Date: July 2021

The Morris & Spottiswood Employees' Pension Scheme

Annual Chair's Statement for the Scheme Year

This statement has been prepared by the Trustees of the Morris & Spottiswood Employees Pension Scheme ("the Scheme") in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended). It explains how the Trustees have met their legal obligations in relation to:

- The investment options in which members' funds are invested (the default arrangement and other funds members can select or have assets in);
- Requirements for processing financial transactions;
- Assessment of charges and transaction costs; and
- The requirement for trustee knowledge and understanding,

over the period 1 January 2020 to 31 December 2020 ("the Scheme Year").
This statement, along with other useful documents relating to the Scheme, can be found on the following website: https://www.morrisandspottiswood.co.uk/about/our-commitments/pension-statements.

1. The Default Arrangement

i) Statement of Investment Principles

Appended to this statement is a copy of the Scheme's latest Statement of Investment Principles ("SIP") which governs the Trustees' decisions about investments, including its aims, objectives and policies for the Scheme's default arrangement. In particular, the SIP covers the Trustees' investment policies on risk, return and ethical investing and how the default arrangement is intended to ensure that assets are invested in the best interests of members.

The SIP covering the Scheme Year (1 January 2020 to 31 December 2020) was effective from 1 June 2017. Towards the end of the Scheme Year, the Trustees updated the SIP so that it meets new regulatory requirements and reflects the current default arrangements. This SIP was effective from December 2020.

The Trustees have completed an Implementation Statement for the Scheme Year to 31 December 2020. This document outlines the Trustees adherence to the policies included within the SIP.

The Trustees will review the SIP at least every three years (or after any significant change in investment policy). In the absence of any material changes, the SIP will next be reviewed in light of any changes that come out of the 2021 investment strategy review and before December 2023.

ii) Review of the default arrangements

The Trustees review the appropriateness of the default arrangements on an ongoing basis and formally at least every three years (or sooner, if there is any significant change in investment policy or member demographics), to ensure that the return on investments is consistent with the Trustee's aims, objectives and policies.

A review of the Scheme's current default arrangements since the transfer to Utmost Life & Pensions Ltd has still to be carried out however the Trustees will complete a formal review in 2021.

iii) Aims, objectives and policies relating to the Scheme's main default arrangement

The Scheme's investments transferred from a With-Profits policy with Equitable Life to Utmost Life and Pensions at the start of the Scheme Year.

In January 2020, Utmost Life and Pensions took on policies from Equitable Life and invested them for a short period in the Secure Cash Fund (a unit-linked/pooled fund investment which provided capital security for the period of investment). An uplift was applied to members accounts on transfer from Equitable Life, in compensation for the loss of the capital guarantee inherent in the With-Profits policies.

By the end of 2020, the Secure Cash Fund closed, and members assets were transferred into the Utmost Investing by Age Lifestyle Strategy. The aim of the Investing by Age default strategy is to provide stable growth for members further away from retirement, with a focus on wealth preservation in later years as a member begins to approach their retirement date. This is facilitated through having effectively three default funds, Multi-Asset Moderate Fund, Multi-Asset Cautious Fund and Money Market Fund. The proportion invested in each dependents on the age of the member and how close to retirement they are.

A range of pooled funds are also available through Utmost for members to choose based on their own individual circumstances and expected time horizon. The funds are available across a diverse range of asset classes such as equities, bonds, and money market investments/cash.

The Trustees have begun a review of both the default strategy, the performance of the default arrangement and the fund range on a regular basis to ensure continued suitability. This will be at least every three years, or without delay, after a significant change to the membership demographic or investment policy.

2. *Charges and Transaction costs*

i) Charges borne by the members

The Total Expense Ratio (TERs) measures the total charges applied to the fund's members are invested in. These charges are already accounted for within the unit price of the fund. Minor variations in TER will occur from year to year as the funds incur some fixed costs which vary as a percentage of assets as the asset value changes.

The TER borne by the members were as follows:

Fund	Total Expense Ratio (% p.a.)
Multi Asset Moderate (default strategy)	0.75
Multi Asset Cautious (default strategy)	0.75
Money Market (default strategy)	0.50
Multi Asset Growth	0.75
Sterling Corporate Bond	0.75
UK Government Bond	0.50
Managed	0.75
UK FTSE All Share tracker	0.50
UK Equity	0.75
Asia Pacific Equity	0.75
European Equity	0.75
Global Equity	0.75
US Equity	0.75
Fund of Investment Trusts	0.75
Property	1.00
Secure Cash[1]	0.50

[1]At the end of the Scheme Year, the Secure Cash Fund was closed to investors and all assets have been transferred out of the fund.

