



cushon

Cushon Master Trust  
(formerly the Salvus Master Trust)

Governance Statement  
Year Ending 31 December 2020

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# Cushon Master Trust (formerly the Salvus Master Trust) Governance Statement Year Ending 31st December 2020

## Introduction

This is the annual statement ("the Statement") from the Trustees regarding the governance of the Cushon Master Trust ("the Scheme") to demonstrate how the Scheme has complied with the required governance standards. The Trustees have prepared the Statement in accordance with the requirements of the Occupational Pension Schemes (Scheme Administration) Regulation 2016. A copy of the Statement will be added to the Cushon Master Trust website <https://www.salvustrust.com/scheme-governance-reporting.php>

The Statement relates to the calendar year 1 January 2020 to 31 December 2020. The Statement includes details of developments after this time where the Trustees feel that they will help in describing the ongoing governance of the Scheme.

The Trustees of the Scheme during the year were Roger Mattingly (Chair), Abundzu Limited (represented by Barry Parr) and Andrew Blackman. Since the year end there has been changes to the Trustee Board and this is detailed within significant developments.

The Scheme is an authorised Defined Contribution master trust, sponsored by Cushon MT Limited.

The Trustees are legally required to act in your interests and are committed to ensuring that the Scheme meets high standards. In the reporting period and subsequent to this there has been some significant developments.

The Trustees ordinarily meet formally four times a year with meetings that cover:

- Investments - providing you with secure, appropriate and effective investments for your savings;
- Administration - the administration of the Scheme, including the collection, recording and investing of contributions, accounting and the payment of benefits;
- Accounting & legal – to ensure independent verification of the principal internal controls and financial statements, and;
- Risk and Governance - making sure that the Scheme is properly run, compliant with legislation and that no unnecessary risks are taken with your savings.

We believe that this structure enables the Trustees to distribute their workload effectively and to maintain the efficient running of the Scheme as it expands.

Additional Trustee meetings, either in person or by conference call and/or video-link, are organised as the need arises. During the Scheme year the Trustee board held 4 formal quarterly meetings and numerous additional meetings as follows:-

Quarterly Trustee meetings	Covid-19 meetings	Investment meetings	Cushon Acquisition
27 February 2020	16 March 2020	21 April 2020	20 March 2020
13 May 2020	30 March 2020	3 June 2020	27 March 2020
8 September 2020	14 April 2020	19 June 2020	
8 December 2020	27 April 2020	29 June 2020	
	1 June 2020	27 July 2020	
	16 June 2020	15 October 2020	
		10 November 2020	

In addition to the meetings detailed previously there were Trustee catch up meetings, administration meetings and various ad-hoc meetings which took place throughout the year to assist with the running of the Scheme and good Scheme governance.

Due to Covid-19 the vast majority of Trustee meetings were held virtually.

Since the end of the Scheme year we have continued to meet more regularly; however, we have retained the 4 formal quarterly Trustee meeting format.

## Significant developments

### Acquisition of Scheme by Cushon Group Limited

On 3 April 2020 the Scheme was acquired by the Cushon Group Limited (formerly Smarterly), a financial technology (fintech) company which specialises in workplace savings. Cushon Group Limited became the Co-Scheme Funder alongside Goddard Perry Consulting Ltd.

This is an exciting development for the Trustees and all involved in the Cushon Master Trust. This should take the Scheme to the next level in terms of delivery of technology to members and additional functionality for employers. Further information will follow in this regard.

On 10 January 2021, the Scheme changed its name from the Salvus Master Trust to the Cushon Master Trust.

### Ascot Lloyd Pension Trust (another multi-employer Scheme)

During 2020, it was agreed that the Ascot Lloyd Pension Trust would transfer to the Cushon Master Trust. The active Ascot Lloyd Pension Trust members joined on 1 October 2020, with the transfer of the deferred scheme assets taking place on 29 January 2021. This transfer introduced another default investment strategy to the Scheme, as determined by the transferring Trustees. Members are provided with a default investment strategy from a range of Retirement Age Funds (RAFs), with the relevant RAF based on members assumed normal retirement age (Age 65). Further details are included later in this report.

### Trustee changes

Andrew Blackman resigned as Trustee on 9 January 2021. The Trustees would like to record their thanks to Andrew for his support and dedication to the Scheme members throughout his tenure as Scheme Trustee.

On the same date, the following changes to the Trustee Board have taken place:-

- Roger Mattingly's appointment has switched to a corporate appointment, where he will represent Ross Trustees Services Limited;
- Capital Cranfield Pension Trustees Limited represented by Andrew Warwick-Thompson was appointed; and
- Independent Trustees Services Limited represented by Dianne Day was appointed.

Andrew and Dianne have already made a significant positive impact to the Trustee Board with their wealth of pensions experience ensuring continued support of good member outcomes.

### Scheme growth

The number of employers using the Cushon Master Trust as their preferred pension scheme has increased from 2,953 at the start of the year to 3,815 employers by the end of the year. The number of members has increased from 70,388 at the start of the year to 76,733 at the end of the year.

The assets of the Scheme have also increased significantly over the year, through a combination of regular monthly contributions; individual transfers-in by members seeking to consolidate their pensions savings in a well-managed, low-cost Scheme; the acceptance of further pension funds from schemes where the defined benefit element has been taken into the Pension Protection Fund (PPF); and increases in investment markets. The total assets under management increased from £218.3m to £281.0m by the end of the Scheme year.

