

# **Cavaghan & Gray Group Pension and Life Assurance Scheme**

## **Chair's Statement**

1 May 2023 to 30 April 2024

# Contents

<b>01</b>	<b>Introduction</b>	<b>3</b>
1.01	Governance and Queries	3
<b>02</b>	<b>Investments</b>	<b>4</b>
02.01	Investments	4
<b>03</b>	<b>Charges and transaction costs</b>	<b>5</b>
03.01	Investment manager charges	5
03.02	An illustration of the charges levied on members	6
03.03	What are the assumptions based on?	6
03.04	Asset allocation disclosure requirements	7
<b>04</b>	<b>Core financial transactions</b>	<b>9</b>
04.01	Assessing core transactions	9
04.02	Administration	10
<b>05</b>	<b>Value for Members</b>	<b>11</b>
05.01	Assessment of Value	11
05.02	Service providers	12
05.03	Communications	12
05.04	Flexibility - accessing benefits	12
05.05	Conflicts of interest	13
05.06	Conclusion	13
<b>06</b>	<b>Trustee Knowledge and Understanding</b>	<b>14</b>
06.01	Knowledge and understanding of the Trustee	14
06.02	Trustee Training	14
06.03	Conclusion	14
<b>07</b>	<b>Conclusion</b>	<b>15</b>
	<b>Appendix A - Projections</b>	<b>16</b>
	<b>Appendix B - Net Returns Statement</b>	<b>17</b>

# 01 Introduction

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**£1.22m**

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Total defined contribution funds in the Scheme.

**This is the Chair's Statement for the Cavaghan & Gray Group Pension and Life Assurance Scheme (the "Scheme") covering the period 1 May 2023 to 30 April 2024.**

As the Chair of the Trustee, I provide you with a yearly statement which explains what steps have been taken by the Trustee Board, with help from our professional advisers, to meet the new governance standards. The law sets out what information must be included in my Statement, and this is designed to help members achieve a good outcome from their pension savings.

The Scheme is not being used as a qualifying scheme for automatic enrolment purposes in relation to the Scheme's members and as such the Trustee has excluded any commentary on the 'default arrangement' sections of the regulations, on the basis that no members use the Scheme to meet automatic enrolment requirements and so no such default arrangement exists. The Scheme was closed on 1 May 2005 and contributions are no longer paid into it.

## 01.01 Governance and Queries

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The Trustee is committed to having high governance standards and meets regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration as well as continuous communication with our advisors.

I welcome this opportunity to explain what the Trustee does to help ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please contact the Scheme Secretary at XPS.

The Scheme was established by Definitive Deed dated 1 June 1979, in order to provide benefits for employees of Herdwise Limited.

I, Chris Martin was appointed as the Chair of the Trustee and am signing this Statement in that capacity.

# 02 Investments

## 02.01 Investments

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As mentioned, the Scheme is closed to future contributions and is therefore not used to supply benefits in respect of auto-enrolment legislation. However, as a consequence of the switch to Utmost Life and pensions the Scheme does have two default funds. More details are provided below.

The Scheme was established as an Exempt Approved Scheme defined in Chapter II part II of the Finance Act 1970 with The Equitable Life Assurance Society (Equitable Life). These policies were part of a transfer of business from Equitable Life to Utmost Life & Pensions (Utmost Life), which concluded on 1 January 2020. The transfer of business was primarily done to convert poor performing With Profit funds to unit linked investments and, in most cases, provided an uplift to members policies. Since the transfer to Utmost Life, members of the Scheme have been invested in the Utmost Life Multi Asset Cautious and Money Market funds. The Trustee has delegated the underlying investment and administration services to Utmost Life.

The Utmost Multi-Asset Cautious fund aims to provide capital growth in the long term by investing in a combination of asset classes including equities, fixed income, property and cash with the potential for low to moderate levels of price fluctuations.

The Utmost Money Market fund aims to preserve capital whilst aiming to provide a return in line with prevailing short term money market rates.

Utmost does provide members with a range of funds to select from should they wish to change.