The government set a limit on the annual amount that can be charged to savers in default arrangements within defined contribution pension schemers used for auto-enrolment.

Default members investing in the default investment strategy would have seen charges between 0.75% p.a. and 0.50% p.a. depending on how far away they are from retirement. The Scheme's default arrangements therefore complied with the charges cap during the Scheme year.

ii) Transaction costs

To achieve greater transparency about costs, new regulations came into force on 6 April 2018 which require the Trustees to provide members with additional information in relation to investment charges and core transaction costs. These are required to be set out as example member illustrations that have been prepared regarding the relevant statutory guidance: Reporting of costs, charges, and other information: guidance for trustees and managers of relevant occupational schemes.

The Trustees have requested, via their advisers, transaction costs information, for every fund in the Scheme's fund range, from the Scheme's investment platform provider, Utmost Life and Pensions.

Utmost Life and Pensions have provided the Trustees with transaction costs over the past year, the total charges borne by the members were as follows:

Fund	Average Transaction Costs[2] (% p.a.)	Total Costs (% p.a.)
Multi Asset Moderate (default strategy)	0.5267	1.2767
Multi Asset Cautious (default strategy)	0.6258	1.3758
Money Market (default strategy)	0.0010	0.5010
Multi Asset Growth	0.5436	1.2936
Sterling Corporate Bond	0.0009	0.7509
UK Government Bond	0.0538	0.5538
Managed	0.1678	0.9178
UK FTSE All Share tracker	0.0885	0.5885
UK Equity	0.3932	1.1432
Asia Pacific Equity	0.3578	1.1078
European Equity	0.4338	1.1838
Global Equity	0.2383	0.9883
US Equity	0.1931	0.9431
Fund of Investment Trusts	0.4341	1.1841
Property	0.8516	1.8516
Secure Cash[1]	n/a	n/a

[1]Fund closed in December 2020 and therefore transaction costs are unavailable.
[2] Average transaction costs shown 1 January 2020 to 31 December 2020. Utmost Life & Pensions are unable to provide transaction costs prior to this date as the Scheme only transferred to Utmost Life and Pensions in January 2020.

The Trustees calculated the total costs borne by members by combining the transaction costs with the TERs for each fund.

During the Scheme Year, the total costs that applied to the Scheme's main default arrangement were:

- 1.28% per annum in the period up to ten years before the member's selected retirement date
- Between 1.28% and 1.38% per annum over the de-risking period for the 10 years before the member's selected retirement age

The illustrations for Scheme members are set out and explained in the Appendix of this Chair's Statement.

iii) Value for members assessment

There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. The Trustee, with the support of their advisers, have undertaken a value for member assessment review to assess whether the Scheme represents good value for its members. The review is carried out across six key areas, aligned to The Pension Regulator's DC Code of Practice and guidance on DC schemes. The Trustees have considered a method of assessment which encompasses the charges paid by members and a wide array of features and benefits which are provided by the Scheme and these were assessed on a red/amber/green basis to determine whether they were either behind, slightly behind, or in line with the market. The outcome of the review was documented with any areas for improvement captured.

This review concluded that on an overall basis, the Scheme provides poor value for members. Whilst there is a sound investment strategy in place, the charges incurred by members when considering the wider range of services available, in particular in relation to the retirement options available through the scheme and the range of member communications is significantly behind the wider DC market. A summary of the key findings is set out below. Given the extent of improvements required, the Trustees have started to work with the sponsoring employer (Morris & Spottiswood Limited) to explore the future pension strategy with a view to considering alternative types of DC scheme that would improve value for members.