### Covid-19

The year has been challenging due to the impact of Covid-19, although it was encouraging to see that Scheme operations continued largely as normal despite the requirement for staff to work from home. There was minimal short-term impact on service delivery to members with the Trustees having regular contact with the Scheme Administrator to monitor the member experience.

April and May 2020 saw a drop in regular contributions being made to the Scheme by employees and employers; however, these returned to more normal levels from June 2020 onwards and continue to be monitored by the Trustees.

Scheme investment funds fell sharply in mid to late March 2020 as investment markets throughout the world suffered losses. Investment markets rebounded thereafter, due to Government and central bank stimulus. The Trustees continue to monitor investment markets with their Investment Adviser, Isio.

#### **Service Provider changes**

During 2020, the Trustees carried out an investment adviser review. An invitation to tender document was issued to 7 investment adviser firms. The responses were shortlisted to 4, each of whom were asked to attend a presentation to the Trustees. This exercise resulted in the decision to replace the existing adviser, River and Mercantile, with Isio. The appropriate notifications to the Pensions Regulator (TPR) were made in respect of this appointment, which was decided by the Trustees in a meeting on 29 June 2020 and formalised on 3 August 2020.

#### **The Pensions Regulator (TPR) Authorisation**

The Trustees have continued to undertake all necessary tasks and reporting to maintain our status as an authorised master trust.

## Scheme Investments

### Default Investment Strategies

The Scheme currently has the following default investment strategies in place:-

1. Cautious and Balanced Lifestyle
2. Ascot Lloyd Pension Trust
3. Spinnaker Master Trust
4. Mapped Investment funds
5. Cushon Flexible Retirement

The default investment strategies are provided for those members who do not wish to make an active choice about their pension investments, although members can also choose to invest in it. At the end of 2020 approximately 99% of auto-enrolled members had their contributions invested in one of the default investment strategies.

The Trustees aims and objectives in relation to the default investment strategies are to support member investment needs where members do not choose any option. Broader aims and objectives are to provide members with a robust default investment strategy designed to focus on member needs by aiming to achieve growth and maintain the purchasing power of member savings and protect the value of accumulated assets as members approach retirement. The Trustees feel these aims are in the best interest of members as they balance investment risk with the opportunity for providing long-term investment growth.

The Trustees set the investment strategy for the Scheme's default investment strategies. The Trustees know that members have different attitudes to risk and different aims for their retirement savings. When setting the investment strategy, the Trustees take into account various aspects including:

- The demographics of the Scheme membership;
- The average and range of members' pot sizes;
- Costs;
- Likely benefit choice at retirement;
- The different type of investments available and their risk profile;
- Current and future market outlook;
- Investment horizon;
- Realisation of investments; and
- Environmental, Social and Governance (ESG) factors, including climate change.

The Trustees regularly review how the default investment strategies are performing and can confirm that this is consistent with their aims and objectives detailed within their Statement of Investment Principles (SIP) (dated 11 January 2021 and attached in Appendix A) and that the aims and objectives remain suitable for the relevant members. The aims and objectives of the SIP (dated 11 January 2021) were taken into account during the investment strategy and performance review detailed below.

The investment performance of the default investment strategies is reviewed by the Trustees at each formal quarterly Trustee meeting. Throughout 2020 the main Trustee Board meetings reviewing the investments took place on 27 February 2020, 13 May 2020, 8 September 2020 and 8 December 2020. In addition, specific investment meetings of the Trustee Board took place on 21 April 2020, 3 June 2020, 19 June 2020, 29 June 2020, 27 July 2020, 15 October 2020 and 10 November 2020.

**Statement of Investment Principles (SIP) (dated 11 January 2021)**

The SIP details the current investment strategy and was revised a number of times during the Scheme Year for compliance reasons and to reflect the changes made to the investment strategies as follows:-

- General review;
- Removal of Utmost Life and Pensions investments;
- Incorporate 1 October 2020 disclosure requirements;
- Include Ascot Lloyd Pension Trust default investment strategy (new members joined on 1 October 2020); and
- Include new Cushon Flexible Retirement investment strategy.

The latest version dated 11 January 2021 is available on our website and is included in this statement as Appendix A.



## 1. Cautious and Balanced Lifestyle

The two main default investment strategies which have historically been used are the Cautious Lifestyle and the Balanced Lifestyle. Generally, it is only the Cautious Lifestyle that is used for new members/employers.

The objective of all of the default investment strategies is to balance investment risk with the opportunity for providing long-term investment growth. To accomplish this, the Cautious and Balanced Lifestyle funds have three distinct phases: Growth, Consolidation and Pre-Retirement.

During the Growth Stage, members will be invested in mostly stocks and shares with the aim of generating long-term growth.

