



**merriman**  
Pension Fund

Merriman Pension Fund  
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Dear Member

**Statement for the year ended 31 December 2019**

You may be aware there has been an increase in regulatory oversight required for Workplace Pensions and as such we are now required to produce an annual statement. This is to let you know how we have been looking after your plan and we believe that you are getting value from your membership. The returns on your retirement savings have been good over 2019 and into 2020 and do not give your Trustee any cause for concern. We are constantly reviewing the charges that are incurred and remain that the charges represent value for money. We have been successful in limiting the schemes Governance and Management costs to 0.43% (0.20% in 2018)

During the year the schemes Investment costs increased slightly by 2.24% (1.91% in 2018) compared to the overall value of the members funds. This increase was due to increased legal and professional costs due to the need to review legislation and the structure of the fund.

I am satisfied too that the administration of the fund is satisfactory and that we have obtained high quality professional advice at good value.

Over the coming year we will continue to review the communications you receive that will allow you to engage with your Pension Plan better.

We welcome your engagement and your feedback on this statement

**All the best**

**Michael Merriman**  
**Chairman of the Trustees for Merriman Pension Fund**  
**30 July 2020**

**MERRIMAN PENSION FUND**  
**CHAIR'S STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

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The chair presents the statement for the year ended 31 December 2019.

This Statement is concerned with the governance and performance of the Merriman Pension Fund ("the Scheme") for the twelve months to the end of 2019. Since that time we have suffered the impact of the Covid-19 pandemic and it is worth bearing that in mind when we make this review.

The most significant change in the governance of the Scheme during 2019 was the appointment of a professional independent trustee. Following a tendering exercise, Able Governance Ltd was appointed as a Trustee in place of Ian Carrington. Able Governance is represented by Nick Boyes, who has several decades of experience of acting as an independent trustee and will help us to govern the Scheme in line with best practices.

The performance of the assets of the Scheme up to the year end has been good, with an overall annual rate of return of c6%. The assets remain principally in property, but there is a recognition of the desirability of diversifying the asset base. It is difficult to predict what impact the Covid-19 situation will have on the performance of the assets over recent months, but we are pleased to report that there have been no defaults or significant problems with our tenants to date.

**CORE FINANCIAL TRANSACTIONS**

All core financial transactions are processed by the Scheme Administrator and there is a Service Level Agreement ("SLA") in place between the Scheme and Merriman Ltd (Scheme Administrator). The SLA confirms that the Scheme Administrator is responsible for compliance with the accuracy and timescales set out in the document. The SLA covers the daily monitoring of bank accounts, dealing with the sponsoring employer to ensure contributions are correct and paid on time, ensuring all transactions are signed by the Trustees within agreed timescales, ensuring retired members' pensions are paid on time and transfers in and out of the Scheme are processed promptly.

For the year ended December 2019 the Scheme Administrator has confirmed that the Core Financial Transactions have been processed within the target timescales and are accurate. There has been a delay on the payment of one transfer value, however, where the Trustees are awaiting information to enable them to authorise the transaction. Other than that, there were no issues outstanding from previous years.

It is the responsibility of the Scheme Administrator to report any issues to the Chair of the Trustees as soon as it arises. The Chair, with the help of the Trustees, will seek to resolve the issue and will report the matter in full to the next quarterly meeting of the Trustees and to each further meeting until the issue is resolved. If the issue remains unresolved after six months from the date it was first reported then the Scheme solicitor will be engaged to provide advice and instruction on how to resolve the matter.

**MERRIMAN PENSION FUND**  
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**FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**CHARGES AND TRANSACTION COSTS**

Please find below an illustration showing the charges and transaction costs that are borne by member's funds. All charges and transaction cost information has been available and is accurate. The Merriman Pension Fund is not a qualifying scheme for auto enrolment and as such is not required to comply with the cost parameters for those type of schemes.