- **Scheme Charges:** During the scheme year ended 31 December 2019, all of the Scheme's assets were invested in With Profits policies with Equitable Life. In January 2020, Utmost Life and Pensions took on these policies and invested them for a short period in the Secure Cash Fund (a unit-linked/pooled fund investment which provided capital security for the period of investment) with a member charge of 0.5%. From 1 January 2021 onwards, the scheme's default investment strategy will be Equitable Life's Investing By Age Lifestyle strategy, with a total member charge of 0.50% - 0.75%. The charges borne by members are considered to be high compared to terms expected to be achieved if a Scheme of similar metrics were to go to market.
- **Investment options**: The Scheme's default investment option has potentially valuable guarantees associated with the With-Profits Fund. In January 2020, Utmost Life and Pensions took on these policies and invested them for a short period in the Secure Cash Fund (a unit-linked/pooled fund investment which provided capital security for the period of investment). An uplift was applied to members account on transfer from Equitable Life, in compensation for the loss of the capital guarantee (and for certain with profit policies, an investment growth guarantee of 3.5%) inherent in the with-profits policies.
- **Retirement support:** The Scheme does not provide members with the same levels of flexibility at retirement as afforded by more modern schemes in the wider DC market. The Scheme's provider, Utmost Life and Pensions, provides only limited support for members in making a retirement decision. Members approaching retirement are directed towards free guidance (such as the Money Advice Service and Pensions Wise within their "pensions options packs" and information provided on the website). Members also have access to an annuity brokering service via Canada Life. Taking the wider DC market into consideration, the Scheme is deemed below average in this area.
- **Governance**: This area was identified as a key area for review by the Trustees and a number of steps have already been taken by the Trustees to address this. These include appointing professional advisers (Isio appointed in October 2020), reviewing the Scheme Statement of Investment Principles carried out in December 2020) and reviewing regularity and formality of the Trustee meetings (which are now held quarterly).

- **Administration**: The Scheme's provider, Utmost Life and Pensions, published Service Level Agreements ("SLAs") for 2020 although these are not Scheme specific. For the 2020 year, the SLAs fell slightly behind target. Utmost Life and Pensions has flagged that SLA targets were impacted during 2020 as a result of the Covid pandemic and pent up demand following the Equitable Scheme of Arrangement. The Trustees have taken steps to establish whether Management Information reporting is available but understand scheme specific reporting of this nature is not possible from Utmost Life and Pensions, which is out of line with the market.
- **Member education and engagement:** Members receive annual benefit statements from the provider. All member communications are issued via the Trustees. The Scheme is below average in this area when compared against the more modern education and engagement tools available in the wider DC market, such as online calculators, video benefit statements and apps, for example.

3. *Trustee knowledge and Understanding (TKU)*

The law requires the Trustees to possess sufficient knowledge and understanding to enable them to properly exercise their functions as a trustee including (in relation to a DC scheme) that they must be conversant with:

- The trust deed and rules of the scheme.
- The statement of investment principles.
- Any other scheme administration policies or scheme documents.

And must have appropriate knowledge and understanding of:

- The law relating to pensions and trusts.
- The principles relating to
    - The funding of occupational pension schemes.
    - Investment of the assets of such schemes.

The Trustees' own knowledge and understanding, together with the advice which is available to them through their advisers enables them to properly exercise their functions as Trustees of the Scheme. The Trustees held adhoc meetings throughout the Scheme year in order to discuss legislative change and requirements in order to meet their objectives. Since the 2019 Scheme year end, the Trustees have now moved to holding quarterly Trustee meetings.
The Trustees' approach to meeting the TKU requirements during the Scheme year included:

- Ensuring all existing Trustees have completed the Pension Regulator's Trustee Toolkit and a requirement for new Trustees to complete this within twelve months of appointment.
- The Trustees carry out a self-assessment of training needs and take personal responsibility for keeping up to date with relevant legislative and regulatory requirements. The Chair of Trustees reviews the self-assessments and arranges for training to be made available to individual Trustees or to the whole Trustee body as appropriate.
- The Trustees are aware and have an understanding of the Scheme's Trust Deed and Rules, SIP and other documents which are used to govern the Scheme. The Trustees use this knowledge along with the support of their advisers in order to make appropriate decisions as required during the year.

For these reasons, the Trustees believe that their combined knowledge and understanding, together with the advice that is available to the Trustees, enable them to properly exercise their function as the Trustees of the Scheme.
During the Scheme Year, the Trustees have worked towards meeting the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding).

This Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the regulations").

Signed on behalf of the Trustees

Paul Brown

Appendix

Background

The next pages contain illustrations about the cumulative effect of costs and charges on member savings within the Scheme over a period of time. The illustrations have been prepared with regard to statutory guidance.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustees have had to make several assumptions about what these might be. The assumptions are explained in the Notes section below the illustrations.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future. In addition, the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members each year by the Scheme.

Key points to note

The charges shown in this Statement and illustrated on the next pages have always been in place. These are not new charges. The only difference is that we are required by legislation to demonstrate the effect of charges on your investments. The Trustees work to ensure the charges provide value for our members as set out earlier in this Statement.

