

Shoosmiths Retirement Savings Scheme
Chair's statement regarding the governance of defined contribution arrangements
Scheme year ending 31 October 2023

1. Introduction

- 1.1. This statement has been prepared by the Trustees (the Trustees) of the Shoosmiths Retirement Savings Scheme (the Scheme), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. This statement covers the period from 1st November 2022 to 31st October 2023.

2. The Scheme's DC arrangements

- 2.1. The Scheme provides benefits on a DC basis only. The Scheme is run on a fully insured basis with Aviva as the sole provider.
- 2.2. The Scheme was closed to new joiners with effect from 1st January 2013.
- 2.3. Aviva provides administration and investment services, together with annual benefit statements.

3. Default investment arrangements

- 3.1. The Scheme operates a single investment strategy, a 'With Profits' fund operated and managed by Aviva, which constitutes the default fund (the Default) for the Scheme.
- 3.2. All the Scheme's assets are invested in the Aviva With-Profits Fund (Aviva Life & Pensions UK Ltd FLC With-Profits Sub-Fund).
- 3.3. As the Scheme is a 'fully insured' scheme, the Trustees are not responsible for deciding (nor are they able to decide or influence) the investment objectives and strategy adopted by the Scheme under the insurance policy with Aviva, which is the Scheme's sole investment.
- 3.4. Under the contract with Aviva, it would not be possible to make significant changes to the structure and services without forfeiting the current terms of the With-Profits Fund. In view of this, the Trustees' ability to make changes to the Scheme is limited.

Asset allocation of the default

- 3.5. We have provided further details in the table below of the underlying asset allocation of the default investment arrangement. We have provided this information in line with statutory guidance.
- 3.6. Within the default investment arrangement, the underlying assets do not change over time depending on the age of the member. However, fund managers may change the asset mix to improve the long term performance of the Sub-Fund and to ensure that the Sub-Fund continues to meet its obligations.

Default Investment Arrangement (Data as at 31 December 2023, source: Aviva)

Asset Class	Allocation (%)
Cash	0.2%
Bonds	58.1%
Listed Equities	30.3%
Private Equity	0%
Infrastructure	0%
Property/Real Estate	7.1%
Private Debt/Credit	0%
Other	4.3%

Aims and objectives of the Default

- 3.7. As outlined in points 3.1 and 3.2, Aviva operates a single investment strategy, the objectives for which the Trustees are unable to influence, change, or add to within the existing framework. In addition, should the Trustees and/or members seek to transfer funds away from the Scheme on a bulk or individual basis as part of any investment changes made by the Trustees, Aviva may (and have) applied penalties or 'Market Value Adjustments' (MVAs) to member funds. In some cases, the advantageous annual bonus rates attached to members' accounts would be lost.

Review of the Default

- 3.8. The Trustees reviewed the structure and performance of the Aviva With Profits fund during the 2020-scheme year end and provided members with information on how the fund is structured and how it has performed via presentations and scheme updates. The information provided also included the following documents published by Aviva, that are reviewed by the Trustees on a periodic basis and can be found here: <https://www.aviva.co.uk/investments/investment-products/select-investment/fund-guides/#flc-with-profits> (FLC With-Profits Sub-Funds apply):
- Principles and Practices of Financial Management (PPFM)
 - PPFM Summary of Changes
 - Board report to with-profits policyholders
 - With-Profits summary
- 3.9. The Trustees have agreed to closely monitor application of a 10% uplift applied by Aviva to new contributions (i.e. for each £100 contributed, £110 is invested), which Aviva may remove should annual contribution income fall below £270,000. This is considered a key trigger for the Trustees (along with the

ongoing application of MVAs) in conjunction with Shoosmiths LLP (the Firm), to consider the future viability of the Scheme as an ongoing concern, particularly as the Scheme's active (contributing) members currently comprise of c.10% of the overall membership. Total contribution income for the Scheme over the scheme year was £1,202,671.75.

- 3.10. As part of the above review process, the Trustees regularly review the performance of the Default, at scheduled Trustee meetings each year. The Trustees can confirm that they have considered the With Profits returns declared by Aviva and these are consistent with the Trustees' aims and objectives for the Default.
- 3.11. In previous years, the Trustees have considered the merits of reviewing the investment opportunities offered to scheme members, however Aviva has confirmed that alternative investment options cannot be added to the Scheme. Therefore, following consideration by the Trustees of the points outlined above and the fact that active members can elect to join the Firm's Group Personal Pension Plan, the Trustees have determined not to review the Scheme's investment opportunities further at this time.