In the Cautious Lifestyle default strategy, 15 years before retirement members move into the Consolidation Stage and their funds will be invested in more UK bonds and gilts to protect any gains that have been made. Finally, as members reach 5 years before their retirement age, they will move into the Pre-Retirement Stage when they will be invested in more cash to protect them from any sudden changes in the stock market. A breakdown is detailed in table 1 below:

*Table 1: Cautious Lifestyle profile*

Fund Name	Cautious Lifestyle Stage		
	Growth	Consolidation	Pre-Retirement
Aegon BlackRock UK Equity Tracker	35%	30%	-
Aegon BlackRock World (Ex-UK) Equity Tracker	45%	-	-
Aegon BlackRock UK Index-Linked Gilt Index	4%	-	-
UK Gilts All Stocks Tracker	12%	30%	-
Aegon BlackRock Corporate Bond Tracker	4%	40%	-
Aegon Cash	-	-	100%

In the Balanced Lifestyle the objective is to balance the investment risk with the opportunity for providing long-term investment growth in three distinct phases, Growth, Consolidation and Pre-Retirement. In the Balanced Lifestyle, the Consolidation phase begins 10 years before target retirement age.

These changes from Growth to Consolidation and then Pre-Retirement are made automatically and are reviewed regularly by the Scheme Trustees. A breakdown is detailed in table 2 below:

Table 2: Balanced Lifestyle profile

Fund Name	Balanced Lifestyle Stage		
	Growth	Consolidation	Pre-Retirement
Aegon BlackRock UK Equity Tracker	20%	50%	-
Aegon BlackRock World (Ex-UK) Equity Tracker	70%	20%	-
Aegon BlackRock UK Index-Linked Gilt Index	-	-	-
UK Gilts All Stocks Tracker	5%	10%	-
Aegon BlackRock Corporate Bond Tracker	5%	20%	-
Aegon Cash	-	-	100%

Further information can be found at <https://www.salvustrust.com/>

Table 3: Cautious and Balanced Lifestyle fund performance figures to 31 December 2020

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%) per annum	3 Year Performance Benchmark (%) per annum
Cautious Lifestyle	3.8%	-9.8%	7.9%	6.9%
Balanced Lifestyle	7.8%	-9.8%	5.4%	6.9%

The default fund returns are shown net of 0.5% charge, including the Scheme charges. This is the performance of the growth phase because this is where the majority of the members are invested.

## 2. Ascot Lloyd Pension Trust

During 2020, it was agreed that the Ascot Lloyd Pension Trust would transfer to the Cushon Master Trust. The active Scheme members joined on 1 October 2020, with the transfer of the deferred scheme assets taking place on 29 January 2021.

For these members, the default was determined by the transferring trustees (the trustees of the Ascot Lloyd Pension Trust). Contributions are being invested in line with their existing investment strategy, whereby members are provided with a default investment from a range of Retirement Age Funds (RAFs). The relevant RAF is based on the member's assumed normal retirement age (Age 65).

The Cushon Trustees will review the strategy and performance of the Ascot Lloyd Pension Trust default arrangements as part of the overall investment strategy review. Members and employers will be communicated with when the time is appropriate.

Table 4: Ascot Lloyd Pension Trust fund performance figures to 31 December 2020

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%)	3 Year Performance Benchmark (%)
2020 Retirement Age Fund	5.9%	N/A	4.5%	N/A
2025 Retirement Age Fund	6.4%	N/A	5.0%	N/A
2030 Retirement Age Fund	6.2%	N/A	5.0%	N/A
2035 Retirement Age Fund	5.2%	N/A	4.6%	N/A
2040 Retirement Age Fund	4.3%	N/A	4.3%	N/A
2045 Retirement Age Fund	4.0%	N/A	4.3%	N/A
2050 Retirement Age Fund	3.7%	N/A	4.2%	N/A
2055 Retirement Age Fund	3.6%	N/A	4.2%	N/A
2060 Retirement Age Fund	3.6%	N/A	4.2%	N/A
Equity Accumulation **	3.6%	N/A	4.2%	N/A
Diversified Beta **	4.5%	N/A	4.3%	N/A
<b>Benchmark comparison</b>				
FTSE All Share index	-	-9.8%	-	-0.9%
FTSE AW World index	-	3.8%	-	7.2%
FTSE over 15-year fixed interest	-	13.9%	-	12.0%
FTSE All Stock fixed interest Gilt index	-	8.3%	-	5.2%
3 Month LIBOR GDP	-	0.3%	-	0.6%
7-day LIBID	-	0.2%	-	0.5%

Returns shown are before the deduction of charges.

Due to the nature of these Retirement Age Funds, the fund managers do not provide a benchmark, however, some benchmark comparison figures have been included for information purposes.

### 3. Spinnaker Master Trust

Spinnaker was the original master trust that was set up to accept the defined contribution funds from pension schemes entering the Pension Protection Fund (PPF). Occupational pension schemes which are mostly defined benefit in structure may be eligible for the PPF if the employer sponsor of the scheme fails for whatever reason. At that time there may also be Defined Contribution (DC) elements which the PPF cannot directly receive and manage and some of these DC pensions have therefore been transferred to the Spinnaker section.

This section has its own default arrangement which uses the Aegon BlackRock 50/50 Equity & Bond Tracker fund or the Aegon Cash fund. This is different from the main section in view of the larger pension pot sizes that have been transferred by the PPF and the probability of members taking an annuity at retirement. The Trustees reviewed the strategy and performance of the default arrangements as part of the overall Scheme investment strategy review. The Trustees wish to move these assets to the Mobius Life investment platform and are currently reviewing the investment strategy with their investment adviser, Isio. The decision to move to the Mobius Life platform was approved and was ratified at the formal quarterly Trustee meeting held on 8 December 2020. However, it has been agreed that these funds will remain on the Aegon platform until 31 December 2021. Members and employers will be communicated with when the time is appropriate.

