

MIDDLETON MAINTENANCE SERVICES PENSION SCHEME Q1066 (“THE SCHEME”)  
ANNUAL GOVERNANCE STATEMENT FOR THE SCHEME YEAR ENDING 30<sup>TH</sup> SEPTEMBER 2020  
PREPARED IN ACCORDANCE WITH REGULATION 23 OF THE OCCUPATIONAL PENSION  
SCHEMES (SCHEME ADMINISTRATION) REGULATIONS 1996 (THE “REGULATIONS”)

### **Trustee Responsibilities**

The Trustee is responsible for ensuring that the Scheme is managed appropriately and efficiently, in accordance with its Rules and overriding law. The Trustee monitors and reviews the Scheme’s processes and controls. This Chair’s statement is made to fulfil the requirements of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, with regard being had where appropriate to the Pensions Regulator’s standards and expectations, as set out in its Defined Contribution Code of Practice. This statement covers the period to 31 March 2020. The Scheme is not used for automatic enrolment, which is reflected in this statement.

### **Change of Trustee**

Following the sale of the Principal Employer of the Scheme, Spie Facilities Limited, to Trios Facilities Management Limited in March 2020, Able Governance Ltd was appointed as sole corporate trustee.

### **Assessment**

The Trustee has reviewed the Scheme’s key governance functions to establish whether they are consistent with the standards introduced by the Pensions Regulator. The key areas covered are:

1. The investment strategy relating to the default arrangement
2. The financial transactions of the Scheme
3. The charges and transaction costs within the Scheme
4. The assessment of value for members
5. The Trustee’s compliance with its knowledge and understanding (TKU) requirements.

#### **1. Investment Strategy relating to the default arrangement**

- The Scheme does not have a default arrangement, as defined in section 3 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015, as it is not a “qualifying scheme” used for auto-enrolment purposes.
- Prior to the transfer to Utmost Life and Pensions in January 2020, the Scheme’s investment strategy was focused on the maintenance of members’ investment policies with Equitable Life. During the year members’ funds were transferred from Equitable Life to Utmost Life and Pensions. Equitable Life enhanced with-profits policyholders’ fund values as part of a Court approved transfer of its business to Utmost Life and Pensions. The enhancement was funded using the surplus money Equitable Life had put aside to pay the guarantees which applied to members’ policies. In return for this enhancement to their policy value, policyholders gave up

the guarantees that applied to their with-profits policies. The transfer was approved via a policyholder vote and court approval process.

- Following the transfer of funds to Utmost Life, the assets have been divided mainly between the Secure Cash fund and the Multi-Asset funds.
- As the Scheme has fewer than 100 members, a Statement of Investment Principles has not been prepared.

## **2. Financial Transactions**

- The Trustee monitors the core financial transactions of the Scheme. These include transfers out of the Scheme and payments out, both to and in respect of members.
- The Trustee has received assurance from the Scheme's administrator Utmost Life and Pensions and has taken steps to try and ensure that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme Year. This includes the processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme (as reflected in member benefit statements), and payments to members/beneficiaries.
- Prior to the transfer to Utmost Life and Pensions there were no agreed service levels in place and Equitable Life did not publish any. However, during normal business as usual cases across Equitable Life's Customer Service department, they confirmed that they aimed for, and consistently met, the following:
  - Payments – 95% completed in 5 days
  - Illustrations – 95% completed in 10 days
  - General Servicing – 90% completed in 10 days
- Following the transfer of members' funds to Utmost Life and Pensions, they have confirmed that in the period 1 January 2019 to 31 December 2019 97% of payments were completed within 5 working days and 98% of illustration and general queries in 10 working days. This information is based on the whole heritage Equitable Life business. In addition, Utmost have provided the confirmations attached titled "Utmost Information Sheet Code of Practice No 13".

## **3. Charges and Transaction Costs**

- Prior to the transfer to Utmost Life and Pensions, members' investments were limited to the existing Equitable Life with-profits policies. These investments contained potentially valuable guaranteed investment rates, which limited the scope to change investment options without losing value. Members were informed of their guaranteed rates every year.
- The with-profits fund was relatively opaque in nature in terms of how returns were distributed to members. The policies included guarantees and there was a separate 0.5% charge to cover these guarantees.
- Prior to the transfer, as members' benefits were in with-profits, assessing value for money was extremely difficult.
- Following the transfer, the charges and transaction costs have been supplied by Utmost Life and Pensions.
- The Trustee has taken account of statutory guidance in the preparation of this section of the statement. As the Scheme is not being used as a qualifying scheme for auto enrolment vehicle it does not offer a default arrangement. As a result, information in relation to charges in a default arrangement or Statement of Investment Principles are not applicable.
- Tables showing the charges and transaction costs, and the cumulative impact of charges on a pension fund, are shown in Appendices A and B.

