

The 2022 annual newsletter of the L&Q Housing Trust Staff Benefits Plan

Saving for retirement

L&Q

The Trustees would encourage you to register and log into the online member portal regularly to review your pension and investment choices.

You can access it here:
www.lqpensionplan.co.uk



It's been a busy year for the Plan and since the last newsletter we have:

1

Completed a value for money assessment for the Defined Contribution (DC) section of the Plan

The Trustees concluded the Plan provides good value for members. The Chair's Statement contains lots of detail on investment charges and how the Plan is run. If you're interested in finding out more, this can be viewed on the home page of the online portal.

2

Undertook a review of the self-select investment options for the DC section of the Plan

The Trustees concluded the Plan's self-select investment options remained suitable for the Plan's members. However, the Trustees are keen to understand members' views on the range and have included an opportunity for feedback within this newsletter.

3

Prepared the Implementation Statement

The Trustees have prepared the Implementation Statement for the Plan, which sets out how the policies and practices outlined in the Statement of Investment Principles have been implemented over the Plan year.

4

Appointed a new member-nominated Trustee; Jasmin Bryan

We're delighted to welcome Jasmin Bryan on board - you can find out more about the current Trustees in this newsletter.

5

Began work on the 2022 valuation for the Defined Benefit (DB) section of the Plan

The Scheme Actuary is currently completing the full triennial valuation as at 1 April 2022 and results will be finalised soon. Members will be informed of the results once the valuation has been completed.

You'll find further information on these projects and more in the following pages.

You can contact our pension advisers, Hymans Robertson, at LQpensions@Hymans.co.uk or 0121 210 4334.

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The Trustees

The Trustees are responsible for running the Plan in accordance with the Trust Deed and Rules, the legal documents that govern it. As part of their responsibilities, the Trustees invest the Plan's assets and oversee the payment of benefits to members and other beneficiaries. The current Trustees are:

Trustees	
Richard Butcher (Chairman)	Independent Trustee, Zedra Governance Limited
Tom Nicholls	Employer-appointed Trustee
Amy Gilham	Employer-appointed Trustee
Jasmin Bryan	Member-nominated Trustee
Paul Hornsby	Member-nominated Trustee

We're delighted to welcome Jasmin Bryan to the Trustee board as a new Member-nominated Trustee. Jasmin has shared a few words about joining the board:

I'm Jasmin Bryan and I recently became a Member Nominated Trustee (MNT) to replace Taryn Paton who is no longer an employee of L&Q so was not able to continue in her role as MNT.



I qualified as a Chartered Tax Adviser in 2000 and spent over 18 years working in practice at KPMG and BDO, before joining L&Q as Head of Tax in March 2018. In my current role I have responsibility for the tax affairs of L&Q Housing Trust and its subsidiary companies. L&Q's Tax team sits as part of the Finance Directorate and ensures that L&Q's tax strategy is aligned with its charitable purpose and commercial objectives, as well as making sure that the L&Q Group fulfils its numerous tax compliance obligations each year.

Although my knowledge of pensions is limited at this stage, I really enjoy the challenge of learning and I'm looking forward developing my understanding of pensions so that I can properly fulfil my duties as MNT. As part of this I've now started The Pensions Regulator training programme which is required to be completed by all new trustees within 6 months of being appointed.

In my life away from L&Q and learning about pensions, I love to travel and explore new destinations whilst sampling the local cuisine.

The Trustees always welcome members' views. If there is any aspect of the Plan you'd like to comment on, or discuss further, please get in touch at: pensionsLQ@lqgroup.org.uk



Pensions News

Cost of living crisis and pension contributions

The Trustees are mindful that the cost of living is increasing and putting pressure on many people's monthly budgets. Pension saving is however for the long-term and continuing with regular pension savings allows you to receive accumulated interest over the long-term which can turn a small pension pot into a significant amount when regular contributions are made over a long period of time.