The actual investment performance of the Aegon BlackRock 50/50 Equity & Bond Tracker and the Aegon Cash fund has been strong against its benchmark.

*Table 5: Spinnaker Master Trust Fund performance figures to 31 December 2020*

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%)	3 Year Performance Benchmark (%)
Aegon Blackrock 50/50 Equity & Bond Tracker	8.3%	8.0%	6.7%	6.3%
Cash	0.3%	0.1%	0.5%	0.4%

*The fund performance is shown after deduction of the additional expenses detailed in table 11. Member fees vary by employer. You may pay a different charge.*

#### 4. Mapped Investment funds

During 2014 a transfer took place from an existing occupational scheme to the Cushon non-contributory section. The funds that these members were invested in were replicated within the Scheme. This being the Aegon Balanced Passive Fund. Then 5 years prior to their normal retirement date, moving to a combination of over 15-year gilt and cash funds. Due to the way the legislation is written, if member funds were invested without consent, as in this case, the receiving self-select funds are classed as a default fund for investment and reporting purposes and are required to be reviewed every three years. These funds have therefore been included as part of the overall Scheme investment strategy review and will be moved to the Mobius Life platform.

The plan was that these funds would then be transitioned to the new Cushon Flexible Retirement Strategy, as determined following the investment meeting on 10 November 2020 and ratified at the formal quarterly Trustee meeting on 8 December 2020. However, the decision to move to the Cushon Flexible Retirement Strategy will be assessed by the Trustees and their investment adviser, Isio, to determine if it is still appropriate, once the investment platform transition is complete. All members and employers will be contacted when appropriate.

Table 6: Mapped Investment funds performance figures to 31 December 2020

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%) per annum	3 Year Performance Benchmark (%) per annum
Aegon Blackrock Over 15y UK Gilt Tracker	14.1%	13.8%	8.7%	8.6%
Balanced Passive	4.4%	4.8%	5.1%	4.4%
Cash	0.3%	0.1%	0.5%	0.4%

*The fund performance is shown after deduction of the additional expenses detailed in table 12. Member fees vary by employer. You may pay a different charge.*

## **5. Cushon Flexible Retirement**

As part of the investment strategy review, the Trustees aim to consolidate the default investment strategies into one single default fund that is suitable for all members in the Scheme.

An extraordinary investment meeting took place on 21 April 2020. At this meeting the Trustees determined that their requirements for a default investment strategy, taking into consideration the members differing attitudes to risk and different aims for their retirement savings, were:-

- Preferably 1 default investment strategy, this would avoid excess complexity;
- Incorporate Environmental, Social and Governance (ESG) factors, including climate change;
- Primarily passive funds to be used, mainly due to the lower charges;
- White label funds to be used for ease of administration;
- To target cash at Normal Retirement Date (NRD) whilst the pot sizes remain low but to make sure the default structure appropriately accommodates Freedom of Choice options; and
- To meet this to Potentially include an active decision option 5 years prior to NRD with continuation to cash as the default.

An initial investment meeting was held with Isio, the Trustees and the Scheme Funder on 27 July 2020 to recap the Trustee and Scheme Funder objectives, discuss the business plan for the wider Scheme proposition (not just investment) and to explore what this could mean for the investment strategy (default, self-select range, post retirement options, platform provider) and the Trustees agreed principles.

The first steps following this meeting were for Isio to review the investment platform provider and this was discussed at an investment meeting on 15 October 2020. The Scheme currently uses Aegon as the underlying platform, but as part of the investment review the Trustees considered alternative platform providers. Following previous discussions with both Mobius Life and Legal & General, the Trustees asked Isio to formally comment on the suitability of Mobius Life as a platform provider. Following receipt of this advice and subsequent follow up queries, the Trustees agreed to appoint Mobius Life as their investment platform provider. The Scheme is developing new investments and technology to make the Scheme better in the future. To bring these improvements, Mobius Life fitted our requirements best and demonstrated a willingness to collaborate with the Trustees and Cushon on new ideas and fund options. We believe this will be increasingly important given the potential for innovation from Cushon, and to keep up with the pace of change in the wider Master Trust market.

The Mobius Life platform is used by the Scheme already in respect of some Scheme investments, there was therefore no need to complete further due diligence or engagement documentation.

Notice was provided to Aegon on 2 November 2020. Planning the transition of assets from the Aegon to the Mobius Life investment platform is underway and Members and Employers will be contacted separately on the move in investment platform and how this will impact them.

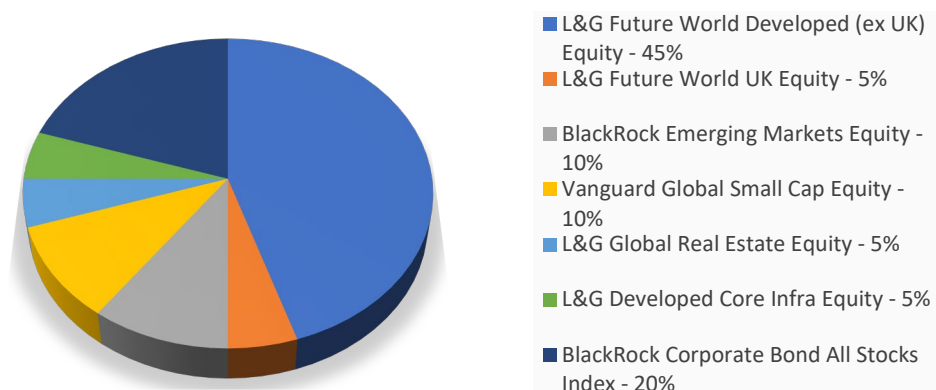
In addition, to this work the Trustees have been reviewing the default investment strategies in conjunction with their Investment Adviser, Isio.

