



# Weightmans

## William Hatton No.2 Pension & Life Assurance Scheme

### Introduction

I am making this statement in my capacity as chairman of the trustees of the William Hatton No.2 Pension & Life Assurance Scheme (the Scheme). The purpose of the statement is to provide you with information and to comply with the legal requirement that all relevant occupational trust based pension schemes providing benefits on a defined contribution basis must produce an annual statement. The statement explains what steps have been taken by the trustee board, with help from our professional service providers, to assess and meet certain governance standards.

This statement has been prepared in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996. The Regulations outline what information has to be included in the statement and this is set out in sections 1 to 4 below.

The Scheme is being wound up. Contributions are no longer made to it and it is not used as a qualifying scheme for pensions automatic enrolment. Currently, the only remaining members of the Scheme are pensioners. Steps are being taken to secure their benefits outside the Scheme. Once that process is complete, the winding-up of the Scheme will be finalised.

This statement covers the period 1 April 2018 to 31 March 2019, the Scheme year end. I would like to encourage members to express their views to the trustees and to raise any questions. To do so, in the first instance please contact Sue Gould, Head of Human Resources, Weightmans LLP, Liverpool.

### 1. Default Investment arrangement

#### 1.1 The current investment arrangement

The Scheme is a wholly-insured scheme. That means its only investment was a policy of insurance. The policy was issued by Aviva (formerly Commercial Union) which also administers the Scheme. Contributions to the Scheme have been invested in the Deposit Administration Fund offered by Aviva. No other funds have been available under the arrangement with Aviva. Accordingly, the Deposit Administration Fund has effectively been the default investment under the Scheme.

The Scheme's investment in the Deposit Administration Fund ended in December 2018 when all funds held in respect of deferred pensioner members were transferred out of the Scheme. The details about the fund below are provided for information purposes because money was invested in the fund for part of the Scheme year.

The fund is relatively cautious, aiming to deliver growth whilst providing a fund value for members which does not fall from year to year (although the fund value may be reduced on a transfer out or retirement in some circumstances).

The fund works in the following way:

- Each member of the Scheme (other than pensioners) has their own “account” and their statement is in £s, rather like a bank or building society statement.
- Contributions received earn interest which accumulates on a daily basis (Guaranteed Interest).
- Interest is also added by means of a bonus (Bonus Interest) which is declared and credited to members’ accounts at the end of each year.
- During the year, should a member leave the Scheme (upon death, retirement, or a transfer out) an interim bonus rate is applied.
- A final bonus may be added to the proceeds on death, retirement or transfer out.
- On transfer out, early or late retirement, to protect the interests of remaining policyholders, the value of a member’s account may be reduced.
- The underlying asset is the Aviva with Profits Fund, however the Deposit Administration Fund has its own bonus rate.

Currently, the only assets held by the Scheme are annuity policies with Aviva. These policies provide regular pension payments to pensioner members.

## 1.2 Reviewing the default investment arrangement

No review of the default investment arrangement or its performance was undertaken during the Scheme year. Because the investment arrangement is integral to the design of the Scheme and there is no alternative investment option, the investment arrangement cannot be reviewed in isolation. For that reason, the investment arrangement itself has not previously been reviewed.

A review of the Scheme as a whole, including its investment arrangement, commenced in April 2016. The review concluded that the Scheme should be wound up. The winding up commenced in October 2018 and is now at an advanced stage. We expect the winding up to be completed during the Scheme year ending on 31 March 2020. The trustees will write to inform you of the progress of the winding up and what it means for your benefits in the Scheme.

## 2. Core financial transactions

The trustees are required to report to you about the processes and controls in place in relation to “core financial transactions”. The law specifies that these include:

- Investment of contributions





- Transferring assets related to members into or out of the Scheme
- Making payments from the Scheme to or on behalf of members.

The trustees must ensure that these important financial transactions are processed promptly and accurately. We do so in conjunction with Weightmans LLP, our professional advisers (including Aon) and with Aviva. In accordance with its standard service level agreement which is applicable to the Scheme, Aviva reports periodically to us on a range of administration matters relating to the Scheme. Aon has obtained additional information from Aviva regarding its performance relating to core financial transactions during the Scheme year.

During the Scheme year, there were core financial transactions in each of the three categories listed above. All core financial transactions during the Scheme year were processed promptly and accurately, except as outlined below: In August 2019, Aviva notified the trustees that some of the transfer payments made in December 2018 to Scottish Widows had not been calculated correctly and that the affected members were entitled to larger payments. Aviva is currently in the process of making top-up payments to Scottish Widows to correct this error.

### **3. Charges and transaction costs**

#### **3.1 The level of charges and transaction costs in the default fund**

We are required to explain the charges and investment costs applicable to the Scheme's investment arrangement which are borne by members.

The nature of the Deposit Administration Fund means that there are no specific charges and transaction costs attributed to the members' individual accounts. Charges and costs are reflected in the interest payments added to members' accounts, annually and as a final bonus upon payment of benefits. Accordingly, we are not able to provide any specific details of charges and costs in this statement. Nor are we able to provide an illustrative example of the effect of charges and costs on the value of members' benefits. We are not taking any steps to obtain further details on charges and costs because we understand that relevant information is not available. Furthermore, as the Scheme is winding up and has no investments remaining in the default fund, its charges and costs are no longer relevant.

#### **3.2 Assessment of the extent to which the charges and transaction costs represent good value for members**

Because there are no specific charges and transaction costs attributed to the members' individual accounts, the trustees cannot directly assess the extent to which the charges and costs represented good value. An overall assessment of the value offered by the Scheme was integral to the review referred to in paragraph 1.2 above following which the decision was made to wind up the Scheme.

### **4. Trustee knowledge and understanding**

The Scheme trustees must possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively.

Both of the trustees are qualified lawyers and members of the senior leadership team at Weightmans LLP. Our professional knowledge and skills (including in respect of financial matters) help to equip us to discharge our duties as trustees. We are conversant with the trust deeds, rules and other governing documents relating to the Scheme. We have a good understanding of pensions law, trust law and investment, to the extent which is appropriate for our responsibilities in governing the Scheme.



The trustees have access to professional support including legal advisers and pension consultants. The trustees are confident that the combined knowledge and understanding of the trustees and the professional support that is available to us, enable us exercise our functions properly.

The specialist work on winding up the Scheme is being handled largely by Aviva and the trustees' advisers. Consequently, we have not identified or needed to address any knowledge gaps during the Scheme year. If, contrary to our expectations, it becomes apparent that the winding up of the Scheme will not be completed during the Scheme year ending on 31 March 2020, we will carry out an evaluation to identify any steps that may be taken to enhance our knowledge and understanding to further the achievement of our objectives.

**Signed for and on behalf of  
the trustees of the William Hatton No.2 Pension & Life Assurance Scheme**

30 / 10 / 2019

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**John Schorah  
Chairman**

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**Date**

This update does not attempt to provide a full analysis of those matters with which it deals and is provided for general information purposes only. This update is not intended to constitute legal advice and should not be treated as a substitute for legal advice. Weightmans accepts no responsibility for any loss, which may arise from reliance on the information in this update. The copyright in this update is owned by Weightmans © 2013

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