The recent budget announcements from the Government did not include any change to the tax advantages in relation to pension savings. This means that you will continue to receive tax relief on pension contributions; effectively this means that for most people contributions are deducted from salary before any taxation is applied. As such, the cost of paying pension contributions is lower than the cost of the monetary value of the contributions if they were to be paid out of post-tax income.

The Trustees are carefully monitoring the changes in financial conditions such as rising inflation, interest rates and current market volatility, to ensure that investment arrangements remain appropriate. Pension savings are however long-term in nature and therefore short-term economic fluctuations are unlikely to significantly impact members' outcomes. We are however keeping a close eye on the latest developments in conjunction with the Plan's advisers.

Pension scams

Fraudsters have been taking advantage of the additional worry about personal finances caused by the coronavirus pandemic and the cost of living pressures to take advantage of members. It's wise to be alert to the dangers of pensions scams. A tactic commonly used by pension "scammers" is calls that try to entice individuals to have transfer values paid from their existing pension plans or arrangements.

This could involve "promises" to release money before age 55 or to pay greater sums than are allowed. If you do decide to choose a new pension provider, you are urged to be careful and make sure that they are legitimate before you transfer.

You should never be pressured into making a decision. The Pensions Regulator, the UK regulator of workplace pension schemes, is keen to raise awareness of pension scams and their guidance on the matter can be found at www.thepensionsregulator.gov.uk/en/pension-scams.

Where can I go for help?

'Scamsmart' is a campaign set up by the Financial Conduct Authority to help pension scheme members like you avoid pension and investment scams. Visit www.fca.org.uk/scamsmart for further information, to check an investment or pension opportunity you may have been offered or to check who you are dealing with.

State Pension increase and changes to State Pension age

The State Pension rose in April 2022 by 3.1% and is expected to increase by 10.1% in April 2023 after the UK experienced high levels of inflation during 2022.

The State Pension age for both men and women is currently age 66 and will gradually increase to age 67 by 2028. The Government also plan to increase the minimum pension age, which is currently age 55, to age 57 by 2028 in line with the rise in State Pension age.



Plan Facts and Figures

Defined Benefit (DB)

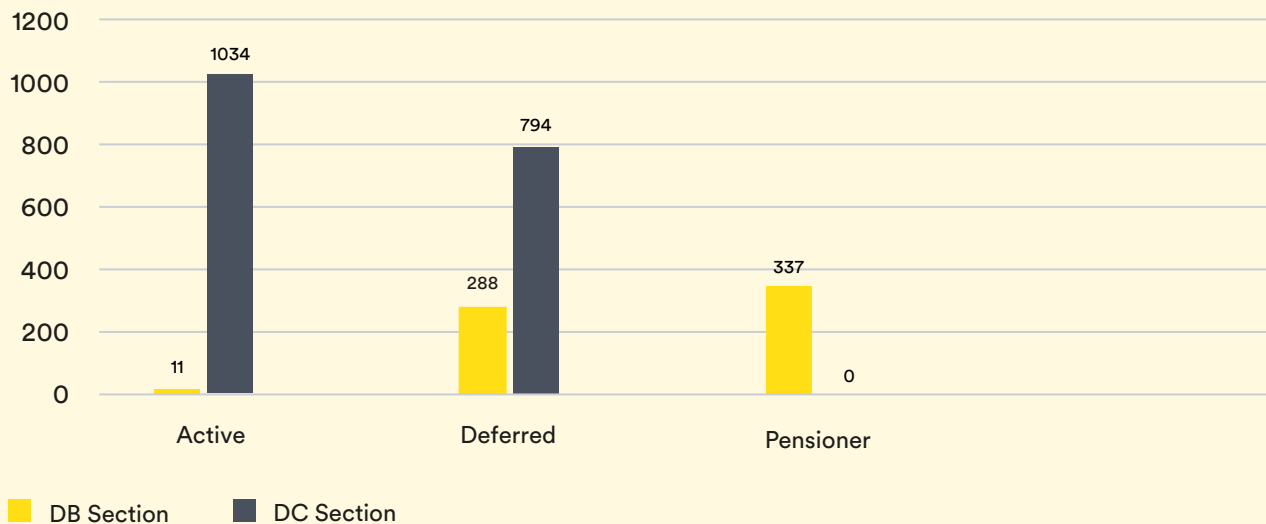
A pension scheme where the pension paid is based on a set of calculations, using a member's pensionable salary and pensionable service. This is sometimes known as a final salary scheme.

