

Chair's Annual Statement

SJ Dixon & Son (Holdings) Limited Pension and Life Assurance Scheme ('the Scheme')

Year ended 31 December 2022

Introduction

As Chair of the Trustees of the Scheme, I am required to provide members with an annual statement which explains the steps the Trustees (with guidance from our professional advisers) have taken to meet the governance standards for Defined Contribution (DC) schemes.

In March 2015, the Department of Work and Pensions (DWP) set out new rules for the governance of Defined Contribution (DC) pension schemes. From 6 April 2015, trustees of DC schemes have had to produce an annual statement, signed by their Chair, setting out a number of prescribed matters. This is the Scheme's annual statement for 2022.

The Scheme operates under a Trust Deed and Rules dated 1 July 1998 and provides both Defined Contribution (DC) and Final Salary (FS) benefits. This Statement is in respect of the DC section only, also referred to as the MP Section.

Contributions to the DC Section ceased on 31 March 2022 and the Trustees decided to transfer members to The People's Pension, with the transfer taking place in May 2023. Members who were in the process of taking their retirement benefits were not transferred to The People's Pension.

What do you need to do next?

This report is for noting. You do not need to take any action.

If you have any questions or require any further information you should contact the Scheme Secretary: Mr AJ Cotterill at SJ Dixon & Son Limited at Dixon House, Cleveland Road, Wolverhampton, WV2 1BX.

The default investment strategy

A default investment arrangement was set up by the Trustees for members who do not choose their own investment option for their contributions. The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the default arrangement. Approximately 81% of members' funds are invested in the default investment strategy. The default strategy was last reviewed in December 2020.

The default strategy is a 'Lifestyle Strategy' and is explained in the member's booklet and the Statement of Investment Principles. A lifestyle strategy automatically performs a gradual switch of a member's investment holdings, from higher risk to lower risk funds, over a set time period prior to their Target Retirement Age. Members in the Scheme's lifestyle strategy are invested 100% in a multi asset fund when they are more than ten years from retirement. Investments then begin switching to a pre-retirement and cash fund. This strategy targets members taking an annuity at retirement.

A copy of the latest SIP is available on the SJ Dixon and Son Limited website, and is also attached to this Statement: <https://www.sjdixon.co.uk>.

The Statement of Investment Principles was last updated in May 2023 to take into account new regulatory requirements about the Trustees' relationship with their investment managers.

Scheme funds are invested with Newton Investment Management (a subsidiary of BNY Mellon) and Legal & General Investment Management. Performance of those funds is reported to and monitored by the Trustees on a quarterly basis.

The Trustees take advice from their pension and investment consultant. The Trustees consider the extent to which the return on investments relating to the default arrangement (after deduction of charges relating to those investment) is consistent with the aims and objectives for the default arrangement.

The Trustees have continued to look at the up to date membership profile of the Scheme, the risk profile and number of investment funds offered to members, long-term investment market conditions and the investment products and techniques available in the market.

Core financial transactions

The Trustees are required to make sure that core Scheme financial transactions are processed promptly and accurately. The Trustees monitor this through:

- having an agreement with each service provider committing them to a defined service level agreement (SLA)
- having the Scheme auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

The core financial transactions include:

- the transfer of assets relating to members into and out of the Scheme
- the transfer of assets relating to members between different investments within the Scheme
- payments from the Scheme to, or in respect of, members and other beneficiaries.

The Trustees are satisfied that core financial transactions have been processed promptly and accurately. The move of the administration of the Scheme to Quantum Advisory has improved the overall governance of the Scheme.

Charges and transaction costs

The Trustees are required to monitor the costs associated with the Scheme, which are paid by members. These costs comprise the charges and transaction costs on the investment funds.

The Company currently meets all the administration, member communication and advisory costs associated with operating the Scheme.

The Scheme publishes details of the costs borne by members in two forms:

- the annual management charge (AMC) which is the fee applied by the investment manager for managing the funds
- the total expense ratio (TER) which is made up of the AMC and additional fund expenses, such as custody costs, where applicable.

Charges are generally higher for actively managed funds than for index (passive) funds.

The Scheme complies with the regulations on charge controls that were introduced from April 2015. Specifically, the annual charges for funds in the Scheme's default investment arrangement over 2022 are well within the 'charge cap' of 0.75% of the value of those funds. Charges over 2022 were as follows:

Fund	AMC	TER
LGIM Global Equity Fixed Weights 60:40 Index	0.16%	0.16%
LGIM Pre-Retirement	0.15%	0.15%
LGIM Cash	0.13%	0.13%
Newton UK Income	0.50%	0.54%
Newton Multi Asset Global Balanced	0.45%	0.50%
Newton Long Gilt	0.20%	0.20%
Newton Sustainable European Opportunities	0.50%	0.59%
Newton UK Equity	0.50%	0.54%
Newton Oriental	0.50%	0.58%

Source: Legal & General Investment Management (LGIM) and Newton Investment Management (Newton)

No charges were available for the Newton Long Corporate Bond Fund, as this fund is now closed.