Further information on the Default

- 3.12. Details of the Default can be found in the attached Statement of Investment Principles that has been produced by the Trustees, in compliance with Section 35 of the Pensions Act 1995 and regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005. The statement was most recently reviewed in 2022, with the current statement dated 12th July 2022.

4. Core financial transactions

- 4.1. The Trustees have a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. Core financial transactions comprise the following:
 - 4.2.1. investment of contributions
 - 4.2.2. transfers out of the Scheme
 - 4.2.3. payments out of the Scheme
- 4.3. Core financial transactions are undertaken by Aviva.

Controls and monitoring arrangements

- 4.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:
 - 4.4.1. Aviva is unable to provide the Trustees with a Service Level Agreement (SLA) nor is it able to provide ongoing reporting to allow further monitoring. Aviva has internal SLAs but does not publish the performance externally. Aviva can provide an annual service level standards report across the book of business, which is reviewed by the Trustees. The Trustees have requested that Aviva review its approach to the provision of MI reporting, to provide more detailed data relating to the Scheme, however this has not been resolved in the reporting period. Aviva has however confirmed its intention to provide a service level agreement and associated reporting as a matter of urgency. The Trustees understand that SLAs are monitored within Aviva, who subcontract the administration of the Scheme to Capita.
 - 4.4.2. The Trustees' bank account is reconciled daily within the Firm's SAP system and is subject to monthly checks at Partner level.
 - 4.4.3. Additional measures that help to monitor the accuracy of core financial transactions via an external audit of the Scheme's annual report and accounts and the administrator's annual checks on data quality.

- 4.4.4. The administrator's controls and processes are also subject to both an internal and external audit to review work against all standards and to ensure quality is maintained.
- 4.4.5. Any material issues uncovered regarding inaccuracies with core financial transactions are included within the administrator's reporting to the Trustees.

Performance during the scheme year

- 4.5. During the reporting year, core financial transactions (including payment of contributions, transfers out of the Scheme, and settlement of benefits at retirement) are, as far as the Trustees are concerned, processed accurately. This is evidenced by administration reports considered at each Trustee meeting.
- 4.6. The Trustees received MI reports from the administrator and Barnett Waddingham during the scheme year, and were satisfied with the performance.
- 4.7. Neither Aviva's reports nor the audit of the annual report and accounts identified material issues with the accuracy of core financial transactions. Complaints made directly to Aviva have now been added as an item to the Trustee meetings to ensure full disclosure of any potential issues and to ensure they are resolved and high-quality standards are maintained.

Assessment

- 4.8. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the scheme year, the Trustees believe that core financial transactions have been processed accurately. The Trustees continue to monitor Aviva's performance to ensure prompt processing of member enquiries and transactions.

5. Member-borne charges and transaction costs

- 5.1. In general, members bear charges and transaction costs within defined contribution (DC) pension arrangements, which will differ depending on the investment options in which their pension savings are invested:
 - 5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
 - 5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges in relation to the Scheme

- 5.2. The explicit administration costs (including costs associated with the management and operation of the Scheme) are borne by the Firm, and therefore have no bearing on member charging. However, for completeness we have referred to these as part of our assessment of Value for Members.
- 5.3. There are implicit costs applied by Aviva in its operation of the underlying With-Profits Fund. Aviva has confirmed these costs equate to circa 0.72%.

Impact of costs and charges

- 5.4. To demonstrate the impact of charges and transaction costs on members' pension savings over time, illustrations have been prepared and these are provided in the Appendix.