Defined Contribution (DC)

The amount in your pension pot at retirement is based on how much has been paid in and how well your investments have performed.

Membership Figures

As at 31 March 2022 (the date of the last audited accounts) there were **2,464** members of the Plan:



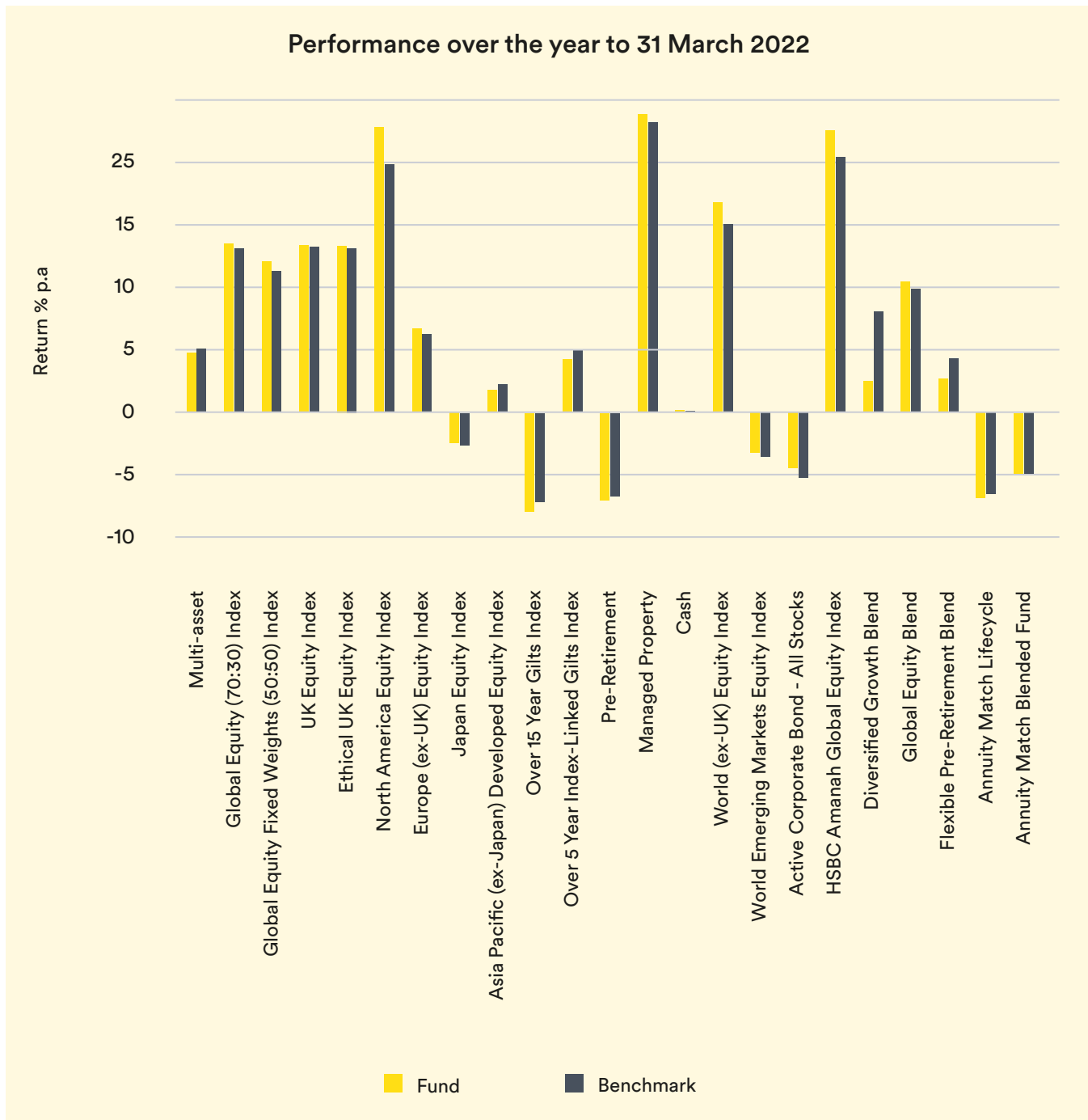
At 31 March 2022 the net assets of the Plan were **£238.6m**. The audited Plan accounts for the year ending 31 March 2022 can be viewed on the online portal or you can request a copy at LQpensions@hymans.co.uk