In addition to the investment managers' expenses included in the TER, investment funds are subject to other costs, such as those associated with trading a fund's underlying securities, commissions and stamp duty. These expenses are not explicitly deducted from each fund but are captured by a reduction in the investment return.

Transaction costs are incurred as a result of buying, selling, lending or borrowing investments. The costs mainly arise as a result of delivering a fund's target investment return where a passive or active investment approach is used. As an example, a fund may need to buy or sell assets when members pay money into or take money out of a fund and the buying or selling of assets will incur costs.

Transaction costs can be negative, due to the method that must be used to calculate them.

In reporting these transaction costs, the Trustees confirm that, to the best of their knowledge, the investment managers have followed guidance from the Financial Conduct Authority on calculating and disclosing transaction costs. The Trustees received transaction costs from LGIM and Newton for 2022, as shown below. Average transaction costs for the last five years are also shown.

Fund	Transaction cost in 2022	Average transaction cost for 2017 to 2022
LGIM Global Equity Fixed Weights 60:40 Index	0.05%	0.01%
LGIM Pre-Retirement	0.08%	0.02%
LGIM Cash	0.03%	0.01%
Newton UK Income	0.36%	0.27%
Newton Multi Asset Global Balanced	0.09%	0.07%
Newton Long Gilt	0.12%	0.00%
Newton Sustainable European Opportunities	0.14%	0.17%
Newton UK Equity	0.13%	0.10%
Newton Oriental	0.36%	0.25%

Source: LGIM and Newton (Newton transaction charges are to the 30 May 2022)

Transaction costs arise as a result of participating in a financial market and are separate from any annual management charges. The transaction cost for buying or selling an investment includes all costs incurred by a buyer or seller from the point an order to transact is received to the point at which the transaction completes. These costs include all charges, commissions, taxes and other associated payments incurred directly or indirectly. These costs are ultimately borne by assets of the arrangement or of any investment in which the arrangement is directly or indirectly invested. Of these costs, some are easily identifiable as specific costs incurred, but some are less identifiable and may rely on the investment manager's judgement.

Costs for actively managed funds may be higher, as shown above. The manager will allow for this cost when taking positions, such that the additional cost compared to an index fund is expected to be offset through future performance.

Investment performance

The figures below are annualised net investment returns to 31 December 2022 for the default investment strategy:

Age of member in 2022 (years)	20 years (2002 to 2022)	15 years (2007 to 2022)	10 years (2012 to 2022)	7 years (2015 to 2022)	5 years (2017 to 2022)
25	N/A	N/A	8.3%	8.3%	6.6%
35	N/A	7.2%	8.3%	8.3%	6.6%
45	9.4%	7.2%	8.3%	8.3%	6.6%
55	9.4%	7.2%	8.3%	8.3%	6.6%
65	7.2%	4.4%	4.1%	2.3%	-0.8%

The figures below are annualised net investment returns to 31 December 2022 for the self-select funds:

Fund	20 years (2002 to 2022)	15 years (2007 to 2022)	10 years (2012 to 2022)	7 years (2015 to 2022)	5 years (2017 to 2022)
LGIM Global Equity Fixed Weights 60:40 Index	8.6%	6.5%	8.4%	8.1%	4.6%
LGIM Pre- Retirement	N/A	3.4%	1.2%	-0.2%	-3.9%
LGIM Cash	1.7%	0.7%	0.4%	0.4%	0.5%
Newton UK Income	8.8%	6.2%	8.2%	7.0%	5.6%
Newton Multi Asset Global Balanced	9.4%	7.2%	8.3%	8.3%	6.6%
Newton Long Gilt	3.6%	3.2%	0.5%	-1.7%	-6.2%
Newton Sustainable European Opportunities	9.4%	6.0%	9.2%	8.3%	4.9%
Newton UK Equity	8.3%	5.8%	6.7%	4.3%	2.5%
Newton Oriental	11.6%	6.7%	7.5%	11.4%	5.8%

Illustration of costs and charges

Deferred member

The figures in the table below show the effect of the fund managers' charges on a deferred member's fund value over incremental periods for the next 40 years. The table shows the effect based on the assumptions set out in the notes below the table.