Further information relating to the investment returns and charges levied on members is disclosed later in this statement.

# 03 Charges and transaction costs

## 03.01 Investment Manager Charges

The Scheme utilises the investments provided by Utmost Life. The charges levied on members comprise of:

- > Express explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio (TER); and
- > Implicit charges, such as the costs borne within the fund for activities such as buying and selling of securities within the fund's portfolio.

The charges and transaction costs applied to the Scheme's investment funds during the Scheme year, were:

<b>Fund Name</b>	<b>Annual Management Charges (AMC)</b>	<b>Transaction costs</b>	<b>Total Expense Ratio</b>
Utmost Multi-Asset Cautious	0.75%	0.2849%	1.03%
Utmost Money Market	0.50%	0.0210%	0.52%

(Source: Utmost Life & Pensions)

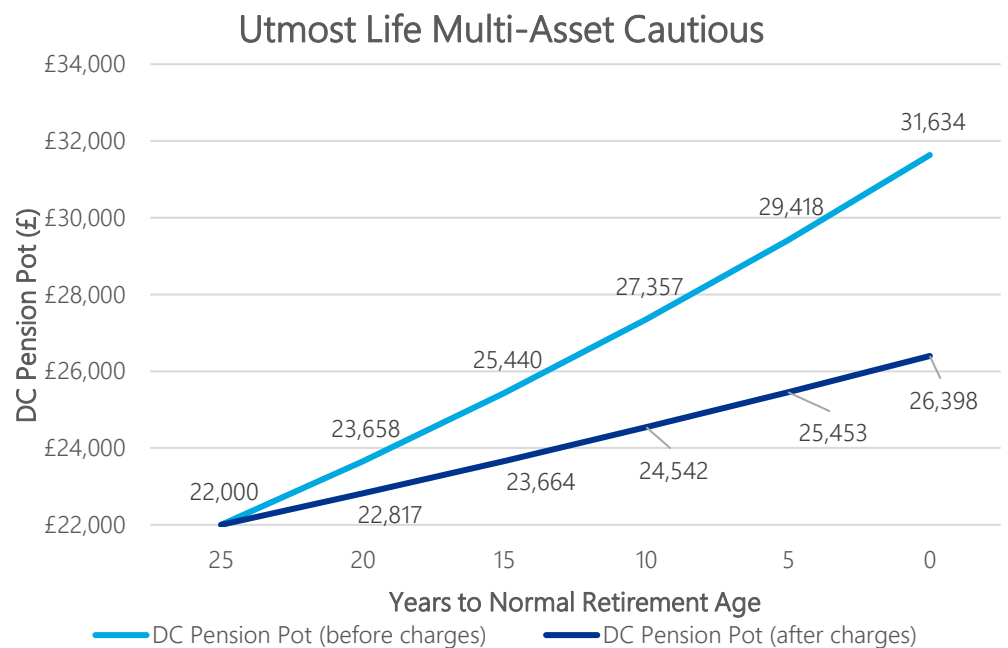
The Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, introduced in January 2018, aimed to help investors to better understand and compare the key features, risks, rewards and costs of different investments through access to a short and consumer-friendly Key Information Document (KID).

In producing this statement, the costs and charges shown make reference to this Regulation and, where possible, amalgamate any underlying costs. As a result, the statement does not try to detail all the trades made in the management of the fund(s) but amalgamates this into the overall charges applicable. The details shown are those in the most recent KID for each fund and estimates of the applicable charges are disclosed to members when they make investment decisions in the autumn each year.

# Charges and transaction costs continued

## 03.02 An illustration of the charges levied on members

Below you can find an illustration of the effect of the Total Expense Ratio costs met by members on an example pension pot over time.



This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- An initial pension pot of £22,000
- A member aged 40 years old.
- Investment returns estimated as 4.00% for the Utmost Life Multi-Asset Cautious Fund.
- Inflation of 2.5% p.a.
- Charges as disclosed in this statement.