<u>CORE AREAS</u>	<u>SERVICES</u>	<u>COST (£)</u>	<u>TRANSACTION COSTS (as a % of Members Funds)</u>
<b>Scheme Governance and Management</b>	Trustee oversight and risk management	No charges	
	Scheme administration services	No charges	
	Professional advice to trustees	17,850	
	Scheme audit	3,600	
	Actuary annual benefit statement	520	
		<hr/>	
		21,970	0.43%
<b>Investments</b>	Setting investment objectives, management of the investment strategy		
	Investment returns delivered and expected, net of fees.		
	Property Loan Interest (4%)	13,312	
	Loan Arrangement Fees & Charges	213	
	Management Charges for Rents	31,370	
Legal and Professional Fees	70,560		
		<hr/>	
		115,455	2.24%
<b>Administration</b>	Handling of member contributions Maintenance of member records Ways to access benefits		
	Preparation of the scheme financial statements	No charges	0.00%
<b>Communications</b>	The range of communication channels (post, email)		
	General guidance and support for accessing benefits		
	Financial guidance and information	No charges	0.00%

**MERRIMAN PENSION FUND**  
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**Scheme Governance, Management Transaction Costs and Value for Money**

The professional costs have been incurred from pension and legal advice given to the Trustees, the advice given has assisted the Trustees in complying with their legal duties and meet the standards in the DC code 13.

Administration and management charges, where they are deducted from member's funds, can have a drag on investment performance. The cumulative effect of costs and charges on a fund is illustrated in the table in Appendix A and the end of the financial statements.

It is worth highlighting that there are no charges to the fund for management of the scheme by the Trustees, and administration costs and other advisory costs are borne by Merriman Limited. The services provided by Merriman Limited, with over 60 years experience of property development, and over 40 years of pension fund management provide, excellent value to members.

**Investment Transaction Costs**

The management charges are for collection of the rents and are charged at 5% of the rental income received. This is a competitive rate for rent collection, as the industry standard is 10%. In addition to management charges, also included within investment management expenses during the current year were additional repairs and maintenance expenses incurred.

Legal and Professional fees are valuation and property legal fees. We are confident that these fees are competitive and good value.

The Administration and Communication fees are paid for by Merriman Limited at no charge to the members.

The property loan interest and fees incurred allow the Scheme to maintain the level of property portfolio required to achieve the Trustee's objective of a 6% annual gross return. The Annual Current Rate of Return at the end of December 2019 was 6.01%.

**Investment Strategy**

As the Scheme has fewer than 100 members there is no legal requirement to publish a Statement of Investment Principals. The Trustees do have a document that sets out their investment objectives and this was last reviewed with our investment adviser on 25th January 2019.

As mentioned above, there is an intention to diversify the nature of investments held by the Scheme in order to increase liquidity and to reduce risk by diversifying the asset base. In view of the current Covid conditions, the disposal of existing assets is likely to take longer than anticipated and it would not be in the interests of the membership to hasten a sale at a depressed price. The Trustees keep the position under close review and will aim to achieve their objectives over the medium to long term.

**Administration and Communication Costs**

These are paid for by the sponsoring company Merriman Limited at no charge to members.

**MERRIMAN PENSION FUND**  
**CHAIR'S STATEMENT**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**TRUSTEES KNOWLEDGE AND UNDERSTANDING**

Trustees are required to have a good working knowledge of the documents governing the Scheme, and of pensions law and practice. The Trustees maintain a trustee knowledge and understanding register. The overall level of pensions knowledge has increased with the appointment of Able Governance Ltd as independent trustee.

Evaluation of each Trustee's continuous training performance are assessed and reviewed by our professional pensions consultant, Matthew Shaw of Pole Arnold, on a quarterly basis. Any gaps in knowledge are identified and the appropriate source to provide training, such as the Pensions Regulator's Trustee Toolkit, seminars etc are recommended.

At each quarterly meeting our Matthew will discuss any updates to pension regulations and our legal adviser, Pension Partners, provides updates on HMRC and pension laws, to ensure that the Trustees have appropriate knowledge and understanding of recent and impending developments.

I believe that, on the basis of the quarterly monitoring of the Trustees' training and the appointment of an experienced independent trustee, then the Trustees have demonstrated that they are properly able to exercise their functions.

