

Chair's Statement

The Solicitors' Law Stationery Society Limited Pension Scheme Chair's statement regarding the governance of defined contribution arrangements Reporting Period – 6 October 2021 to 5 April 2023

1. Introduction

- 1.1. This statement has been prepared by Vidett Trust Corporation Limited (formerly PSGS Trust Corporation Limited) ("the Trustee"), the Trustee of the Solicitors' Law Stationery Society Limited Pension Scheme ("the Scheme"), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. The Scheme entered an assessment period for entry into the Pension Protection Fund ("the PPF") on 14 May 2020 as the principal employer Solicitors' Law Stationery Society Limited ("the Employer") became insolvent.
- 1.4. Prior to the Scheme entering the PPF, the Trustee is required to secure all DC benefits outside of the Scheme and is in the process of doing so by taking advice from their advisers, Barnett Waddingham LLP, on a suitable solution.
- 1.5. This statement covers the reporting period 6 October 2021 to 5 April 2023. The Trustee was not an appointed trustee of the Scheme until 8 October 2021, and is looking to discharge the remaining DC funds. The Trustee considers it reasonable and proportionate that its resources and efforts are more appropriately directed in governing and managing the discharge process effectively.

2. The Scheme's DC arrangements

- 2.1. The Scheme's DC arrangements comprise:
 - 2.1.1. The Defined Contribution Section ("the DC Section"), ignoring additional voluntary contributions (AVCs). The DC Section is administered by Utmost Life and Pensions and closed to further contributions from 31 August 2004.
 - 2.1.2. AVCs provided through 'bundled' service arrangements (administration, investment and communication services) with Aviva and Utmost Life. These provide additional benefits for members of the DC Section and the Defined Benefit Section ("the DB Section"). These arrangements have been closed to further contributions from 31 August 2004.
- 2.2. Due to the insolvency event of the Principal Employer, the Scheme entered a Pension Protection Fund ("PPF") Assessment Period with effect from 14 May 2020. As part of the PPF Assessment Period process which followed this Reporting Period, the Trustee has carefully considered the arrangements in place for DC and AVC investors and identified and managed the key potential risks posed to the Scheme.

3. Default investment arrangements

- 3.1. The Scheme is not being used as a qualifying arrangement for automatic enrolment purposes, however the Trustee has identified a default strategy for the purposes of adhering to the governance standards.
- 3.2. For members who joined the Scheme's DC Section and did not make an alternative selection, members' benefits are invested in the Utmost Life "Investing by Age" strategy ("the default").
- 3.3. The key features of the default are:

Chair's Statement (Cont)

- 3.3.1. The default uses a 'lifestyle' strategy to automatically reduce risk/volatility in the years approaching retirement age.
- 3.3.2. Up until age 55, the default allocates 100% to the Utmost Life Multi-Asset Moderate Pension Fund.
- 3.3.3. Between the ages 55 and 65, the default automatically and gradually switches out of the Utmost Life Multi-Asset Moderate Pension Fund and into the Utmost Life Multi-Asset Cautious Pension Fund.
- 3.3.4. Between the ages 65 and 75, the default allocates 100% to the Utmost Life Multi-Asset Cautious Pension Fund.
- 3.3.5. Between the ages 75 and 85, the default automatically and gradually switches out of the Utmost Life Multi-Asset Cautious Pension Fund and into the Utmost Life Money Market Pension Fund.
- 3.3.6. From the age 85, the default allocates 100% to the Utmost Life Money Market Pension Fund.

Aims and objectives of the default

- 3.4. The default provides a strategy which focuses on growing savings at a moderate rate whilst members are younger, through medium risk investments, and gradually transitioning into lower risk funds as they become older, and potentially closer to, or in, retirement, and therefore protecting members from significant falls in the value of their savings.
- 3.5. The default is designed to protect members' money. By the time they reach 85 they are fully invested in the Money Market Fund, the lowest risk fund. This approach to protection would be typical for members wishing to purchase an annuity.

