

**CHAIR'S ANNUAL STATEMENT**  
**for the year ending 14<sup>th</sup> February 2020**

**The EXCO Scottish Widows Pension Scheme (“the Scheme”)**

**Introduction**

In March 2015 the Department of Work and Pensions (DWP) set out new rules for the governance of Defined Contribution (DC) pension schemes. From 6 April 2015, the Trustee of each scheme must produce an annual statement, signed by their Chair, setting out a number of prescribed matters. Ramona Tipnis, representing PTL Governance Ltd, has been appointed as Trustee Chair.

The Scheme was set up on 15<sup>th</sup> February 1985. This is its annual statement for the year ending 14<sup>th</sup> February 2020. The Scheme operates under a Trust Deed and Rules dated 15<sup>th</sup> February 1985.

**Default investment strategy note and Funds holding Investments**

As there are no current active members in the Scheme, contributions ceased prior to 6<sup>th</sup> April 2015 and the Scheme is not used as a qualifying scheme for auto-enrolment, the Scheme does not have a default arrangement in terms of the regulations governing the chair's statement.

The Trustee has considered the membership profile of the scheme, which consists of two remaining deferred members, following the transfer out of benefits of one member who reached normal retirement age during the year. Both remaining deferred members have passed their Scheme normal retirement age.

One remaining deferred member is currently invested 100% in the Scottish Widows With Profits Fund. As this member has reached their Scheme normal retirement date, their value at normal retirement date is guaranteed not to reduce and held on deposit. There is no opportunity for this member to switch to any other fund. No further charges are deducted.

The other remaining deferred member is invested 100% in the Scottish Widows Cash Fund. As this member has passed their Scheme normal retirement date, the value at normal retirement date is guaranteed and the policy does have the option to switch into other Scottish Widows Unit Linked Funds. A tracing agency search was previously undertaken to try to contact this member to see if they wish to take their Scheme benefits, but the search was not successful.

The performance of the Scottish Widows With Profits Fund for 2019 was 12%. The performance of the Scottish Widows Cash Fund for 2019 was 0.0%.

**Core financial transactions**

The Trustee has noted that there have been no new contributions received and there have been no investment switches within the Scheme during the year to 14<sup>th</sup> February 2020.

There have been no payments to members or beneficiaries during the year. There has been one transfer out of the scheme during the year to 14<sup>th</sup> February 2020. The initial transfer

documents were received, the necessary checks undertaken and the transfer payment was processed within the service level agreement timeframe. The Trustee requests Scottish Widows to report that service level are met on each transaction.

### Charges and transaction costs

The Trustee noted that as there is no default investment strategy, the review of charges and transaction costs undertaken relate to those in place for the Funds under which Scheme Investments are held, being the Scottish Widows With Profits Fund and Scottish Widows Cash Fund.

There are a number of charges that are incurred in operating the With Profits Fund. These charges are not levied against individual policies, but are allowed for when Scottish Widows sets the bonus rates that determine policy payouts. The Trustee has reviewed the Principles and Practices of Financial Management, setting out the basis on which charges are made to the With Profits Fund, but the expense deductions are not specified.

	AMC	Additional Expenses	Annual Transaction Costs y/e 31-12-19
Scottish Widows Cash Fund	0.875%	-	0.01%
Scottish Widows With Profits Fund	-	-	0.20%

### Projections of the effects of charges and transaction costs

Years	Cash Fund		With Profits Fund	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	£22,944	£22,741	£31,608	£31,545
3	£22,831	£22,231	£32,860	£32,663
5	£22,720	£21,732	£34,161	£33,821
10	£22,442	£20,534	£37,644	£36,898
15	£22,169	£19,402	£41,482	£40,255
20	£21,898	£18,332	£45,711	£43,917
25	£21,631	£17,321	£50,372	£47,913
30	£21,368	£16,366	£55,508	£52,272
35	£21,107	£15,464	£61,168	£57,028
40	£20,850	£14,611	£67,404	£62,217

#### Notes

1. Projected pensions pot values are shown in today's terms, with inflation removed from return expectations and as such they do not need to be reduced further for the effect of future inflation.