At an investment strategy review meeting held on 10 November 2020, Isio proposed to the Trustees that a new Scheme default was added to the Scheme. This new investment default strategy is known as the Cushon Flexible Retirement Strategy, and the underlying investment funds are the Cushon Growth and Cushon Retirement funds, with the lifestyling element of the default beginning 10 years prior to normal retirement age.

Subject to satisfactory answers to questions raised by the Trustees, the Cushon Flexible Retirement default investment strategy was approved and was ratified at the formal quarterly Trustees meeting held on 8 December 2020.

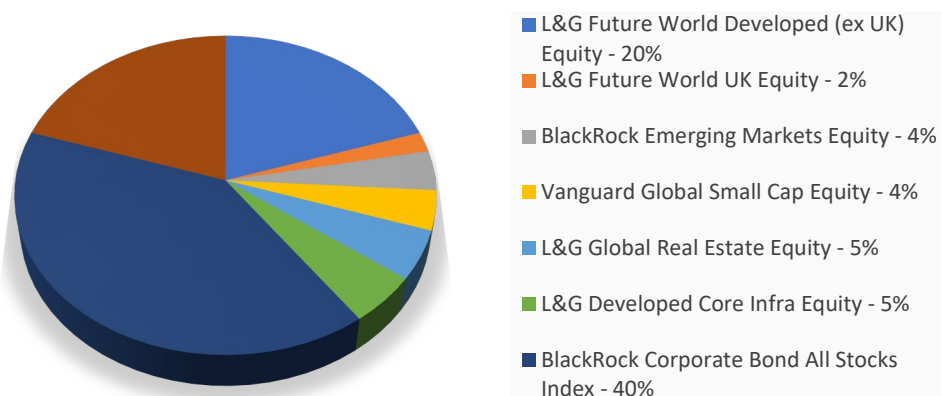
The funds for the growth phase are:-

## Cushon Growth Fund



The funds for the pre-retirement phase are:-

## Cushon Retirement Fund



The Cushon Flexible Retirement strategy was initially implemented for employees of Cushon only and subsequently new employer schemes have been added to this default.

Once the investment platform transition is complete, the Trustees and their Investment Adviser, Isio, will consider whether it is appropriate for all Scheme members to move to the Cushon Flexible Retirement default investment strategy. Members and employers will be communicated with when the time is appropriate.

The Trustees will look to monitor and continually develop the Cushon Flexible Retirement Strategy. They will also be looking to review the self-select range available to members and consider the retirement pathways for members. This is part of the ongoing investment strategy review.

The Cushon Flexible Retirement Strategy was introduced to the Scheme at the end of 2020 and was used initially for employees of Cushon only. This has now been extended to include new Scheme employers. As the Cushon Flexible Retirement Strategy was only in operation for 1 month in the Scheme year, we haven't included a performance table.



## Retirement Bridge

Retirement Bridge is a way of enabling members from the age of 55 to remain invested in the Scheme, while taking some or all of their tax-free cash and then, if they wish, drawing down an income from the remainder of their pensions savings. This is the Scheme's feature to enable members to take full advantage of pension freedoms. There are very few members who use this facility at present, but numbers are likely to grow, and the Trustees have a duty to monitor these funds.

When a member chooses Retirement Bridge the pension fund is invested in target-dated funds managed by Alliance Bernstein. These invest the member's pot in a fund that corresponds to their date of birth or a stated target retirement date range of 2 years. The funds are made up of a collection of growth assets, such as equities, and income-producing assets, such as fixed income gilts, that is adjusted on a lifestyle basis as the member approaches age 75.

The objective of the strategy is to produce a sustainable income at a level similar to that of a typical joint-life, level annuity, but one that is expected to grow over time. The reward of an increasing income in retirement does, however, come with some level of risk. Alliance Bernstein constantly monitors the risk profile of the funds and prudently manages the income that is paid out with a pay-out percentage rate set each year. The drawdown rate is not guaranteed to increase each year, but they aim to maintain the drawdown rate between a range of 90% and 102.5% of the annuity benchmark rate.

The performance of the target-dated funds has been encouraging during 2020. The different 'vintage' of funds has different asset allocations and have all performed well against the benchmark comparison figures. The Trustees receive regular performance figures from Alliance Bernstein for consideration at each Trustee meeting.

The Retirement Bridge offering will be formally reviewed when the transition to the Mobius Life platform is complete.