Illustrations

Each of the charts below illustrates the potential impact that costs and charges might have on different investment options provided by the Scheme. Not all investment options are shown - the Trustees have chosen several illustrations which they believe will provide an appropriate representative sample of the different investment choices that members can make.

In each of the illustrations, the "Before charges" column gives the hypothetical value of the investments if members were able to invest in funds at no cost. However, there will always be some cost to investing. This is because the organisations which manage the funds charge fees for their services, and because buying and selling the stocks and shares which drive the funds' performance also has a cost. The "After all costs and charges deducted" column reflects the performance of the funds after these costs have been deducted.

In the illustrations, we have shown the projections for the following:

- The Default Lifestyle Strategy (Utmost Life and Pensions Investing By Age Strategy)
- The lowest expected returning fund (Money Market Fund)
- The highest expected returning fund (UK FTSE All Share Tracker Fund)
- The lowest charging fund (Money Market Fund)
- The highest charging fund (Property Fund)

These funds cover a range of expected returns and charges in line with the legislation as well as covering the funds with the highest and lowest expected returns and the highest and lowest charges.

1) Illustrations for individual funds

The table below sets out the projected pot size at age 65 for a member currently aged 42 invested solely in one of the funds shown below. Please see the Notes below for more details of the projections.

Age	Money Market Fund		UK FTSE All Share Tracker Fund		Property Fund	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
42	1,078	1,072	1,122	1,116	1,133	1,096
45	1,035	1,020	1,167	1,147	1,179	1,067
48	994	969	1,214	1,180	1,226	1,039
52	899	854	1,341	1,266	1,354	971
57	812	752	1,480	1,357	1,495	909
62	734	663	1,635	1,456	1,650	850
65	691	614	1,735	1,518	1,751	816

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The member is assumed to have a pot of £1,100.
4. Inflation is assumed to be 2.5% each year.
5. The member is assumed to pay no contributions into their pension pot.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates adjusted for inflation for each fund are:
   - Money Market Fund: -2.00%
   - UK FTSE All Share Tracker Fund: 2.00%
   - Property Fund: 2.00%
8. The charges assumed for each fund are the current charges as shown earlier in the Chair's Statement. The growth rates and the transaction costs used for the calculations have been provided by Utmost Life and Pensions and cover the past year.

The table below sets out the projected pot size at age 65 for a member currently aged 59 invested solely in one of the funds shown below. Please see the Notes below for more details of the projections.

Age	Money Market Fund		UK FTSE All Share Tracker Fund		Property Fund	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
59	2,426	2,413	2,525	2,510	2,525	2,442
62	2,329	2,294	2,626	2,581	2,626	2,378
64	2,237	2,181	2,733	2,655	2,733	2,315
65	2,192	2,126	2,787	2,692	2,787	2,284

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The member is assumed to have a pot of £2,475.
4. Inflation is assumed to be 2.5% each year.
5. The member is assumed to pay no contributions into their pension pot.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates adjusted for inflation for each fund are:
    - Money Market Fund: -2.00%
    - UK FTSE All Share Tracker Fund: 2.00%
    - Property Fund: 2.00%
8. The charges assumed for each fund are the current charges as shown earlier in the Chair's Statement. The growth rates and the transaction costs used for the calculations have been provided by Utmost and cover the past year.

2) Illustrations for the default strategy

Most members are invested in the default strategy. The table below sets out how a member aged 42 and a member aged 59 will see their pots grow with and without charges in the period to their retirement. Please see the Notes section below for more details on the projections.

Years	Age now: 42		Age now: 59	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	1,108	1,094	2,466	2,434
3	1,123	1,081	2,447	2,353
5	1,139	1,069	2,426	2,273
10	1,179	1,038	-	-
15	1,220	1,007	-	-
20	1,239	957	-	-
23	1,235	915	-	-

Notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The starting pot size is assumed to be £1,100 for the 42 year old and £2,475 for the 59 year old.
4. Inflation is assumed to be 2.5% each year.
5. The members are assumed to pay no contributions into their pension pot.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rates adjusted for inflation are:
    - 0.70% p.a. for periods up to 10 years to retirement, gradually reducing to -0.30% p.a. at retirement age.
8. The charges assumed for each fund are the current charges as shown earlier in the Chair's Statement. The growth rates and the transaction costs used for the calculations have been provided by Utmost and cover the past year.