#### 4. Assessment of value for members

- The Trustee is required to assess the extent to which member-borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of “good value”, but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.
- The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.
- The business transfer to Utmost Life and Pensions crystallised an uplift of at least 76% for with-profits policyholders and improved the economies of scale for unit holders.
- Given the uplift that has been applied to the policies, the Trustee considers that the Scheme has provided good value for money.
- It has been decided, however, that the Scheme is no longer meeting the requirements of the Employer, or serving the best interests of the members, given the relatively high annual management charge on the funds. A decision has been made in principle to wind the Scheme up. Members will be offered transfer values in order to seek advice as to a more appropriate pensions savings vehicle. In the absence of an instruction from members a bulk transfer to a policy written in the name of the individual member will be made. The Trustee is awaiting independent financial advice on a suitable contract before formally triggering wind up.

#### 5. TKU Compliance

- The Trustee is an Accredited professional pension scheme trustee.
- During the year, the Trustee has attended many hours of training and briefing webinars in order to maintain technical knowledge.
- The Trustee is conversant with Scheme’s governing documents (including their powers under the Scheme rules) and have knowledge and understanding of applicable pensions/trust law and investment principles.

Signed:

N Boyes



Able Governance Ltd

Date: 27<sup>h</sup> April 2021

## Appendix A – Costs and Charges for the Equitable Life With Profits Fund

The following table provides details of the explicit and implicit costs which applied to the Equitable Life With-Profits Fund prior to the transfer to Utmost on 1<sup>st</sup> January 2020. This information was sourced from Equitable Life and includes explanatory notes where relevant, and is for historic reference and completeness only.

Equitable Life Fund (Citi Code)	Fund Annual Management Charge %pa	Annualised Reporting Period	OEIC Net Transaction Cost %pa (+)	Stocklending %pa	Equitable Life Fund Transaction Cost %pa	Equitable Life Fund Total Charges Impact %pa
With-Profits Fund	1.00	30/09/2019	N/A	0.00391	1.035577	<b>2.04</b>

An illustration for the Equitable Life With Profits Fund (in relation to the period prior to the transfer to Utmost) has been provided using the policy value and the charges which were applied by Equitable Life to the policy value. It does not reflect the guaranteed value and the value of any guaranteed increases applicable to the guaranteed value, nor does it take into account any capital distribution. As such, the 0.50% charge which would have been levied by Equitable Life in relation to the guaranteed element of the With-Profits Fund has not been taken into account when deducting charges.

Term	Total Funds		With-Profits	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	1,010	995	1,010	995
3	1,030	984	1,030	984
5	1,050	974	1,050	974
10	1,102	949	1,102	949
15	1,157	924	1,157	924
20	1,214	900	1,214	900
25	1,275	876	1,275	876
30	1,338	858	1,338	858
35	1,405	900	1,405	900
40	1,475	945	1,475	945

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 Male 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: With-Profits 3.5% p.a.
- 6) The Scheme has a guaranteed roll-up rate of 3.5% p.a. for With-Profits

## Appendix B – Costs and Charges for the Utmost Life & Pension Funds

### Cost and Charges Reporting

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

Term	Total Funds		INVESTING BY AGE		EUROPEAN EQUITY		ASIA PACIFIC EQUITY		PROPERTY	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	5,072	5,026	2,014	1,997	1,020	1,010	1,020	1,010	1,020	1,008
3	5,220	5,078	2,041	1,991	1,060	1,031	1,060	1,032	1,060	1,025
5	5,374	5,131	2,069	1,985	1,101	1,052	1,101	1,053	1,101	1,041
10	5,762	5,248	2,123	1,948	1,213	1,106	1,213	1,110	1,213	1,084
15	6,134	5,317	2,126	1,855	1,336	1,164	1,336	1,169	1,336	1,129
20	6,511	5,363	2,095	1,732	1,472	1,224	1,472	1,231	1,472	1,176
25	6,928	5,424	2,065	1,616	1,621	1,288	1,621	1,297	1,621	1,224
30	7,362	5,488	2,005	1,493	1,786	1,354	1,786	1,366	1,786	1,275
35	7,768	5,534	1,868	1,343	1,967	1,425	1,967	1,439	1,967	1,327
40	8,192	5,583	1,694	1,187	2,166	1,498	2,166	1,516	2,166	1,382