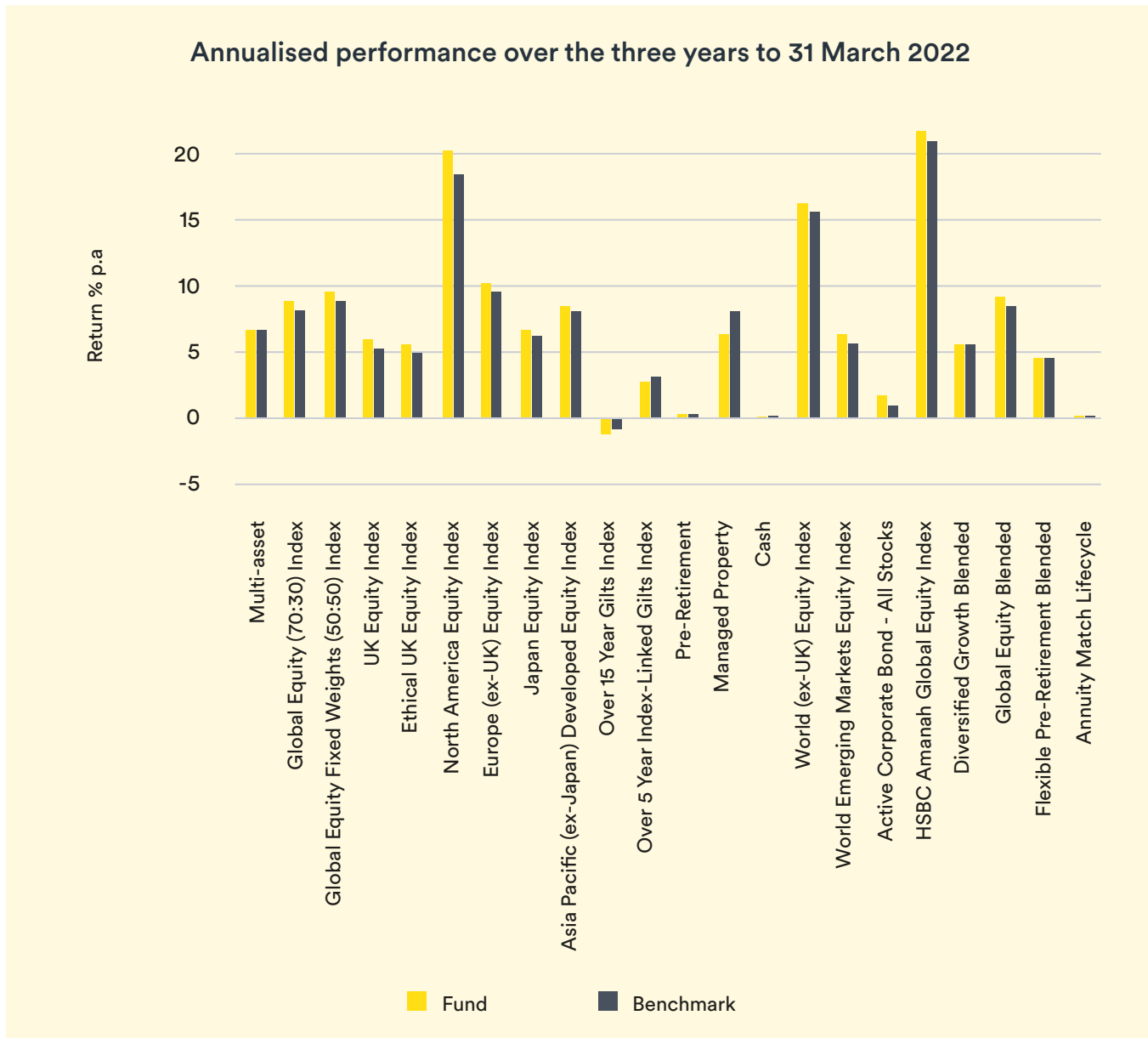
Investment Performance

DC Investment Performance

Members of the DC Section have a range of funds that they can choose to invest their retirement savings in. The chart below displays how these funds have performed, gross of fees, over the 1 and 3 year periods to 31 March 2022.



DC Investment Performance



* Fund performance is shown gross of fees for all managers.

2021 was a challenging year for investment markets because of the uncertainty created by the COVID 19 pandemic. The Russian invasion of Ukraine has caused greater than usual volatility in the values of many investments since February 2022. The sanctions imposed on Russia may also have longer-term economic impacts which could affect future investment returns.

The Trustees continue to remain vigilant and are considering whether any action needs to be taken in relation to the investments on offer through the Plan. While no changes to how the Plan is invested are planned at present, the Trustees are monitoring the situation with the help of their advisors.

For most members, pensions are a long-term investment and in the short term the default investment strategy is designed to reduce exposure to such volatility as you near retirement. However, the Trustees will continue to monitor events closely and keep members updated where necessary.

The Trustees recommend you regularly review your fund choices to ensure they remain appropriate for your circumstances. If you are approaching retirement and taking your retirement savings from the Plan, you may want to consider your plans carefully.