Value for members

- 5.5. Regulations require the Trustees to assess the extent to which the Scheme provides value for members (VFM).
- 5.6. The method to be used for this assessment changed for schemes with assets of less than £100m that have been operating for three years or more, effective for scheme years ending after 31 December 2021. The Scheme fits these criteria.
- 5.7. The assessment comprises three components:
 - 5.7.1. An assessment of costs and charges relative to the average costs and charges for three comparator schemes.
 - 5.7.2. An assessment of net investment returns relative to the average net investment returns for three comparator schemes.
 - 5.7.3. A self-assessment across seven key metrics of scheme administration and governance.
- 5.8. For the relative assessments, costs and charges and net returns for default arrangements should be compared with those for the default arrangements of the comparator schemes. In addition, costs and charges and net returns for popular self-select funds should be compared with those for the nearest comparable funds in the comparator schemes (or, where there is no comparable fund, a comparator scheme's default arrangement).
- 5.9. The VFM assessment was undertaken in accordance with the statutory guidance for the scheme year. Analysis was undertaken by Barnett Waddingham LLP and the findings considered and the outcome confirmed at a trustee meeting on 28th March 2024.
- 5.10. The following comparator schemes were used for the relative components of the assessment: Aegon Master Trust, Aviva Master Trust and Legal & General WorkSave Mastertrust.
- 5.11. The outcomes of the three components of the assessment were:
 - 5.11.1. Considering only the default investment strategy, in which all of the DC assets are invested, costs and charges for the Scheme are significantly higher than the average for the comparator schemes. However, this is partially mitigated by the Scheme's net investment returns having performed to a level that is closely comparable to the average for comparator schemes. In addition, it should be noted that the charges relative to other With Profits arrangements are competitive and, to add some extent, further value is delivered for active members by the enhanced allocation rate of 110% i.e. contributions receive an initial 10% uplift on investment. The Trustees therefore concluded that the Scheme does provide VFM in relation to costs and charges.
 - 5.11.2. Considering only the default investment strategy, in which all of the DC assets are invested, net returns for the Scheme are closely comparable to the average for the comparator schemes. The Trustees recognise that the bonus rate structure offered by the With Profits fund is valued by the membership, with many longstanding members benefitting from relatively high annual bonus rates linked to contributions paid in previous years and bonuses of some 5% for new contributions. The Trustees decided not to account for the enhanced allocation rate of 110% for contributions, with the majority of members now being deferred and therefore not eligible for it. Overall, the Trustees concluded that the Scheme provides moderate VFM in relation to net returns.
 - 5.11.3. The Trustees considered all seven metrics across scheme administration and governance. They believe the following detract value from the Scheme's administration and governance services;
 - Scheme administration provided by Capita on behalf of Aviva continues to be below the standard expected in the reporting period. Work remains ongoing to improve this with greater transparency of activity being offered to the Trustees, and Aviva updating their administration services.

The Trustees are encouraged that these issues are being addressed and would expect the current rating to increase in future years.

It was concluded that the Scheme provides moderate value for members in relation to administration and governance.

5.12. Recognising the individual component assessments, the Trustees concluded that overall, the Scheme does continue to offer value for members. There have been slight improvements in areas of administration and governance compared to the previous year. Whilst noting costs and charges are higher than the average for the comparator schemes, net investment returns are closely comparable and the bonus rate structure is valued by the membership. The method of assessment is prescribed. Factors that were not considered but that add value include:

5.12.1. the services fully paid for by the Firm, e.g. the administration and communication services, and the services of legal advisers, consultants and auditors;

5.12.2. the operation of the Trustee, with a duty to act in the best interest of members, which is paid for by the Firm;

5.12.3. the employer contributions available through the Scheme; and

5.12.4. the operation of salary sacrifice for employee contributions.

6. Trustee knowledge and understanding

6.1. Trustees are required to be conversant with a scheme's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets

Trustee knowledge and understanding requirements.

Approach

6.2. The Trustees aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the statement of investment principles, the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the scheme year and access to professional advice.

6.3. The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets through a combination of training, taking professional advice and the inclusion of a professional trustee as a Trustee and chair.

6.4. Two of the Trustees are senior pension lawyers within Shoosmiths LLP, who have significant experience in advising trustees and companies on pension and trust law. The Trustees also have to meet ongoing professional development requirements relevant to legal services.

6.5. There is a structured training programme in place that includes annual self-assessment by the Trustees to identify knowledge gaps and training needs in relation to emerging legislation, Scheme changes and upcoming matters in the Scheme's business plan. The training programme also includes completion of the Pensions Regulator's trustee toolkit. A training log is maintained in relation to training undertaken and is reviewed at each trustee meeting.

6.6. Training is a standing item on each agenda and a record of training undertaken is recorded.

6.7. The structured training programme is supplemented with training activities such as attending seminars, conferences, and reading pensions-related articles.

6.8. The Trustees consult with professional advisers as and when required, for example on consultancy, investment and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending trustee meetings and in delivery of training at these meetings.