#### 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 £5000 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)

## Disclosure of Fund Charges – Utmost Life & Pensions



### Disclosure of Fund Costs (including transaction costs in compliance with FCA PS 17/20)

Utmost Life and Pensions Fund (Citi Code)	Fund Annual Management Charge %pa	Underlying Open Ended Investment Company "OEIC" Fund Held	Underlying Open Ended Investment Company "OEIC" ISIN Number	Annualised Reporting Period	OEIC Net Transaction Cost %pa [1]	Stocklending %pa [2]	Utmost Life and Pensions Fund Transaction Cost %pa [3]	Utmost Life and Pensions Fund Total Charges Impact %pa [4]
<b>Unit-Linked Pension</b>								
Multi-Asset Cautious (QRAT)	0.75	JPM Multi-Asset Cautious	GB00BJ0LS010	30/09/2020	1.151300	0.000600	0.000000	1.90
Multi-Asset Moderate (QRAR)	0.75	JPM Multi-Asset Moderate	GB00BJ0LS234	30/09/2020	0.870000	0.000700	0.000000	1.62
Multi-Asset Growth (QRAV)	0.75	JPM Multi-Asset Growth	GB00BJ0LS457	30/09/2020	0.669600	0.000900	0.000000	1.42
Sterling Corporate Bond (QRAX)	0.75	JPM Sterling Corporate Bond	GB00BJXFHT23	30/09/2020	0.000000	0.000900	0.000029	0.75
Asia Pacific (EU19)	0.75	ASI Asia Pacific Equity Enhanced Index JPM Asia Pacific Equity	GB00BRJL7V21 GB00BJ0LBC40	30/09/2020	0.236909	0.000535	0.009436	1.00
European Equity (EU33)	0.75	ASI European Equity Enhanced Index JPM Europe (Ex UK) Research Enhanced	GB00BRJL7X45 GB00BJ0LBD96	30/09/2020	0.269766	0.003495	0.001675	1.02
US Equity (EU25)	0.75	ASI American Equity Enhanced Index JPM US Research Enhanced Index	GB00BRJL8192 GB00BRJL8192	30/09/2020	0.109333	0.000109	0.008034	0.87
UK Equity (EU26)	0.75	ASI UK Equity Enhanced Index JPM UK Equity Core	GB00BRJL8331 GB00BJXD1K58	30/09/2020	0.291611	0.000979	0.003349	1.05
UK FTSE All Share Tracker (EU96)	0.50	ASI UK All Share Tracker Fund JPM UK Equity Index	GB00B61C0396 GB00BJ0LS895	30/09/2020	0.053474	0.001754	0.008221	0.56
Fund of Investment Trusts (EU20)	0.75	Halifax Fund of Investment Trusts	GB00B29MCK79	30/09/2020	0.700000	0.000000	0.027024	1.48
UK Government Bond (EU21)	0.50	ASI Sterling Government Bond JPM UK Government Bond	GB00BWK26593 GB00BJ0LS671	30/09/2020	0.029142	0.000360	0.024461	0.55
Property (EU27) [5]	1.00	Aberdeen UK Property	GB00BTLX1F24	30/09/2020	0.008900	0.000000	0.006063	1.49
Global Equity (EU31)	0.75	ASI World Equity Enhanced Index JPM Global Research Enhanced Index	GB00BRJL7Z68 GB00BJ0LBG87	30/09/2020	0.157402	-0.000865	0.006021	0.91
Money Market (EU41)	0.50	ASI Liquidity Fund (Lux) - Sterling Fund JPM GBP Liquidity LVNAV	LU0966092990 LU1873130667	30/09/2020	0.001736	0.000000	0.000000	0.50
Managed (EU23) [6]	0.75	Composite (see below for assets held)	Composite (see below for assets held)	30/09/2020	0.147432	0.000456	0.014036	0.91

**Unit-Linked Life**

Multi-Asset Cautious (QRAU)	0.75	JPM Multi-Asset Cautious	GB00BJ0L5010	30/09/2020	1.151300	0.000600	0.000000	1.90
Multi-Asset Moderate (QRAS)	0.75	JPM Multi-Asset Moderate	GB00BJ0L5234	30/09/2020	0.870000	0.000700	0.000000	1.62
Multi-Asset Growth (QRAW)	0.75	JPM Multi-Asset Growth	GB00BJ0L5437	30/09/2020	0.669600	0.000900	0.000000	1.42
Sterling Corporate Bond (QRAY)	0.75	JPM Sterling Corporate Bond	GB00BJ0L5472	30/09/2020	0.000000	0.000900	0.000000	0.75
Asia Pacific (EU12)	0.75	ASI Asia Pacific Equity Enhanced Index JPM Asia Pacific Equity	GB00BRJL7V21 GB00BJ0L5C40	30/09/2020	0.247760	0.000573	0.013010	1.01
European Equity (EU32)	0.75	ASI European Equity Enhanced Index JPM Europe (Ex UK) Research Enhanced	GB00BRJL7X43 GB00BJ0L5D56	30/09/2020	0.250538	0.003772	0.003583	1.01
US Equity (EU10)	0.75	ASI American Equity Enhanced Index JPM US Research Enhanced Index	GB00BRJL8192 GB00BRJL8192	30/09/2020	0.111083	0.000104	0.007945	0.87
UK Equity (EU16)	0.75	ASI UK Equity Enhanced Index JPM UK Equity Core	GB00BRJL8331 GB00BJ0L1K38	30/09/2020	0.291665	0.000980	0.003972	1.05