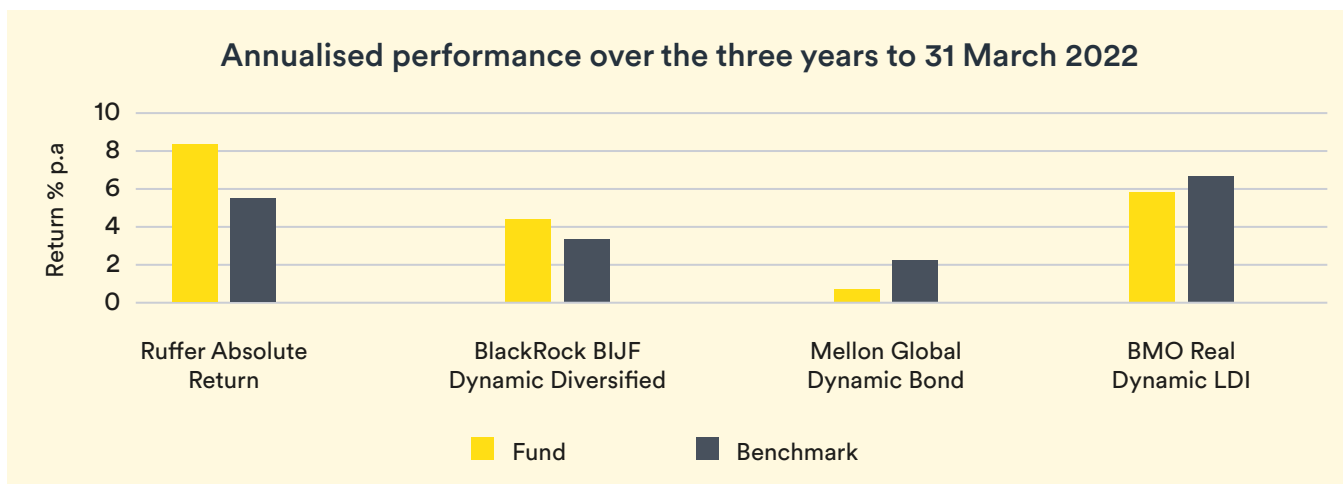
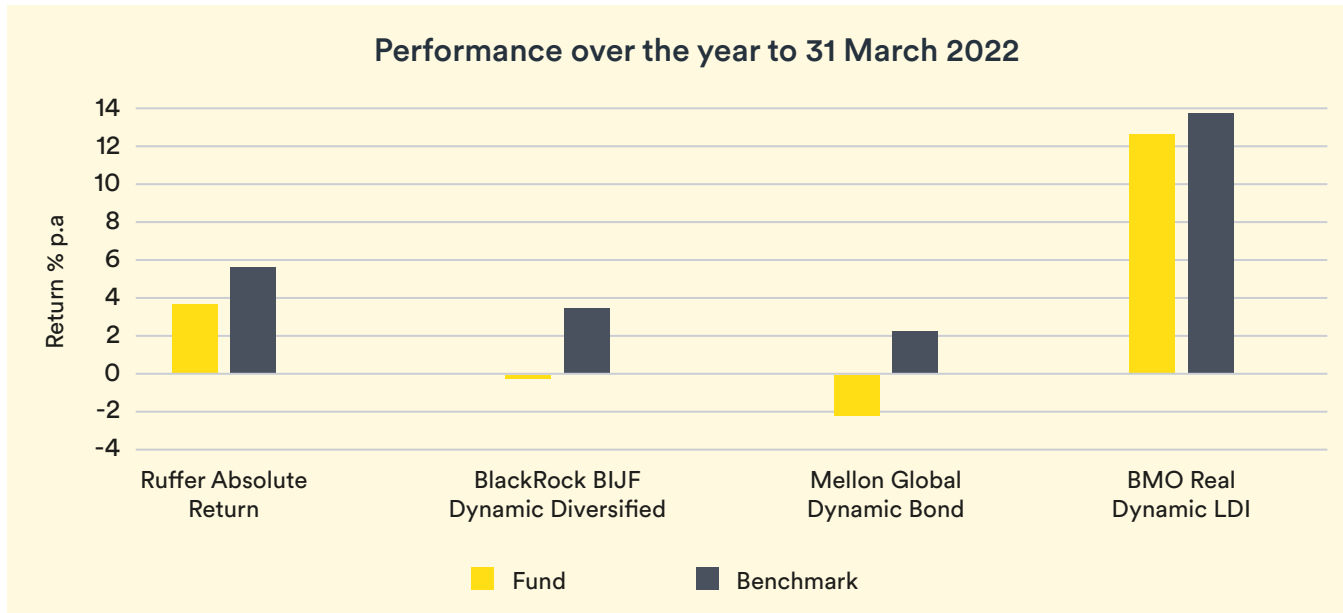
Please note that neither the Trustees nor L&Q can offer you any financial advice. You should consider obtaining financial advice if you are unsure if your investment choices remain suitable for you, or if you are considering changing your investments. If you don't have a financial adviser, you can find one in your area via www.moneyhelper.org.uk

DB Investment Performance

The Trustees are responsible for regularly reviewing the performance of these funds and whether the strategy remains appropriate for meeting the Plan's liabilities over the long term.

The DB section's total invested assets rose from £147.9m at 31 March 2021, to £150.3m at 31 March 2022. The table below displays the returns achieved by the DB investment funds against the benchmark returns over the one and three year periods to 31 March 2022.