Activities over the scheme year

6.9. The Trustees reviewed the following Scheme documents:

- 6.9.1. the risk register
- 6.9.2. the internal disputes resolution procedure
- 6.9.3. the payment schedule
- 6.9.4. the member booklet
- 6.9.5. annual report and accounts

6.10. The structured training programme was followed during the scheme year with annual self-assessments completed by all Trustees, and the training programme itself was also reviewed. The training log was reviewed and updated.

6.11. The Trustees received training at trustee meetings over the scheme year on:

6.12. New Value for Members assessment requirements for specified (smaller) schemes

- 6.12.1. the new General Code and the need to establish an Effective System of Governance (ESOG)
- 6.12.2. Pensions Dashboards – new requirements
- 6.12.3. Gender Pension Gap Reporting
- 6.12.4. Changes to the Lifetime and Annual Allowances
- 6.12.5. Summary of DWP and TPR Consultations, including DWP's Consultation on VFM/Small Pots Assessment

6.13. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:

- 6.13.1. The Trustees are able to challenge and question advisers, service providers and other parties effectively
- 6.13.2. Trustees' decisions are made in accordance with the Scheme rules and in line with trust law duties
- 6.13.3. The Trustees' decisions are not compromised by things such as conflicts or hospitality arrangements



David Thompson, Chair of the Trustees



Date

Appendix – Illustrations on the impact of cost and charges

To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustees in conjunction with Aviva have produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative active and deferred members.

Your pension scheme

SHOOSMITHS RETIREMENT SAVINGS SCHEME

Costs and charges illustration

What is this illustration for and how could it help you?

The information in this document is an 'illustration'. This is to show you the possible effect of costs and charges on pension pots. The figures shown are not personal to you and do not show the actual pension benefits you could get from the pension scheme.

Your pension scheme benefits depend on many things such as contributions from you or your employer, With-Profits Fund performance and costs and charges.

How charges affect your Retirement Savings Scheme

The two tables below show how different costs and charges can impact your pension benefits over time. Table 1 is for members where contributions are being paid into their pension pot. Table 2 is for members where contributions are not being paid into their pension pot.

The second column shows the projected pension benefits assuming no charges are taken. The third shows the projected pension benefits after costs and charges are taken. By comparing the two columns you can see how much the charges over the years might impact your pension benefits.

Table 1

Example: current pension pot where contributions are being paid £80,100

At end of year	Pension value assuming no charges are taken	Pension value with charges
1	£88,000	£88,000
2	£95,800	£95,700
3	£103,000	£103,000
4	£111,000	£111,000
5	£119,000	£118,000
10	£158,000	£156,000
15	£198,000	£192,000
20	£238,000	£227,000
25	£278,000	£261,000
30	£318,000	£295,000

Table 2

Example: current pension pot where NO contributions are being paid £32,600

At end of year	Pension value assuming no charges are taken	Pension value with charges
1	£33,200	£33,000
2	£33,900	£33,400
3	£34,600	£33,900
4	£35,200	£34,300
5	£35,900	£34,700
10	£39,000	£36,500
15	£41,900	£38,000
20	£44,700	£39,300
25	£47,300	£40,400
30	£49,800	£41,300

Please note : These projections are purely to illustrate the year-on-year effect of costs and charges over time. This is a generic projection and does not reflect your own pension pot.

How we worked out the figures in the table

It's important to understand how the charges make a difference to your pension pot, but we can't predict exactly what will happen in the future so we've had to make some assumptions. The values shown are estimates and are not guaranteed.

The figures shown here shouldn't be used to make investment decisions, so if you need to do that, we recommend that you take financial advice.

These assumptions are:

1. The value of your investment grows by 3% each year before charges and the effect of inflation. This growth rate reflects our view of the long term expected returns of the FLC With-Profits Sub-Funds in which you are invested. The growth rate is not guaranteed.
2. The current charges continue to apply. Some charges depend on the total contributions paid into the scheme. It's assumed the total scheme contributions continue unchanged.
3. The following charges are currently applicable to your scheme:
With-Profits Fund Management Costs
 - > Investment expenses and administration costs: 0.71% each year.
 - > Transaction costs: 0.014% each year.

The With-Profits Fund management costs represent the assumed cost of professionally investing and administering your schemes' money in the FLC With-Profits Sub-Funds. These costs are already reflected in the declared with-profits bonuses.

RSS Product Charges

> Extra Credit: 10% of contributions paid in scheme year. If no contributions are paid into your pot, the extra credit does not apply. The Extra Credit is an addition to your policy and therefore a benefit. This is determined by the amount all members and your employer are currently contributing to the scheme as a whole.