Review of the default

- 3.6. No formal review of the default was undertaken in the Reporting Period. The Trustee has asked the previous Scheme trustee to confirm when the last review of the default was undertaken, as this information is not available.
- 3.7. The Trustee will consider future investment fund considerations as part of the Market Review/Provider selection process of the discharge of the DC benefits. The Trustee will assess the most appropriate investment strategy given the profile of the membership of the DC arrangements.

Further information on the default

- 3.8. Details of the default are set out in the 'statement of investment principles' included in the Accounts. This covers the investment policy in relation to the entire Scheme.

4. Core financial transactions

- 4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following:
 - 4.2.1. transfer value requests relating to members of the Scheme
 - 4.2.2. investment switches within the Scheme
 - 4.2.3. payments out of the Scheme
- 4.3. Core financial transactions for the DC Section were undertaken by Utmost. Following the Scheme's entry into the PPF assessment period, the administration of the Scheme's defined benefit (DB) benefits has subsequently been carried out by Barnett Waddingham (Scheme Administrator), who will liaise closely with the Trustee to ensure core financial transactions are undertaken promptly and accurately.

Chair's Statement (Cont)

- 4.4. The Trustee does not have sight of the controls and monitoring arrangements that were in place prior to Barnett Waddingham's appointment as administrator in December 2021, and after the end of this reporting period. As such, the Trustee has focussed on the current arrangements that have been put in place following its appointment.
- 4.5. Core financial transactions for the AVC arrangements were undertaken by Aviva and Utmost.

Controls and monitoring arrangements

- 4.6. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:
 - 4.6.1. The Trustee has a Service Level Agreement (SLA) in place covering the accuracy and promptness of transactions, under which the Scheme Administrator have defined SLAs for certain tasks. This covers not only payments out of the scheme but also the administrator's other services, such as assisting with member queries and amending member records. The administrator aims to process at least 95% of core financial transactions within the service level for each type of transaction.
 - 4.6.2. The Trustee receives bi-annual stewardship reports from the Scheme's Administrator which provide details of any notifiable events, complaints and upcoming decisions. The administrator's performance against the SLA is tracked on a monthly basis. Any issues uncovered regarding inaccuracies with core financial transactions are included within the quarterly reporting and considered at each Trustee meeting.
 - 4.6.3. The Scheme's membership data is periodically reviewed and will be assessed as part of the process to discharge DC benefits (before the Scheme enters into the PPF or transfers to an insurer)
 - 4.6.4. The Scheme Administrators processes are subject to a formal external audit for the annual assurance report on internal controls.
 - 4.6.5. Daily monitoring of the Trustee bank account.
 - 4.6.6. External Audit of the annual report and accounts.

Performance during the Reporting Period

- 4.7. The Trustee received bi-annual reports from the administrator during the Reporting Period.
- 4.8. The Trustee has not identified material issues with the accuracy and timeliness of core financial transactions since its appointment on 8 October 2021 and the subsequent appointment of Barnett Waddingham as Scheme Administrator. At the end of the Reporting Period, there were no outstanding administration issues of which the Trustee is aware.

Assessment

- 4.9. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the Reporting Period, the Trustee believes that core financial transactions have been processed promptly and accurately.

5. Member-borne charges and transaction costs

- 5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:
 - 5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).

Chair's Statement (Cont)

5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges in relation to the DC Section

5.2. The following table provides details of the charges and transaction costs for each of the investment options provided through the DC Section over the Reporting Period (data sourced from each relevant investment manager):

Investment option	TER (p.a.)	Transaction costs (p.a.)
Default investment arrangement*	0.50% - 0.75%	0.00%
Utmost Life Multi-Asset Moderate Pension Fund	0.75%	0.00%
Utmost Life Multi-Asset Cautious Pension Fund	0.75%	0.00%
Utmost Life Money Market Pension Fund	0.50%	0.00%

* The quoted charges and transaction costs for the lifestyle strategy are calculated as a composite of the underlying fund charges and transaction costs. These fund holdings and therefore also charges will vary depending upon each member's term to retirement age.