DB Investment Performance



* Fund performance is shown net of fees for all managers.





Self-select options in the DC section of the Plan

During the Plan year, the Trustees undertook a review of the self-select investment options. The Trustees concluded that the self-select investment options remained suitable, but we are keen to understand members' views on the range available. We have included a few questions below which would like to gather views on but welcome any general comments or feedback on the investment options available to members too.

1. The Plan currently includes a UK focused ethical equity option. Would you be interested in a globally focused ESG alternative as part of the fund range?
2. Would you be interested in the introduction of regionally focused ESG tilted equity funds?
3. The Plan also includes two multi asset options. Would you be interested in an alternative ESG focused multi asset option?

If you do have any comments on the above, please get in touch using the contact details in this newsletter or via pensionsLQ@lqgroup.org.uk.



Chair's Statement

Each year the Pensions Regulator requires the Plan to complete a Chair's Statement for the DC Section. This year's statement includes an analysis of the charges incurred for the funds available to members over the Plan year, the actions and training undertaken by Trustees throughout the Plan year and the objectives and actions the Trustees will look to complete during the following Plan year.

The full Chair's Statement can be found on the online portal at www.lqpensionplan.co.uk/

Value for Members

Each year, the Trustees of the Plan carry out an assessment of the extent to which the Plan offers "Value for Money". This assessment allows the Trustees to fulfil the Pension Regulator's requirement to consider the extent to which the member-borne charges represent good value for you.

Members do not pay for any material aspects of the DC Section of the Plan, only bearing the cost of transactions, which arise when assets are bought or sold, or transitioned between investment funds. The Trustees consider the transaction costs borne by members are reasonable when compared with similar schemes and that members receive good value from their membership of the Plan overall.

Implementation Statement

The Trustees are required by law to prepare a Statement of Investment Principles (SIP) for the Plan. The purpose of this document is to outline the Plan's default investment arrangement and other investment options alongside the investment objectives and policies adopted by the Trustees. These policies include the Trustees' investment beliefs, the risks affecting the Plan and how these risks are managed (including financially material considerations such as Environmental, Social and Governance considerations and climate-related risks). It is a requirement that the SIP is reviewed every three years or when there are changes to the Plan's investments.

Each year the Trustees have to report on how they have implemented practices outlined in the Statement of Investment Principles – this is known as the Implementation Statement. The Trustees have prepared the Implementation Statement outlining how they implemented the policies and practices in the Plan's Statement of Investment Principles on behalf of Plan members during the year ending 31 March 2022. The following areas are covered within the Implementation Statement:

- Changes that have been made over the Plan year to the Statement of Investment Principles – the Trustees made some changes to the Plan's DB investment strategy over the year
- How the Trustees have governed and managed the Plan's investments over the year – there were no changes to the Trustees' governance processes over the last year
- How the Trustees have ensured their platform provider and fund managers are suitable – the Trustees have monitored fund performance on a quarterly basis
- How the Trustees have monitored the Plan in terms of Stewardship and Responsible Investment – the Trustees' approach to sustainable investing has not changed during the last year
- The voting experience of investment managers in the funds used by the DB and DC section of the Plan – the Trustees remain satisfied that the stewardship and voting policies remain suitable for the Plan
- The Trustees' plans for the next year.

If you want to find out more, you can find a copy of the Plan's Statement of Investment Principles and Implementation Statements at www.lqpensionplan.co.uk/

Member website

As a reminder, you are able to access your pension account through pensionsWEB. Registering access for the secure area of the website will enable you to:

- View details of your pension benefits
- Model your projected benefits at retirement
- View details of any nominated beneficiaries
- Log any requests or queries to Hymans Robertson.

The Trustees are very pleased that some of you have logged in and are using this site regularly.