## 03.03 What are the assumptions based on?

In preparing these illustrations, the Trustee has had regard to:

- > The Department for Work and Pensions' 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes'.
- > Actuarial Standards Technical Memorandum (AS TM1) issued by the Financial Reporting Council and
- > The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

# Charges and transaction costs

## continued

### 03.04 Asset allocation disclosure requirements

The new 2023 regulations require Trustees of relevant occupational pension schemes with a scheme year end of 1 October 2023 onwards to disclose and explain the percentage of assets allocated in the default arrangements to specified asset classes.

The regulator believes that publication of asset allocation data will be an important step towards transparency, standardisation and comparability across the pensions market and that it is important that members have access to all relevant information surrounding the investments being made using their savings and the outcomes these investments could have on their future retirement.

### 03.05 Asset allocation

XPS has received a report on how the Scheme's default investment funds are invested in light of these new regulations and have provided a breakdown of the default fund's asset allocation at ages 25, 45, 55 and one day before State Pension Age (SPA).

<u>Utmost Multi-Asset Cautious</u>	Percentage allocation: Age 25 (%)	Percentage allocation: Age 45 (%)	Percentage allocation: Age 55 (%)	Percentage allocation: Age SPA (%)
Cash	5.78%	5.78%	5.78%	5.78%
Bonds	51.97%	51.97%	51.97%	51.97%
<i>Corporate bonds</i>	33.97%	33.97%	33.97%	33.97%
<i>Govt bonds</i>	18.04%	18.04%	18.04%	18.04%
<i>Other bonds</i>	0.00%	0.00%	0.00%	0.00%
Listed equities	41.53%	41.53%	41.53%	41.53%
Private equity	0.00%	0.00%	0.00%	0.00%
<i>Venture capital/Growth equity</i>	0.00%	0.00%	0.00%	0.00%
<i>Buyout funds</i>	0.00%	0.00%	0.00%	0.00%
Property	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Private debt	0.00%	0.00%	0.00%	0.00%
Other	0.68%	0.68%	0.68%	0.68%

## Charges and transaction costs continued

<u>Utmost Money Market</u>	Percentage allocation: Age 25 (%)	Percentage allocation: Age 45 (%)	Percentage allocation: Age 55 (%)	Percentage allocation: Age SPA (%)
Cash	93.98%	93.98%	93.98%	93.98%
Bonds	6.02%	6.02%	6.02%	6.02%
<i>Corporate bonds</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
<i>Govt bonds</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
<i>Other bonds</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
Listed equities	0.00%	0.00%	0.00%	0.00%
Private equity	0.00%	0.00%	0.00%	0.00%
<i>Venture capital/Growth equity</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
<i>Buyout funds</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>
Property	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Private debt	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	0.00%	0.00%



# 04 Core financial transactions

## 04.01 Assessing Core Transactions

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During the year, the Trustee ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately by:

- having an agreement in place with Utmost Life & Pensions, committing them to defined service level agreements ("SLAs"). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions;
- having Utmost report on their performance against the SLAs above as a means of monitoring that the SLA requirements are being met and to cover what they do to ensure no issues arise; and
  - Service Level Agreements during 2023 were measured as follows:
    - 95% of payments out made within 5 days
    - 95% of illustrations completed within 10 days
    - 90% of general servicing completed within 10 days
    - All Service Level Agreements were met during 2023.

Where any error or issue is identified, the Trustee board takes appropriate steps to resolve and take action as required. As part of the journey planning, a risk register is maintained in order to minimise the occurrence of any issues and to understand any root cause.

The core financial transactions include:

- The investment of contributions - The settlement of all DC funds are actioned promptly by the administrator and the Trustee monitors the service standards of the Scheme's administrator.
- The transfer of assets relating to members into and out of the Scheme – Utmost Life & Pensions maintain and reconcile comprehensive records of individual member's investments and fund values. Any investments withdrawn or transferred to another scheme are to be processed within 10 working days following receipt of all relevant paperwork, subject to any investigations required where there is evidence of a pensions scam. All trades are checked and a total unit reconciliation carried out after each transaction.

