheme’s latest financial position. The most recent valuation is as at 30 September 2022.

Recovery Plan – this sets out how the Employer has agreed to pay contributions to the Scheme so that it has enough money to pay everyone’s benefits

Schedule of Contributions – this shows the total amount of money the Employer has agreed to pay into the Scheme for the duration of the Recovery Plan

Statement of Funding Principles – this sets out how the Trustee and the Employer have agreed to assess the financial position of the Scheme

Statement of Investment Principles – this sets out our policy on investing the Scheme’s assets

Scheme Rules – These are the legal documents which set out how the Scheme is run