Table 7: Retirement Bridge Fund performance to 31 December 2020

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%)	3 Year Performance Benchmark (%)
1948 Retirement Bridge	6.8%	-	5.3%	-
1950 Retirement Bridge	6.9%	-	5.5%	-
1951 Retirement Bridge	6.9%	-	5.5%	-
1953 Retirement Bridge	6.9%	-	5.6%	-
1954 Retirement Bridge	7.1%	-	5.7%	-
1956 Retirement Bridge	7.3%	-	5.8%	-
1958 Retirement Bridge	7.3%	-	5.8%	-
1960 Retirement Bridge	7.3%	-	5.8%	-
2026–2028 Retirement Bridge*	6.3%	-	5.5%	-
2032–2034 Retirement Bridge*	7.4%	-	6.4%	-
2035–2037 Retirement Bridge*	7.0%	-	6.3%	-
2038–2040 Retirement Bridge*	7.0%	-	6.6%	-
<b>Benchmark comparison figures</b>				
FTSE All Share index	-	-9.8%	-	-0.9%
FTSE AW World index	-	3.8%	-	7.2%
FTSE over 15-year fixed interest	-	13.9%	-	12.0%
FTSE All Stock fixed interest Gilt index	-	8.3%	-	5.2%
3 Month LIBOR GDP	-	0.3%	-	0.6%
7-day LIBID	-	0.2%	-	0.5%

Returns shown are prior to the deduction of charges.

### **Ongoing investment governance**

As well as reviewing the investment strategies, an important aspect of the Trustees governance of the Scheme is to receive and consider reports on the investment performance of the funds held. Isio provides the Trustees with investment reports on a regular basis for all Scheme investments.

The reports received from Isio include performance test information which checks whether passive funds are tracking their benchmark effectively and whether active funds are adding value over and above their benchmark, after investment charges have been deducted.

Within the investment report at the end of Q4 2020 Isio advised that, despite a turbulent period during Q1 2020, the majority of asset classes performed positively over the 12-month period, largely driven by the unprecedented support measures taken by governments and central banks. Vaccine announcements towards the end of the year also aided the 12 month return of many asset classes.

Global equities performed well despite the reduced global economic activity over 2020. UK equity returns lagged significantly compared to other regions.

Credit markets provided positive returns, with the widening of credit spreads in Q1 being mostly offset in subsequent quarters as central banks cut interest rates to aid the economy.

Apart from the Cash fund, all of the funds that form the default strategies are 'passively' managed. This means that the fund manager 'tracks' an index, such as the FTSE100 stocks and shares index. To track an index means to adjust the underlying investments held by the fund to match their proportion in the index. Index tracker funds are popular as they remove the need to attempt to predict which stocks and shares are likely to perform better than average and they reduce the cost of investing.

The funds in the default strategies have all performed reasonably closely in line with their respective indices over 1 and 3 years and the Trustees consider these returns are currently consistent with their aims and objectives detailed within the Statement of Investment Principles (dated 11 January 2021 and attached in Appendix A). However, the ongoing suitability of the retention of these default funds forms part of the Trustees overall investment strategy review.

### Self-select funds

Although over 99% of auto enrolled members are in the two default strategies in the main contributory section, it is important to comment on the performance of the 'Freestyle' self-select funds that are available. Some of these funds are passively managed index-trackers, as in the default strategies, but some are actively managed. These are typically investments in markets that have the potential to reward specialist research capabilities or specific skills of the investment manager. These characteristics tend to increase the cost of investing in these funds; however, they do have the potential to outperform the market and provide enhanced returns. Further details of these funds can be found on the Master Trust website: [www.salvustrust.com/freestyle-fund.php](http://www.salvustrust.com/freestyle-fund.php).

Table 8: Self-select funds performance figures to 31 December 2020

Fund Name	1 Year Performance Fund (%)	1 Year Performance Benchmark (%)	3 Year Performance Fund (%) per annum	3 Year Performance Benchmark (%) per annum
Aegon BlackRock Corporate Bond Tracker	8.6%	8.0%	5.2%	5.2%
Aegon BlackRock European Equity Tracker	8.8%	8.8%	5.8%	6.0%
Aegon BlackRock Japanese Equity Tracker	13.8%	11.0%	5.5%	5.6%
Aegon Blackrock Over 15y Corporate Bond Tracker	15.2%	14.5%	9.1%	8.8%
Aegon Blackrock Over 15y UK Gilt Tracker	14.1%	13.8%	8.7%	8.6%
Aegon BlackRock Pacific Rim Equity Tracker	14.3%	15.1%	5.6%	5.9%
Aegon BlackRock UK Equity Tracker	-9.5%	-9.8%	-0.6%	-0.9%
Aegon BlackRock UK Index Linked Gilt Tracker	8.3%	8.3%	5.0%	5.2%
Aegon BlackRock US Equity Tracker	16.1%	17.0%	13.7%	14.5%
Aegon BlackRock World (ex UK) Equity Tracker	14.2%	14.6%	10.7%	11.3%
Aegon HSBC Life Islamic Global Equity Index	22.2%	25.0%	16.2%	18.2%
Aegon MI Savings High	-3.3%	6.6%	2.8%	5.2%
Aegon MI Savings Medium	-2.0%	6.6%	3.1%	5.2%
Aegon MI Savings Low	0.1%	6.6%	3.5%	5.2%
Balanced Passive	4.4%	4.8%	5.1%	4.4%
Cash	0.3%	0.1%	0.5%	0.4%
Distribution	0.2%	2.4%	2.2%	2.7%
Emerging Markets Equity Tracker	12.7%	15.0%	5.7%	6.2%
Ethical	-0.2%	-9.8%	3.0%	-0.9%
Scottish Equitable L&G Pre-Retirement Fund	11.0%	11.1%	6.9%	7.0%
Scottish Equitable M&G Property Portfolio	-8.4%	-3.6%	-3.9%	0.1%
Scottish Equitable M&G Recovery	-10.0%	-9.8%	-6.2%	-0.9%
UK Gilts All Stocks Tracker	8.3%	8.3%	5.0%	5.2%

The fund performance is shown after deduction of the additional expenses detailed in table 15. Member fees vary by employer. You may pay a different charge

The performance figures for some of these self-select funds have been disappointing compared to their own benchmark and although pensions are a long-term investment it has highlighted to the Trustees that an overall review is necessary. This will therefore be included within the overall Scheme investment strategy review that is currently ongoing.