If you haven't logged in or checked on your pension recently, the Trustees would encourage you to take advantage of this tool. You can access it here:



You can access it here:
www.lqpensionplan.co.uk/



Funding update for the DB Section

Please note the following information is only relevant to members with benefits in the DB Section of the Plan.

A full triennial valuation of the DB Section of the Plan was carried out as at 1 April 2019, with results being finalised in March 2020. The results are summarised below.

Position at 1 April 2019

Total value of the Plan's member benefits	£144.3m
Total value of the Plan assets	£133.7m
Shortfall	(£10.6m)
Funding level (assets/value of member benefits)	93%

Whilst the 1 April 2019 triennial valuation was being undertaken, L&Q agreed to continue to pay deficit reduction contributions into the Plan of £130,000 per month over the period until 31 March 2020. On completion of the valuation, L&Q agreed to increase contributions to £205,000 per month from 1 April 2020 to 31 March 2024.

The Scheme Actuary is currently completing the full triennial valuation as at 1 April 2022 and results will be finalised soon. Members will be informed of the results once the valuation has been completed.

2021 summary funding statement

The Plan's funding position was re-evaluated as at 1 April 2020 and 1 April 2021. The funding position at these dates were as follows:

	1 April 2021	1 April 2020
Total value of the Plan's member benefits	£146.4m	£152.3m
Total value of the Plan assets	£147.7m	£129.0m
Shortfall	£1.3m	(£23.3m)
Funding level (assets/value of member benefits)	101%	85%

Over the two-year period to 1 April 2021, positive returns on the assets and contributions paid into the Plan increased the value of the Plan's assets. This increase was partially offset by the outgoing benefit payments and as a result of a fall in government bond yields (which increased the value of members benefits). Overall, this led to an improvement in the funding position over the two-year period.

The funding position as at 1 April 2021 was an improvement compared to the last update as at 1 April 2020. This improvement can be primarily attributed to a significant increase in assets as a result of contributions paid into the Plan and positive asset returns, and an increase in government bond yields (which decreased the value of members benefits). This has been partially offset by the outgoing benefit payments.

We are required by law to let you know the estimated amount of assets that would have been required for all members' benefits to have been completely secured with an insurance company if the Plan were to be wound up. At 1 April 2019 this was £209.6m, resulting in a shortfall of £75.9m. Please note that the inclusion of this information does not imply that the Employer or the Trustees are thinking of winding-up the Plan and the Employer remains fully committed to ensuring the financial security of member's benefits.

We are required to inform you what would happen if the Plan started to wind up. If the Plan winds up, you might not get the full amount of pension you have built up even if the Plan is fully funded under our funding plan. However, whilst the Plan remains ongoing, even though funding may temporarily be below target, benefits will continue to be paid in full.

If the Plan were to start to wind up, the Employer is required to pay enough into the Plan to enable the members' benefits to be completely secured with an insurance company ("full solvency"). It may be, however, that the Employer would not be able to pay this amount. If the Employer becomes insolvent, the Pension Protection Fund may take over the Plan and pay compensation to members but note that the compensation may not necessarily be at the same level as the benefits that are provided by the Plan.

Further information and guidance are available on the Pension Protection Fund's website at:

www.pensionprotectionfund.org.uk

Or you can write to the Pension Protection Fund at:

**The Pension Protection Fund
Renaissance
12 Dingwall Road
Croydon
CR0 2NA**

We are required to notify you if there have been any payments to the Employer out of the Plan since the previous summary funding statement. We confirm that there have not been any such payments.

Contact details

For questions relating to the Plan, your benefits or about logging on to the Plan website, please contact the administrator, Hymans Robertson:



0121 210 4334



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Hymans Robertson
Seventh Floor
45 Church Street
Birmingham
B3 2RT



LQpensions@hymans.co.uk quoting your name,
the Plan name and your National Insurance number.

The L&Q logo is displayed in white text on a yellow rectangular background.

L&Q

For more information

L&Q Group
T: 0300 456 9998
www.lqgroup.org.uk