

MERRIMAN PENSION FUND  
CHAIR'S STATEMENT  
FOR THE YEAR ENDING 31 DECEMBER 2022

INTRODUCTION

Each year the Trustees of defined contribution pension schemes, such as the Merriman Pension Fund ("the Scheme"), are required to publish a Statement concerning the governance and performance of the Scheme for the previous twelve months.

As Covid fades in the rear-view mirror, the Trustees have managed to maintain their oversight of the Scheme, now in the same room rather than via Zoom.

The performance of the assets of the Scheme up to the year-end has held up well, with an overall annual rate of return of just under 6%. The assets remain principally in property, and we are pleased to report that there have been no defaults or significant problems with our tenants to date. The sale of one of the properties, expected to complete later in 2023, will allow the Trustees to implement the planned introduction of diversification into the assets held by the Scheme.

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 2022 the Scheme auditor, Watergates Ltd, have confirmed that the Core Financial Transactions have been processed within the target timescales and are accurate.

It is the responsibility of the Scheme Administrator to report any issue 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.

CHARGES AND TRANSACTION COSTS

Please find below an illustration of the charges and transaction costs that are borne by the 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 that type of fund.

Services	Costs £	Transaction costs as a % of Members funds
Scheme Governance and Management Costs	23,639	
Investment Costs	56,149	
Administration and Communication Costs	11,580	
<b><u>Total transaction costs</u></b>	<b>91,369</b>	<b>1.5%</b>

(Note that these costs are slightly different to those recorded in the Report and Accounts due to timing of receipt and payment of invoices for services).

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 tables in Appendix A.

The services provided by Merriman Limited, with over 60 years of experience of property development and management, and 40 years of pension fund management, provides excellent value for members.

Included within the costs set out above are the investment transaction costs: Management charges are for the collection of 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%.

We have also taken into account legal and other professional fees such as valuation and property legal fees. We are confident that these fees are competitive and good value, and 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 2022 was 5.88%.

A separate Value for Members assessment has been completed by the Trustees, in compliance with the new requirements. The assessment in that report is that, despite relatively high costs, mainly due to the high concentration of property assets, the Scheme provides good value for members when compared to three popular master trusts.

## INVESTMENT STRATEGY

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

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. The imminent sale of one of the properties in the portfolio will enable the Trustees to consider the investment of the proceeds in assets that have different return characteristics.

The Trustees are conscious of the current difficult investment market, caused by the Russian invasion of Ukraine, rising inflation and the efforts of governments to tackle it by raising interest rates. Professional advice will be sought to identify appropriate investment opportunities that support and enhance the Trustees' investment objectives.

## TRUSTEE 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. Able Governance routinely shares the technical briefing notes that are issued by pension legal firms, consultancies and other industry bodies.

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. The Covid pandemic has encouraged many pensions consultants and advisers to provide webinar and other materials that have helped to enhance the knowledge of the Trustees.

At each quarterly meeting our Pension Consultant, Pole Arnold, 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.

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MICHAEL MERRIMAN

CHAIR

## APPENDIX A

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

#### All Active Members

Projected Pension Pot in todays 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 Proper 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 todays 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