## Core financial transactions continued

- The transfer of assets relating to members between different investments within the Scheme – Transfers between Scheme investments (switching) is available. There is no charge for switching funds. Switch instructions received by 5pm on a working day, will use the bid prices on the next working day. For instructions received after 5pm on a working day, the bid prices used are those for the next working day plus one.

There are 14 unit-linked funds available, and there is no restriction on the number of funds the member can invest in. The details are shown on Utmost Life website.

- Payments to members – All payments out of the Scheme in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Scheme rules and legislation and also complies with HMRC rules and guidance. In addition, every effort is made to check for possible pension scams including a dedicated scam interview for all transfer payments.

These transactions are undertaken and managed on behalf of the Trustee by Utmost Life & Pensions.

The Trustee is not aware of any issues relating to the procedures and timescales over the period covered by this statement.

### 04.02 Administration

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The Trustee monitors the administration function to ensure the service provides good value for members. The Trustee periodically reviews service providers and as part of this review, assess the quality and levels of service, complaints over the period and monitor the service level agreements are adhered to.

Any issues that arise are assessed and added to the Scheme's risk register and monitored both to ensure any complaints are resolved and to provide an action plan for improvement. Utmost are accredited AAF which are independently audited. Copies of the annual AAF report are published and made available for the trustees to review to evidence the quality and levels of service are achieved and ensure that financial transactions are dealt with promptly and accurately.

# 05 Value for Members

## 05.01 Assessment of Value

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When assessing the transaction costs which are payable by members, the Trustee is required to consider the extent to which the Scheme represents good Value for Members (“VfM”). For this purpose and because the Scheme had total assets of under £100m, the Trustee must compare the Scheme’s net returns, costs and transaction charges for the scheme’s default fund option or in this case the most popular self-select investment options against three comparator schemes. The Trustee can confirm that it has done so, and the results of this comparison exercise are set out below.

The Trustee has concluded that overall the Scheme, including the investment performance returns versus the comparator schemes broadly represents Value for Members. In reaching this conclusion the Trustee has considered three key areas as follows:

### Charges and transaction costs

- The annual charges for the Schemes investment funds are relatively high when compared to the default funds of the comparator schemes but not unusual for the size, type and age profile of the Scheme.
- Transaction costs incurred in the Scheme year are high for those in the multi-asset fund but acceptable in those in the Money Market fund.

### Investment Returns

- The Trustee has considered the returns achieved by the investment funds net of the expenses that are met by members (as set out in this Statement). The Trustee noted the performance of the Scheme’s investments performed behind other comparator schemes as at 1 year and 4 years to 31 March 2024. The Trustee was aware that the nature of the Multi Asset fund is designed to perform more favourably in time of market stress but will not perform as well as pure equity funds when markets are high which has been the case over the last few years and takes a cautious approach more relevant to the age profile of the scheme.
- Given the age profile of the Scheme and the advice received when the move to Utmost Life & Pensions was made that this is acceptable but will keep the performance under review.

### Administration and governance

- The Trustee considered several criteria to assess the value that the administration and governance of the Scheme provides to members including, the processing of core financial transactions, the appropriateness of the investment strategy and Trustee knowledge and understanding which are addressed elsewhere in this Statement.

The Trustee also considered other relevant matters, including:

- the processes that are in place to ensure the efficient administration and governance of the Scheme (which include those explained in the 'Core financial transactions' and the 'Knowledge and understanding of the Trustee' sections of this Statement).
- the type and range of investment options that are offered, allow members to target the most popular retirement choice(s). In addition, a range of self-select funds, covering a broad range of asset types, are available for those who wish to manage their own investment approach. The Trustee regularly monitors both the performance and appropriateness of the funds and can take action to make changes when required. The Trustee discusses whether it is satisfied that the investment funds offered and communications concerning those investment funds are appropriate and offer members the opportunity to maximise the value of contributions to the Scheme;
- the quality of communications and other services provided to members on an annual and ad-hoc basis which are provided by the Scheme's administrator within the legal timescale;
- The Company pays directly for most services, e.g. legal and investment advice etc. with the relatively small exception inherent charges in the investment of funds.