4. Where contributions are still being paid into your pot (Table 1) it is assumed that £500 is being paid each month, increasing by 2.5% each year. This is the total member and employer contributions to each pension pot.
5. The figures illustrate your pension pot value in 'today's money' which means they take inflation into account by reducing values by 2.5% each year. Seeing the figures in this way shows you what they could be worth today. It's important to note that inflation reduces the worth of all savings and investments.
6. The policy is held until normal retirement age.
7. Both policyholders and shareholders share in the profits of the With-Profits Fund. For every £9 of bonus added to your policy, shareholders are entitled to a maximum of £1. The impact will vary year to year and is allowed for in the assumed growth of 3% each year. Further details of how the FLC With-Profits Sub-Funds operates can be found in the Principles and Practices of Financial Management available at www.aviva.co.uk/ppfm.

Aviva Life & Pensions UK Limited.

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Shoosmiths Retirement Savings Scheme (“the Scheme”) – Statement of Investment Principles

1 Introduction

This is the Statement of Investment Principles prepared by the Trustees of the Shoosmiths Retirement Savings Scheme (“the Scheme”). This statement sets down the principles which govern the decisions about investments that enable the Scheme to meet the requirements of:

- the Pensions Act 1995, as amended by the Pensions Act 2004; and
- the Occupational Pension Schemes (Investment) Regulations 2005 as amended by:
 - the Occupational Pension Schemes (Investment) (Amendment) Regulations 2010;
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018; and
 - the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019.

In preparing this statement, the Trustees have consulted Shoosmiths LLP, the Principal Employer, and obtained advice from Barnett Waddingham LLP, the Trustees’ investment consultant. Barnett Waddingham is authorised and regulated by the Financial Conduct Authority.

The Trustees will review this statement at least every three years or if there is a significant change in any of the areas covered by the statement.

Any change to this statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

The Scheme is run on a fully insured basis with Aviva as the sole provider, the statement reflects this.

2 Investment policy

The Trustees are required by the Scheme’s trust deed and rules to invest all of the Scheme’s assets in policies or contracts of annuity or assurance with qualifying insurance policies.

Since the Scheme commenced in 1988 investments have been made with Aviva (and predecessor companies). Aviva UK Life is considered to be a leading pension provider and is regulated by the Financial Conduct Authority.

The contract entered into by the Trustees solely invests contributions in a ‘With Profits’ fund operated and managed by Aviva (the Aviva With-Profits Fund).

3 Reasons for investment policy

The Trustees' reasons for investing in a With Profits policy are as follows:

- the contract with Aviva includes guaranteed rates of minimum growth
- it offers broad diversification across a number of different asset classes

In addition, a wholly insured arrangement provides:

- the security provided by the insurance company's regulation by the Financial Conduct Authority and the Financial Services Compensation Scheme
- the expertise provided by the insurance company's administration and investment management teams
- economies of scale gained through investing in a packaged product with an insurance company

4 Choosing investments

The power to invest the Scheme's assets is vested in the Trustees. The Trustees have, since the Scheme began in 1988, been investing in an insurance contract that only utilises a With Profits strategy.

The Trustees have no control over the choice of assets underlying the With Profits strategy within the current insurance contract but have the option of buying out some or all of the benefits or changing the insurance contracts if the Trustees consider that their underlying assets no longer suit the Trustees' objectives.

Should the Trustees seek to transfer funds away from the Scheme on a bulk or individual basis as part of any investment changes made by the Trustees, Aviva may (and have) applied penalties or 'Market Value Adjustments' (MVA) to member funds. In some cases the advantageous annual bonus rates which attach to members' accounts would be lost.

Details of the FLC With-Profits Sub-Funds in which the Scheme is invested in are held at:

<https://www.aviva.co.uk/investments/investment-products/select-investment/fund-guides/#flc-with-profits>

The link includes the following documents, which are reviewed by the Trustees on a periodic basis:

- Principles and Practices of Financial Management (PPFM)
- PPFM Summary of Changes
- Board report to with-profits policyholders
- With-Profits summary

5 Agreement

This statement was agreed by the Trustees and replaces any previous statements. Copies of this statement and any subsequent amendments will be made available to the Principal Employer, the investment managers and the Scheme auditor upon request.



Signed:.....

12 July 2022

Date:.....

On behalf of the Shoosmiths Retirement Savings Scheme