Charges in relation to AVCs

5.3. The following table provides details of the charges and transaction costs for each of the investment options provided through the AVC arrangement over the Reporting Period (data sourced from Aviva*):

Investment option	TER (p.a.)	Transaction costs (p.a.)
Aviva Deposit	0.60%	0.00%
Aviva Mixed Investments (40%-85% shares) S2	0.70%	0.00%
Aviva with Profits 1	0.70%	0.00%

*Aviva have not been able to provide the transaction costs in a timely manner and so these will be updated once the information has been received.

Impact of costs and charges

5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations, and these are set out in the Appendix.

Value for members

5.5. Under regulations the Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.

5.6. Given that the Scheme has entered PPF assessment, and the DC assets are soon to be discharged, the Trustee has not formally assessed the extent to which the charges and transaction costs of the current investments represent good value for members, as they believe that their resources and efforts are more appropriately directed to governing the selection and implementation of a solution pending the conclusion

Chair's Statement (Cont)

of the PPF assessment period. However, the Trustee is of a view that if a formal assessment was undertaken, taking into consideration the Scheme's circumstances, the assessment would conclude that the charges and transaction costs would represent good value for members.

6. Disclosure of net investment returns

6.1. As per the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 that came into effect from 1 October 2021, the Trustee is required to report on the Scheme's net investment returns, covering all lifestyle and self-select investment options available to members. The net investment return disclosures have been produced in line with the June 2021 statutory guidance entitled "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

6.2. The statutory guidance recommends trustees disclose net investment returns covering at least a five-year period. The Trustee reports on the Scheme's net investment returns in the table below (Source: Utmost):

Lifestyle Strategy	Age of Member at start of reporting period (years)	Annualised Returns – 1 year (2022 to 2023)
Default	25	
	45	4.89%
	55	
	60	4.89%
	65	0.83%

	Investment Fund	Annualised Returns – 1 year (2022 to 2023)	Annualised Returns – 3 years (2020 to 2023)	Annualised Returns – 5 years (2018 to 2023)
Select Fund Range	Multi-Asset Moderate Fund	4.30%	2.12%	-
	Multi-Asset Cautious Fund	1.05%	-1.85%	-
	Money Market Fund	3.02%	0.91%	0.56%

Chair's Statement (Cont)

7. Trustee knowledge and understanding

The Trustee Board

- 7.1. The Trustee Board comprises a professional, independent trustee company, Vidett (formerly PSGS Trust Corporation Limited).

Trustee knowledge and understanding requirements

- 7.2. Trustees are required to be conversant with a scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.
- 7.3. As a professional independent trustee company, the Trustee brings a high degree of pension experience, knowledge, and expertise.

Approach

- 7.4. The Trustee is one of the largest professional trustee firms in the UK which provides its staff with bespoke training involving external experts who present on a periodic basis on subjects including defined contribution arrangements.
- 7.5. The Trustee is subject to Audit and Assurance Faculty (AAF) audit requirements which requires the attendance of each of its staff at 5 or more technical training sessions per year which ensure that the Trustee has a high level of Trustee Knowledge and Understanding (TKU) which they are able to use when exercising discretion and setting the Scheme's strategic direction.
- 7.6. The Trustee consults with professional advisers as and when required, for example on consultancy, governance and legal matters. Its professional advisers alert the Trustee, and where appropriate provide training, on relevant changes to pension and trust law.
- 7.7. The Trustee's professional advisers provide support in relation to understanding and application of the Scheme's documents, e.g. the trust deed and rules.
- 7.8. The Trustee maintains a training log and is up to date with the Pension Regulators toolkit
- 7.9. Upon appointment as Sole Trustee, the Trustee obtained all of the Scheme's key documents (including the Declaration of Trust) and now has a working knowledge of these documents. Where further clarification is required about the Scheme's governing documentation, the Trustee takes legal advice from Osborne Clarke LLP.