Since the year end the Trustees have reviewed the self-select range. They have also introduced a new self-select range for those members invested in the Cushon Flexible Retirement Strategy. A further self-select review will take place once the investment platform transition is complete and again members and employers will be communicated with when the time is appropriate.

### **M&G Property Portfolio**

The M&G Property Portfolio was available to members under the self-select fund range. On 4 December 2019 M&G suspended dealing on this fund. The fund was still being actively managed but it meant that instructions to buy or sell units in this fund were not being accepted.

M&G announced that trading on the M&G Property Fund would re-open at midday on 10 May 2021. The Trustees sought advice from their investment adviser, Isio, who following investigation and discussion with M&G advised that they would not recommend the M&G Property fund was included as part of the Scheme self-select range over the longer term. The Trustees therefore contacted all affected members to notify them that this fund was no longer available. Members were given the opportunity to transfer out of the fund and notified that if changes were not made then the Trustees would transfer their entire pension fund to the Cautious Lifestyle default investment strategy. This action was completed in June 2021 and there are no longer any members within the Scheme with a holding in the M&G Property fund.

The performance figures for this fund are detailed in Table 8 above under the fund name Scottish Equitable M&G Property Portfolio.

### **Utmost Life and Pensions**

On 1 January 2020, there were a number of legacy Utmost Life and Pensions (formerly Equitable Life) investments held within the Scheme. These investments were transferred out of Utmost Life and Pensions with the last scheme transfer taking place in August 2020. There are no longer any Scheme investments held with Utmost Life and Pensions. The Utmost transfer monies were invested in funds selected by the transferring scheme trustees. These being the Cautious Lifestyle (default fund), Balanced Lifestyle (default fund) and Cash Fund (Spinnaker Master Trust default fund).

## Value for Members

When assessing the charges and transaction costs which are payable by members, the Trustees need to think about whether the investments, options and the benefits offered by the Scheme represent good value for members when compared to other options available in the market.

There is no objective legal definition of “good value” and so the process of determining good value for members is not wholly objective and requires the Trustees to exercise their judgement following a detailed assessment. In doing so, the Trustees have been guided by TPR’s value for members guide.

In order to make the assessment the Trustees considered:

- Whether benefits provided are relevant and valued by members;
- Whether the scope and quality of each service provides good value for the costs and charges incurred by the member; and
- Whether services to members have been performed effectively over the past year and whether it is believed services will continue to perform effectively.
- Comparison against other schemes in the market, where that information is available;
- The risks associated with the benefits.

The following sections include the Trustees thinking about the value to be placed on key aspects of the Scheme. This underpinned the Trustees assessment of the value being provided to members.

### Charges and Transaction Costs

An important aspect of assessing value is to consider the costs incurred by members of the Scheme. The costs associated with saving for retirement via a pension scheme are a combination of clear, published, charges and more opaque ‘transaction’ costs that are not as easy to identify. The sum of these costs can have a significant impact on a member’s pension savings over the long term and Trustees are obliged to discover and publish this information and make a comparison with the costs of other pension schemes as part of their assessment of value for members.

The charges borne by members within the Scheme are comprised of three elements:

- Member charges, that includes the Annual Management Charge (AMC) and depends on which fund(s) are used and the fees negotiated by your employer;
- Additional expenses of investing in a particular fund.
  - NB: The Total Expense Ratio (TER) is the total costs associated with managing and operating an investment fund, i.e.: AMC plus additional expenses.
- Transaction charges incurred when contributions are invested. These charges cover issues such as commission paid to stockbrokers, bank transaction charges, stamp duty and platform fees paid when a fund manager engages in trading within the fund. The full transaction cost data in respect of the Scheme has been provided by the fund managers.

## Transaction costs

The Trustees asked Isio to examine the investment management and platform charges payable by members. The sum of these charges is referred to throughout this document as the Total Expense Ratio or “TER”.

Isio has advised that the average TER for the default investment strategies are as follows:

Lifestyle strategy	Average TER
Cautious Lifestyle	0.50-0.56%
Balanced Lifestyle	0.50-0.56%
Ascot Lloyd Pension Trust	0.50-0.51%
Spinnaker Master Trust	0.96%
Mapped Investment funds	0.42%-0.54%
Cushon Flexible Retirement	0.56%

The average TER for the Salvus main section self-select funds, outside of the default investment strategy, is 0.66% (weighted by member assets invested as at 31 December 2020).

Within the average TER for the default investment strategy, members receive the following investment-related benefits:

- Investment strategy: this takes account of membership needs and controls risks as members approach retirement and the need for protection increases;
- Investment performance: Most funds have performed as members were led to believe (i.e., in line with fund objectives).