Based on the comparison of costs and charges against 3 large schemes, the Trustee believes that the Scheme is not offering good value for members on a cost and charge basis with costs and charges being higher than the charges featured in the comparison. The comparison of the net returns of the Scheme's investments show that the Scheme returns are below the 3 large comparator schemes and members may have been able to achieve better returns in another arrangement.

### **05.02 Service Providers**

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In addition to assessing the costs charged by service providers, the Trustee keep providers' service levels under review and that the services provided reflect the SLA's in place and continue to meet the needs of the members.

To ensure the services provided remain the most appropriate and offer value for members, the Trustee considers whether members may be better off if the Scheme could be wound up and transferred to an alternative arrangement.

### **05.03 Communications**

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Good member communications are crucial to achieving good value. The Trustee utilises the standard set of member communications offered by Utmost Life to comply with compliance requirements.

### **05.04 Flexibility - accessing benefits**

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The Trustee offers members (who meet prescribed conditions under legislation) the option to take the total fund as an Uncrystallised Funds Pension Lump Sum.

The Trustee feels that members will, in most instances target some form of income drawdown and that the default fund; as a multi asset fund; reflects this. Keeping members invested in a fund providing growth but allows some element of protection compared to a pure equity fund.

## Value for Members

### continued

Retirement Options – these are the retirement options usually available.

- Take some or all of the retirement savings as cash

Normally a quarter of each amount taken is tax free and the rest is taxed as income. Members are unable to take just the tax-free cash element under this option.

- Transfer to another provider

Members can transfer to another Provider if they wish to consolidate their retirement savings in one place. They can also transfer to another provider if they want to use their retirement savings for income drawdown. Members who choose this option will have the whole fund transferred to their chosen provider, and they pay your tax-free cash.

- Buy an annuity on the open market

Any tax-free cash is paid from the Scheme and the rest is transferred to your the chosen company to buy an annuity (this may not be available if the member lives outside the UK)

Pension Commencement Lump Sum (PCLS)

Members can normally take up to 25% of their retirement savings as a tax-free cash lump sum, also known as PCLS.

### 05.05 Conflicts of Interest

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The Trustee has a clear policy and procedures document in place to identify, manage and monitor conflicts of interest effectively. The policy and procedures are regularly reviewed. There is a register of trustees', service providers' and advisors' interests, that is considered at every board meeting.

### 05.06 Conclusion

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For the reasons stated in the section the Trustee has concluded members broadly receive good value however it is understood that the assessment of value for members is an ongoing process. The Trustee undertakes a review each year to ensure the Scheme continues to offer good value, and that any changes in legislation, market conditions or member views are reflected for benefits of members.

# 06 Trustee Knowledge and understanding

## 06.01 Knowledge and understanding of the Trustee

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The Trustee board is satisfied that they had complied with the knowledge and understanding requirements in Section 248 of the Pensions Act 2004.

The Trustee board collectively brought a broad range of skills, experience and organisational development to their roles and were fully conversant with the Scheme's documentation including the Trust Deed and Rules, Statement of Investment Principles and other policy documents.

The Trustee Board has knowledge of the law relating to pensions and trusts, principles of investment and the requirements for funding a pension scheme. This is evidenced by the Board's interaction with its advisers as shown in the Trustee Meeting minutes, and the governance framework established by the Trustee to review the performance of the Scheme.

The Trustee Board has access to all key Scheme documentation including the Trust Deed and Rules, Statement of Investment Principles, Risk Register and meeting minutes through a central portal enabling access to these documents at any time.

Any new Trustee was expected to have the appropriate knowledge and understanding of pension schemes to carry out their duties. In order to comply with this, all new Trustees are expected to complete the Pensions Regulator 'Trustee toolkit' within six months of their appointment. They also receive a welcome pack providing all the background documentation for the Scheme including Minutes of the previous Board meetings, the Trust Deed and Rules, Financial Statements and Scheme Booklets.