2. Inflation is assumed to be 2% over the long term.
3. The starting pot size is assumed to be £23,000 for the Cash Fund and £31,000 for the With Profits fund. These are representative of the membership.
4. We have assumed no further contributions as the membership is deferred.
5. All costs, including transaction costs, are assumed to be consistent with January 2019 - December 2019.
6. Values shown are estimates and not guaranteed.
7. The projected growth rates for each fund are as follows:
  - The Cash Fund is expected to grow at 1.75% in real terms p.a. over the long term.
  - The With Profits fund is expected to grow at 4% in real terms p.a. after adjusting for bonuses over the long term.

These illustrations can be accessed at: [www.ptluk.com/chairs-annual-statements](http://www.ptluk.com/chairs-annual-statements).

They have been prepared having regard to the statutory guidance.

Members will be advised in their benefit statements that the illustrations are available at this website.

### **Good value for members**

The elements we consider in assessing whether the Scheme provides good value for members are:

- **Scheme governance and management**
- **Investment**
- **Administration**
- **Communications**
- **Charges**

**Scheme Governance and management** – The Scheme has a sole professional trustee whose charges are paid by the employer. The Scheme is administered by Scottish Widows who also administer the Scheme investments. Capita are appointed as Scheme Consultants and Pinsent Masons as legal advisers, with the fees of both advisers being paid by the employer.

**Investment** – As detailed above, the Scheme investments are held in the Scottish Widows With Profits Fund and the Scottish Widows Cash Fund. Both members have reached their Scheme normal retirement age. The member invested in the With Profits Fund has the value guaranteed at normal retirement date and held on deposit. The member invested in the Cash Fund also has the value at normal retirement date guaranteed.

**Administration** – Scottish Widows hold the members' data and deal with members when they wish to amend their details, take or transfer their benefits, or make any changes to their investment choice.

**Communications** – Communications are issued by Scottish Widows for the Scheme. The main item of communication is the annual benefit statement, including the Statutory Money Purchase Illustration. At retirement members receive the Money Advisory Service leaflet

“Your pension its time to choose” and are provided with details of the Pension Wise service. They can also speak to the administrator to discuss the options available.

**Charges** – The employer pays the cost of the Scheme services and the only charges borne by members are those outlined above within the Scottish Widows With Profits Fund and Scottish Widows Cash Fund.

The Trustee assessment is that the charges and transaction costs represent good value for members, with the exception of the member invested in the Scottish Widows Cash Fund. The Trustee has conducted a trace for this member, without success. The Trustee notes that moving investments away from the With Profits Fund could result in a loss of valuable bonuses that have been previously secured.

### **Knowledge and understanding of the Trustee**

The sole trustee of the scheme is PTL Governance Ltd (PTL), a professional trustee who PTL is represented by Ramona Tipnis. All client directors of PTL have a professional qualification appropriate to pension schemes and have completed the Pensions Regulator’s e-learning trustee toolkit. PTL undergo an annual audit of their processes and procedures under the AAF 02/07 accreditation. This includes confirmation that the client directors undertake Continuous Professional Development (CPD).

During the year to 14<sup>th</sup> February 2020 the Trustee demonstrated a working knowledge of the Scheme’s rules and investments by reviewing the following items in conjunction with the preparation of the Chair’s Statement for the year to 14<sup>th</sup> February 2020:

- The annual performance and charges of investment funds
- The benefits available to each scheme member
- Fact sheets for investment funds

The Trustee is supported by independent and professional advisers who ensure that the latest legislative, regulatory and market developments that apply to the Scheme are considered when relevant. These advisory appointments are also periodically reviewed.

We believe that the combination of these factors enables the Trustee to properly exercise its functions as Trustee of the Scheme.

**Ramona Tipnis**

*14 September 2020*

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Ramona Tipnis

Trustee Chair of the EXCO Scottish Widows Pension Scheme