Activities over the Reporting Period

- 7.10. The Trustee has requested and received actuarial input on Hampshire, Hughes and Bauer judgments and is awaiting legal advice on these.
- 7.11. With regards to the DC discharge work, the Trustee has sought legal input on the discharge documentation provided by external parties and with DC consultants on the options available in terms of a DC vehicle and potential provider.
- 7.12. The Trustee continues to refer to internal support on the general code and any changes and also reviews DC requirements with the in-house DC service line.
- 7.13. The Trustee has continued to comply with the DC governance obligations (e.g. Chair Statement, Statement of Investment Principles)

Chair's Statement (Cont)

Assessment

- 7.14. The Trustee considers that its combined knowledge and understanding, together with the access to professional advice enables it to properly and effectively exercise its trustee functions in relation to the Scheme's DC and AVC arrangements.
- 7.15. The PPF panel advisers who provide advice in respect of the Scheme are all firms that are on PPF panels and therefore are required to meet appropriate standards to obtain the PPF Trustmark status with regards to their advice including accounting estimates. The Trustee is also compliant with the PPF Trustmark. The PPF Trustmark recognises the PPF's panel firms' specialist knowledge as well as their commitment to delivering the high levels of service set by the PPF.

31/10/2023

Director on behalf of

Date

Vidett Trust Corporation Limited

Chair of the Trustee

Chair's Statement (Cont)

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the DC Section and the investment options offered were analysed in determining the parameters to be used.

A1.3. Pot size: pot sizes of £16,000, £24,000 and £32,000 have been used; these represent the 25th percentile, the median and the 75th percentile of pot values (rounded to the nearest £500) of DC Section members as at 27 September 2023.

A1.4. Deferred members: illustrations have been provided for deferred members assuming no future contributions.

A1.5. Timeframe: the illustrations are shown over a 15 year time frame as both members have already reached retirement age.

A1.6. Investment options: the investment options selected for the illustrations include the Default, the most popular by total value invested, the highest charged fund, the lowest charge fund, the fund with the highest assumed investment return and the fund with the lowest assumed investment return.

Investment option	Rationale for inclusion	Assumed return above inflation*	TER	Transaction cost**
Default Lifestyle Strategy	Default strategy and most popular choice	-2.25% - 0.70%	0.50-0.75%	0.0001-0.067%
Utmost Life Multi-Asset Cautious Pension Fund	Most popular choice	-0.30%	0.75%	0.046%
Utmost Life Multi-Asset Moderate Pension Fund	Highest assumed investment return and highest charge	0.70%	0.75%	0.067%
Utmost Life Money Market Pension Fund	Lowest assumed investment return and lowest charge	-2.25%	0.50%	0.0001%

* Projected growth rates, gross of costs and charges, for each investment option are in line with the 2022 Statutory Money Purchase Illustrations (SMPIs).

** The statutory guidance requires trustees to use an average of the last five years' transaction costs (insofar as they are able) when producing the illustrations. As we have data for the last two years only, the figures are worked out from a two year average..

Guidance to the illustrations

A1.7. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.8. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.

A1.9. Values shown are estimates and not guaranteed.

Chair's Statement (Cont)

A1.10. The starting date for the illustrations is 27 September 2023

A1.11. The illustrations are presented in two different ways:

A1.11.1. For the default, a lifestyle strategy, the illustrations should be read based on the number of years until the member reaches their retirement age. This is because the underlying funds used and therefore the costs and charges changes over time and this is reflected in the illustrations.

A1.11.2. For the self-select funds, the illustrations should be read based upon the number of future years that a member expects to be invested in those funds.

Default Lifestyle Strategy

A1.12. This is the default strategy for the DC Section and the most popular choice by number of members.