## 06.02 Trustee Training

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Training is offered through the Trustee advisors, use of the Pensions Regulator's (TPR's) online Trustee Toolkit, and trustees attend external seminars and updates. There were no new Trustees during this period; any new trustee would be expected to carry out this training and be fully conversant with the Scheme's documentation within 6 months. Trustees regularly consider the training that they would find most valuable and to identify any gaps in knowledge.

## 06.03 Conclusion

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As a result of the training activities completed by the Trustee (both individually and collectively as a Trustee Board), and taking into account the professional advice available, I am confident that the combined knowledge and understanding of the Board has enabled the Trustee to exercise properly its functions.

# 07 Conclusion

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“Overall, the conclusion is that the Scheme is continuing to deliver value for money to the members”

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The annual production of this Statement provided members with a narrative of how the Trustee looked after members’ interests, especially in the five key areas within this Statement listed below.

- > Default investment strategy
- > Charges and transaction costs
- > Core financial transactions
- > Providing value for members
- > Trustee knowledge and understanding

In our ongoing commitment to enhancing the value and benefits for our members, the Trustee is actively considering all options on how we can improve member outcomes. We are dedicated to exploring innovative solutions and strategies to ensure the best possible results for our members.

In conclusion, I am pleased to be able to submit this report in accordance with the Chair’s Statement requirements, in the belief that the Scheme was operated and governed appropriately during the reporting period.

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**Signature**

**Date**

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**Name**

Chris Martin

**Position**

Chair of the Trustee

# Appendix A

## Projections

The table shows in money terms the accumulative effect of charges taken from a member's fund over time.

	Utmost Multi Asset Cautious		Utmost Money Market	
Investment return (pa)	4.00%		2.00%	
Charges	0.00%	0.75%	0.00%	0.50%
Years to Normal Retirement Age	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
25	£22,000	£22,000	£22,000	£22,000
20	£23,658	£22,817	£21,469	£20,948
15	£25,440	£23,664	£20,950	£19,945
10	£27,357	£24,542	£20,444	£18,991
5	£29,418	£25,453	£19,950	£18,083
0	£31,634	£26,398	£19,468	£17,218

The above figures are for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes.

This illustration is based on:

- An initial pension pot of £22,000.
- Investment returns estimated as 4.00% p.a. for the Utmost Multi-Asset Cautious fund and 2.00% for the Utmost Money Market fund.
- Inflation of 2.5% p.a.

In preparing these illustrations, the Trustee has had regard to:

- The Department for Work and Pensions' 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes'.
- Actuarial Standards Technical Memorandum 1 (AS TM1) issued by the Financial Reporting Council. and
- The Financial Conduct Authority in workplace pensions.



# Appendix B

## Net Returns Statement

### Investment Performance

Trustees of relevant occupational pension schemes are required to report on the net investment returns for the default arrangement(s) and for each fund which Scheme members are, or have been able to, select, and in which Scheme members are invested during the year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this statement is intended to help members understand how their investments are performing. Statutory guidance was taken into account when preparing this appendix.

### Fund Performance

XPS provides the Trustee with quarterly investment performance information to monitor the Default Investments, which it reviews and challenges in Trustee meetings.

This table shows how the Utmost Life Multi-Asset Cautious and Utmost Life Money Market funds have performed for members at three different ages, over the last one, three and five years to 31 March 2024.

	Age 25	Age 45	Age 55
<b>Utmost Life Multi-Asset Cautious</b>			
1 year return to 31 March 2024	6.52%	6.52%	6.52%
3-year return to 31 March 2024	-0.56%	-0.56%	-0.56%
5-year return to 31 March 2024*	-	-	-
<b>Utmost Life Money Market</b>			
1 year return to 31 March 2024	4.70%	4.70%	4.70%
3-year return to 31 March 2024	2.00%	2.00%	2.00%
5-year return to 31 March 2024	1.20%	1.20%	1.20%

Source: Utmost Life & Pensions. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.

\*Longer term fund performance is not available as the fund has not been in existence for this time period.