Projected pension fund in today's money								
	Fund choice							
	Default investment strategy		Newton Global Balanced (fund with most investment)		LGIM Global Equity (fund with highest assumed return)		LGIM Cash (fund with lowest assumed return)	
Years	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
1	£30,000	£29,900	£30,900	£30,800	£31,200	£31,100	£29,700	£29,700
3	£30,200	£30,100	£32,900	£32,400	£33,700	£33,500	£29,100	£29,000
5	£30,900	£30,600	£35,000	£34,200	£36,300	£36,100	£28,600	£28,400
10	£34,600	£33,500	£40,800	£38,900	£44,000	£43,300	£27,200	£26,900
15	£40,100	£38,000	£47,500	£44,300	£53,300	£52,100	£25,900	£25,400
20	£46,600	£43,100	£55,400	£50,400	£64,500	£62,600	£24,700	£24,100
25	£54,300	£49,000	£64,600	£57,400	£78,100	£75,200	£23,500	£22,800
30	£63,200	£55,800	£75,300	£65,300	£94,600	£90,400	£22,400	£21,500
35	£73,600	£63,400	£87,700	£74,300	£115,000	£109,000	£21,300	£20,400
40	£85,700	£72,200	£102,000	£84,600	£139,000	£131,000	£20,300	£19,300

Notes

- Projected pension fund values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
- The starting pension fund value is assumed to be £30,000.
- Inflation is assumed to be 2.50% each year.
- No further contributions are assumed.
- Values shown are estimates and are not guaranteed.
- The projected growth rates before charges for the fund choices are as follows:
 - Default strategy: 2.43% to 5.23% pa. depending on how close the member is to retirement age.
 - Newton Global Balanced: 5.69% pa.
 - LGIM Global Equity: 6.50% pa.
 - LGIM Cash: 1.50% pa.

Value for members assessment

The Trustees are required to undertake a 'value for members' assessment for the Scheme.

For the Scheme to offer good value for members, the Trustees expect to see certain qualities that are in line with the costs being charged. In particular, the Trustees consider these costs against the level and quality of:

- benefits that members receive
- communications sent to members
- investment design, options and implementation
- administration
- risk management.

The Trustees' assessment of this measure included a review of the performance of the funds (after all charges) in the context of their investment objectives. The Trustees are of the opinion that the returns on the funds during the period covered by this statement have been consistent with stated investment objectives.

In carrying out the assessment, the Trustees also considered the other benefits members receive from the Scheme, which include:

- the oversight and governance of the Trustees, including ensuring the Fund complies with relevant legislation, holding regular meetings to monitor the Fund and addressing any material issues that may impact members the range of investment options and strategies.
- the quality of communications delivered to members.
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

The Trustees have concluded that the costs and charges provide value for members. Whilst the Trustees concluded that the quality and efficiency of the Scheme's administration processes have been satisfactory during the year, the Trustees decided to undertake a review of the appropriateness of their administrator in 2020 and moved to Quantum Advisory in 2021 to further enhance and improve the quality and robustness of the administration processes.

The Trustees also note that the broader administrative costs of the Scheme are met via the Final Salary section, thereby keeping the costs for the DC section at a minimum.

The Trustees are aware of the new requirements for value for members assessments, which came into effect for the Scheme in 2022.

Knowledge and understanding of the Trustees

The Pensions Act 2004 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of assets. The degree of knowledge and understanding required needs to be appropriate for the purposes of enabling the Trustees to exercise the functions in question.

The Trustees must:

- be conversant with the trust deed and rules of the Scheme, the Scheme's Statement of Investment Principles and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally.
- have, to the degree that is appropriate for the purposes of enabling each individual properly to exercise his or her functions as a trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustees have measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustees' relevant knowledge and understanding has been assessed during the year. Training is provided on relevant issues at meetings and areas for further training are identified. No additional training was requested by the Trustees during the year.

The Trustees have a working knowledge of the Scheme's trust deed and rules, SIP and documents setting out current policies. These items are all included on the Trustees' compliance checklist which is reviewed and updated at every Trustees' meeting, along with a briefing on legislative and regulatory developments.

As a result of the training activities completed by the Trustees and taking into account the professional advice available to them, the Trustees are confident that their knowledge and understanding enables them to undertake their duties competently and in the best interests of the Scheme membership. Furthermore, the Trustees assess that their degree of knowledge and understanding is appropriate for the purposes of enabling the proper exercise of functions as Trustees of the Scheme.

The Trustees' advisers can provide training to the Trustees, direct the Trustees to the Pensions Regulator's trustee toolkit and provide the Trustees with copies of the Scheme's documentation.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996.

Chair of the Trustees
July 2023