UK FTSE All Share Tracker (EU94)	0.50	ASI UK All Share Tracker Fund JPM UK Equity Index	GB00B61C0396 GB00BJ0L5895	30/09/2020	0.077071	0.001699	0.008505	0.59
Fund of Investment Trusts (EU13)	0.75	Halifax Fund of Investment Trusts	GB00B29MCK79	30/09/2020	0.700000	0.000000	0.037914	1.49
UK Government Bond (EU14)	0.50	ASI Sterling Government Bond JPM UK Government Bond	GB00BWK26593 GB00BJ0L5671	30/09/2020	0.026612	0.000400	0.027777	0.55
Property (EU17) [5]	1.00	Aberdeen UK Property	GB00BTLX1F24	30/09/2020	0.301100	0.000000	0.000000	1.78
Global Equity (EU30)	0.75	ASI World Equity Enhanced Index JPM Global Research Enhanced Index	GB00BRJL7Z68 GB00BJ0L5G87	30/09/2020	0.138056	-0.000161	0.009868	0.90
Money Market (EU09)	0.50	ASI Liquidity Fund (Lux) - Sterling Fund JPM GBP Liquidity LVNAV	LU0966092990 LU1873130667	30/09/2020	0.001041	0.000000	0.000000	0.50
Managed (EU15) [6]	0.75	Composite (see below for assets held)	Composite (see below for assets held)	30/09/2020	0.216010	0.000406	0.011715	0.98

**Unit Linked USD**

USD Global Bond (EC36)	0.50	ASI GDP Weighted Global Government Bond JPM Global (Ex UK) Bond	LU0963897953 GB00BJ0L1L65	30/09/2020	0.060462	0.000745	0.079643	0.64
USD Global Equity (EC37)	0.75	ASI World Equity Enhanced Index JPM Global Research Enhanced Index	GB00BRJL7Z68 GB00BJ0L5G87	30/09/2020	0.121379	0.000446	0.020048	0.89

**Notes:**

[1] The costs for the underlying OEICs held by each Fund are now being calculated on the full arrival price slippage methodology.

[2] When a Aberdeen Standard Investment fund lends stock it is entitled to receive 85% of the income earned. The remaining 15% belongs to the stocklending agent. When a JP Morgan fund lends stock it is entitled to receive 90% of the income earned. The remaining 10% belongs to the stocklending agent. The costs suffered by the fund are disclosed but not the income in accordance with regulations.

[3] This is the cost incurred on the Fund when it purchases or sells the underlying asset (OEIC) as the price may include a dilution adjustment. The purpose of dilution is to ensure the OEIC performance is not impacted by large investments or disinvestments.

[4] The total charges impact to policyholders on each Utmost Fund of costs at both Fund and underlying OEIC level and includes the annual management charge.

[5] The total fund impact also includes the property management expenses of 0.48% pa for the year ended 31 Dec 2019

[6] The calculations for the Managed Funds are based on the relevant calculations for the underlying OEICs held within the portfolio, prorated based on the portfolio percentage held.

Current UK Managed Fund Holdings

Aberdeen Asia Pacific Equity Enhanced Index Fund (GB00BRJL7V21)	Scottish Widows UK All Share Tracker Fund (GB0031905119)
Aberdeen European Equity Enhanced Index Fund (GB00BRJL7X45)	Aberdeen World Equity Enhanced Index Fund (GB00BRJL7Z68)
Aberdeen North American Equity Enhanced Index Fund (GB00BRJL8192)	Aberdeen Japan Equity Enhanced Index Fund (GB00BRJL8317)
Aberdeen UK Equity Enhanced Index Fund (GB00BRJL8531)	Aberdeen Liquidity Fund (Lux) - GBP Fund (LU0966092990)
Aberdeen Global Emerging Markets Fund (GB0033309757)	Aberdeen Sterling Government Bond Fund (GB00BWK26S93)
JPM Multi-Asset Moderate (GB00BJLS234)	