Illustration basis	Years from taking benefits	Starting pot size £16,000		Starting pot size £24,000		Starting pot size £32,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred member	0	£16,000	£16,000	£24,000	£24,000	£32,000	£32,000
	1	£15,969	£15,844	£23,953	£23,766	£31,938	£31,688
	3	£15,953	£15,582	£23,930	£23,373	£31,906	£31,164
No Contributions	5	£16,000	£15,383	£24,000	£23,075	£32,000	£30,767
	10	£16,394	£15,150	£24,591	£22,725	£32,788	£30,300
	15	£16,961	£15,064	£25,442	£22,596	£33,923	£30,128

A1.13. Note on how to read this table: If a deferred member had £16,000 invested in this option on 27 September 2023 when they came to retire in 10 years, the savings pot could grow to £16,394 if no charges are applied but to £15,150 with charges applied.

Utmost Life Multi-Asset Cautious Pension Fund

A1.14. This is most popular choice through the DC Section.

Illustration basis	Years of investment	Starting pot size £16,000		Starting pot size £24,000		Starting pot size £32,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred member	0	£16,000	£16,000	£24,000	£24,000	£32,000	£32,000
	1	£15,953	£15,829	£23,930	£23,743	£31,906	£31,658
	3	£15,860	£15,492	£23,790	£23,238	£31,720	£30,984
No contributions	5	£15,767	£15,163	£23,651	£22,744	£31,534	£30,325
	10	£15,538	£14,369	£23,307	£21,554	£31,076	£28,738
	15	£15,312	£13,617	£22,968	£20,426	£30,624	£27,234

A1.15. Note on how to read this table: If a deferred had £16,000 invested in this option on 27 September 2023, after 10 years of membership, the savings pot could grow to £15,538 if no charges are applied but to £14,369 with charges applied.

Chair's Statement (Cont)

Utmost Life Multi-Asset Moderate Pension Fund

A1.16. This is the option with the highest assumed investment return and highest charges provided through the DC Section.

Illustration basis	Years of investment	Starting pot size £16,000		Starting pot size £24,000		Starting pot size £32,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred member	0	£16,000	£16,000	£24,000	£24,000	£32,000	£32,000
	1	£16,109	£15,982	£24,164	£23,973	£32,219	£31,964
	3	£16,330	£15,945	£24,495	£23,918	£32,660	£31,891
Contribution level: 0%	5	£16,554	£15,909	£24,831	£23,863	£33,108	£31,818
	10	£17,127	£15,818	£25,690	£23,728	£34,254	£31,637
	15	£17,720	£15,728	£26,580	£23,593	£35,439	£31,457

A1.17. Note on how to read this table: If a deferred member had £16,000 invested in this option on 27 September 2023 after 10 years of membership, the savings pot could grow to £17,127 if no charges are applied but to £15,818 with charges applied.

Utmost Life Money Market Pension Fund

A1.18. This is the option with the lowest assumed return (gross of charges) and is also the lowest charged option provided through the DC Section.

Illustration basis	Years of investment	Starting pot size £16,000		Starting pot size £24,000		Starting pot size £32,000	
		Before charges	After charges	Before charges	After charges	Before charges	After charges
Deferred member	0	£16,000	£16,000	£24,000	£24,000	£32,000	£32,000
	1	£15,649	£15,571	£23,473	£23,356	£31,298	£31,141
	3	£14,969	£14,746	£22,454	£22,120	£29,939	£29,493
Contribution level: 0%	5	£14,319	£13,966	£21,479	£20,949	£28,639	£27,931
	10	£12,815	£12,190	£19,223	£18,285	£25,630	£24,380
	15	£11,469	£10,640	£17,204	£15,960	£22,938	£21,280

A1.19. Note on how to read this table: If a deferred member had £16,000 invested in this option on 27 September 2023, after 10 years of membership, the savings pot could be to £12,815 if no charges are applied or £12,190 with charges applied.