**ON BEHALF OF THE TRUSTEE AND MANAGERS:**

M J P Merriman  
Chair and trustee



Date: 14/09/20

## APPENDIX A

### ILLUSTRATIVE EXAMPLES OF THE CUMULATIVE IMPACT OF COSTS AND CHARGES

#### All Active Members

Projected Pension Pot in today's money		
Years	Physical Property	
	Before charges	After all costs and charges
1	£94,294	£93,432
3	£121,713	£118,664
5	£151,085	£145,173
10	£233,997	£217,466
15	£332,470	£299,259
20	£449,425	£391,800
25	£588,331	£496,502
30	£753,308	£614,963
35	£949,249	£748,990
40	£1,181,965	£900,630

Assumptions:

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 £81,276
3. Inflation is assumed to be 2.5% each year
4. Contributions are assumed from age 25 to 65 and increase in line with assumed earnings inflation of 2.5% each year
5. Values shown are estimates and are not guaranteed
6. The projected growth rate for each fund are as follows:  
Physical Property 3.5% above inflation.  
Growth assumption supplied by Pole Arnold Financial Management as well as rate of charges and future expenses.  
Assumed average contribution rate and starting pot size based on 2018 levels as no figures available for year end 31/12/2019

#### Active Members Excluding Larger Pots

Projected Pension Pot in today's money		
Years	Physical Property	
	Before charges	After all costs and charges
1	£34,028	£33,748
3	£57,155	£55,959
5	£81,929	£79,293
10	£151,861	£142,929
15	£234,918	£214,927
20	£333,564	£296,387
25	£450,724	£388,551
30	£589,874	£492,826
35	£755,140	£610,803
40	£951,425	£744,284

Assumptions:

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 £23,048
3. Inflation is assumed to be 2.5% each year
4. Contributions are assumed from age 25 to 65 and increase in line with assumed earnings inflation of 2.5% each year
5. Values shown are estimates and are not guaranteed
6. The projected growth rate for each fund are as follows:  
Physical Property 3.5% above inflation.  
Growth assumption supplied by Pole Arnold Financial Management as well as rate of charges and future expenses.  
Assumed average contribution rate and starting pot size based on 2018 levels as no figures available for year end 31/12/2019

## All Deferred Members

Projected Pension Pot in todays money		
Years	Physical Property	
	Before charges	After all costs and charges
1	£32,396	£32,083
3	£34,703	£33,707
5	£37,175	£35,413
10	£44,152	£40,067
15	£52,438	£45,332
20	£62,280	£51,289
25	£73,970	£58,028
30	£87,853	£65,654
35	£104,341	£74,281
40	£123,925	£84,042

### Assumptions:

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 £31,300
3. Inflation is assumed to be 2.5% each year
4. No further contributions will be made
5. Values shown are estimates and are not guaranteed
6. The projected growth rate for each fund are as follows:
  - Physical Property 3.5% above inflation
  - Growth assumption supplied by Pole Arnold Financial Management as well as rate of charges and future expenses.
  - Assumed average contribution rate and starting pot size based on 2018 levels as no figures available for year end 31/12/2019

## Deferred Members Excluding Larger Pots

Projected Pension Pot in todays money		
Years	Physical Property	
	Before charges	After all costs and charges
1	£9,367	£9,276
3	£10,034	£9,746
5	£10,749	£10,239
10	£12,766	£11,585
15	£15,162	£13,107
20	£18,008	£14,829
25	£21,387	£16,778
30	£25,401	£18,983
35	£30,169	£21,478
40	£35,831	£24,300

### Assumptions:

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 £9,050
3. Inflation is assumed to be 2.5% each year
4. No further contributions are assumed
5. Values shown are estimates and are not guaranteed
6. The projected growth rate for each fund are as follows:
  - Physical Property 3.5% above inflation
  - Growth assumption supplied by Pole Arnold Financial Management as well as rate of charges and future expenses.
  - Assumed average contribution rate and starting pot size based on 2018 levels as no figures available for year end 31/12/2019