

C.S.M.A. Life & Pension Scheme (1992) (the "Scheme")

Annual governance statement for the Scheme year ending 1 March 2020

1. Introduction

As Trustee of the Scheme, we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's:

- code of practice 13: governance and administration of occupational trust-based schemes providing money purchase benefits (the "**DC code**"); and
- regulatory guidance for defined contribution schemes ("**DC regulatory guidance**").

Based on our assessment, the Trustee continues to work towards adopting the standards of practice set out in the DC code and DC regulatory guidance.

As at the date of this statement there are three deferred members of the Scheme.

2. Governance of the Default Arrangement

The Pensions Regulator appointed Open Trustees Limited as Trustee of the Scheme on 5 June 2018.

The Scheme's assets are invested wholly in an insurance policy provided by Utmost Life and Pensions Limited ("**Utmost Life**"). Utmost Life is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Trustee has not prepared a statement of investment principles ("**SIP**") in relation to the Scheme because:

- as the Scheme has fewer than 100 members, it is exempt from providing a SIP under regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005; and
- the Scheme ceased to receive contributions before 6 April 2015 and Utmost Life does not operate a default arrangement in relation to members of the Scheme. As such, the Trustee is not required to prepare a default fund SIP under regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

3. Objectives of the Scheme's default approach

Utmost Life does not operate a default arrangement for members of the Scheme.

4. Core Financial Transactions

The Trustee has a duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the Scheme are processed promptly and accurately. The Trustee delegates the processing of some of these transactions to Utmost Life and then retains responsibility for processing the remaining transactions itself.

So far as the Trustee acts as administrator in respect of those transactions, an independent auditor undertakes an external audit of the Trustee's administrative processes and controls (AAF 02/07) on an annual basis. In addition, the Trustee has internal controls policies and a Scheme specific risk register in place to mitigate potential risks relating to core financial transactions. This is reviewed by the Trustee at least annually.

In terms of processing core financial transactions, no issues were identified through the year nor following the annual audit process.

5. Charges and Transaction Costs

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "**Administration Regulations**") require the Trustee to make an assessment of charges and transactions costs borne by the Scheme members and the extent to which those charges and costs represent good value for money for members.

Prior to 1 January 2020 members benefits were held in a policy with Equitable Life and members benefitted from a guaranteed minimum amount payable on retirement and a guaranteed investment return of 3.5% per annum on the guaranteed element of the with-profits investments. These guarantees are no longer applicable following the transfer of Equitable Life policies to Utmost Life on 1 January 2020. However members received an uplift to their policy values calculated in line with a Scheme of Arrangement approved by the High Court in December 2019.

Following the transfer to Utmost Life members benefits were invested in a temporary fund, the Secure cash fund, but are gradually being move to an Investing by Age strategy comprised of funds managed by J.P. Morgan Asset Management.

The objectives and charges for each of the funds can be accessed via the Utmost Life website: <https://www.utmost.co.uk/investment-funds/fund-information-heritage-equitable-life-joining-utmost-1-january-2020/fund-information-heritage-equitable-life/>

Utmost Life have confirmed that the following costs and charges apply to the funds:

Fund name	Annual fund charges	Annualised transaction costs
Secure Cash Fund	0.500%	0.010%
Multi-Asset Moderate Fund	0.750%	0.108%
Multi-Asset Cautious Fund	0.750%	0.359%

Utmost Life have confirmed that the Secure Cash Fund is guaranteed not to decrease from the price of the initial investment. Utmost Life have also confirmed that they have never charged or deducted member borne commission in relation to the fund.

Illustrations

We have set out in Appendix A an illustration of the charges and transaction costs provided to the Trustee by Utmost Life as required under the Occupational Pension Schemes (Administration and Disclosure) Amendment Regulations 2018 and relevant statutory guidance.

Conclusions

Given the above and the fact that the Scheme is in the process of being wound up, the Trustee is sufficiently comfortable that the Utmost Life policy represents good value for money for the members. The Trustee has, therefore, concluded that the Scheme's assets should remain invested in the Utmost Life policy until the Scheme is wound up.

6. Trustee Knowledge and Understanding (TKU)

Section 248 of the Pensions Act 2004 requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively.

The Trustee takes training and development responsibilities seriously and each member of the board of directors of the Trustee maintains a record of all training completed during the Scheme year. This record is reviewed annually in order to identify any gaps in knowledge and understanding and a training plan is then put in place over the course of the following Scheme year.

Each of the members of the board of directors is a UK qualified lawyer, either specialising in UK pensions law or insolvency and restructuring law. The Trustee combines the knowledge and understanding of the members of the board, together with the advice which is available to them through their consultants and advisers, to enable them to properly exercise their function as Trustee of the Scheme.

Over the course of the Scheme year, members of the board of directors have met the statutory requirement for trustee knowledge and understanding through a combination of attending structured internal training sessions relating to pensions law and practice in order to support their continuing professional development obligations.

Additionally, each of the members of the board of directors also have access to the Scheme's governing documents, in order to ensure they are conversant with those documents.

Signed:

Date: **28 September 2020**

Director of Open Trustees Limited (Chair of Trustees)

Appendix A

The following table shows the impact of charges for each fund invested. Each fund is projected over several years and shown before and after costs and charges have been deducted. The first column shows the total funds.

Term	Total Funds		INVESTING BY AGE	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	1,007	998	1,007	998
3	1,021	995	1,021	995
5	1,035	992	1,035	992
10	1,059	972	1,059	972
15	1,059	923	1,059	923
20	1,043	861	1,043	861
25	1,028	804	1,028	804
30	995	741	995	741
35	924	665	924	665
40	837	588	837	588

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) The starting pot size is assumed to be £1000 for a Female aged 50
- 3) Inflation is assumed to be 2.5% p.a.
- 4) Values shown are estimates and are not guaranteed
- 5) The projected growth rate for each fund are as follows:

Unit-Linked Equity 4.5% p.a. (FTSE Tracker, Managed, UK Equity, Asia Pacific Equity, European Equity, US Equity, Fund of Investment Trusts, Global Equity, Property)
Multi-Asset Growth 3.7% p.a.
Multi-Asset Moderate 3.2% p.a.
Multi-Asset Cautious 2.2% p.a.
Sterling Corporate Bond 1.7% p.a.
UK Government Bond 1% p.a.
Unit-Linked Cash 0.5% p.a. (Money, UK Secure Cash)