The 2020 survey of charges published by the Department for Work and Pensions (“DWP”) places the average member charge for qualifying DC arrangements at 0.48% for bundled services (i.e., investment and administration services) and 0.49% for unbundled. The corresponding member charges within this survey for qualifying and non-qualifying master trusts are 0.48% and 0.31% p.a. respectively.

Having assessed the services covered by the fund charges paid by members Isio notes that the TERs paid by members in legacy strategies are above average relative to the market. The Trustees are in the process of reviewing the investment strategy and costs across all sections of the Master Trust with the aim of ensuring they provide value for members going forwards.

The level of charges applied to the Cautious and Balanced Lifestyle funds are set out in table 9 below.

Table 9: Cautious and Balanced Lifestyle fund charges to 31 December 2020

Fund Name	A -Annual Management Charge (AMC) (% per annum)	B - Additional Expenses (% per annum)	C - Total Expense Ratio (% per annum)	Transaction Costs (% per annum)
Cautious Lifestyle – Growth phase	0.29 to 0.75	0.01218	0.30218 to 0.76218	0.0380
Cautious Lifestyle – Consolidation phase	0.29 to 0.75	0.0165	0.3065 to 0.7665	0.0552
Cautious Lifestyle – Pre-retirement phase	0.29 to 0.75	0.003	0.293 to 0.753	0.000
Balanced Lifestyle – Growth phase	0.29 to 0.75	0.012	0.302 to 0.762	0.0378
Balanced Lifestyle – Consolidation phase	0.29 to 0.75	0.0145	0.3045 to 0.7645	0.051
Balanced Lifestyle – Pre-retirement phase	0.29 to 0.75	0.003	0.293 to 0.753	0.000

In addition to the Qualifying section for auto-enrolment purposes, there is a Non-Contributory section which does not have to comply with the charge cap because they are not used for automatic enrolment. The Non-Contributory sections are used by schemes looking to wind-up or who are entering the Pension Protection Fund (PPF) and are looking for an appropriate pension vehicle to accept, manage and govern their members' DC entitlements.

The level of charges for the Ascot Lloyd Pension Trust default funds are set out in Table 10 below.

Table 10: Ascot Lloyd Pension Trust fund charges to 31 December 2020

Fund Name	A -Annual Management Charge (AMC) (% per annum)	B - Additional Expenses (% per annum)	C - Total Expense Ratio (% per annum)	Transaction Costs (% per annum)
2020 Retirement Age Fund	0.50	0.00%	0.50%	0.000%
2025 Retirement Age Fund	0.50	0.00%	0.50%	0.000%
2030 Retirement Age Fund	0.50	0.00%	0.50%	-0.001%
2035 Retirement Age Fund	0.50	0.01%	0.51%	-0.001%
2040 Retirement Age Fund	0.50	0.01%	0.51%	-0.002%
2045 Retirement Age Fund	0.50	0.01%	0.51%	-0.002%
2050 Retirement Age Fund	0.50	0.01%	0.51%	-0.003%
2055 Retirement Age Fund	0.50	0.01%	0.51%	-0.004%
2060 Retirement Age Fund	0.50	0.01%	0.51%	-0.004%
Equity Accumulation	0.50	0.01%	0.51%	-0.004%

As detailed above, in addition to the Qualifying section for auto-enrolment purposes, there is a Non-Contributory and a Spinnaker Master Trust section which does not have to comply with the charge cap because they are not used for automatic enrolment. These sections are used by schemes looking to wind-up or who are entering the Pension Protection Fund (PPF) and are looking for an appropriate pension vehicle to accept, manage and govern their members' DC entitlements. This includes the merger of the Spinnaker Master Trust where members are predominantly invested in the Aegon BlackRock Aquila 50/50 Equity and Bond Tracker Fund or the Aegon Cash Fund.

The level of charges that apply to the Spinnaker Master Trust funds are set out in Table 11 below.

Table 11: Spinnaker Master Trust fund charges to 31 December 2020

Fund Name	A – Annual Management Charge (AMC) (% per annum)	B – Additional Expenses (% per annum)	C – Expense Ratio (% per annum)	Transaction Costs (% per annum)
Aegon BlackRock 50/50 Equity and Bond Tracker	0.400	0.013	0.413	0.048
Aegon BlackRock 50/50 Equity and Bond Tracker	0.500	0.013	0.513	0.048
Aegon BlackRock 50/50 Equity and Bond Tracker	0.750	0.013	0.763	0.048
Aegon BlackRock 50/50 Equity and Bond Tracker	1.000	0.013	1.013	0.048
Cash	0.400	0.003	0.403	0.000
Cash	0.500	0.003	0.503	0.000
Cash*	0.750	0.003	0.753	0.000
Cash*	1.000	0.003	1.003	0.000

\*The Trustees have asked Cushon if they would be prepared to reduce the charges for the Spinnaker members who have a holding in Cash and the Annual Management Charge (AMC) is greater than 0.5%. Cushon has agreed to this request and the members will be contacted to notify them of this reduction in AMC.

The level of charges that apply to the Mapped Investment funds are set out in Table 12 below.

Table 12: Mapped Investment fund charges to 31 December 2020

Fund Name	A – Annual Management Charge (AMC) (% per annum)	B – Additional Expenses (% per annum)	C – Expense Ratio (% per annum)	Transaction Costs (% per annum)
Aegon BlackRock 50/50 Equity and Bond Tracker	0.400	0.013	0.413	0.048
Aegon BlackRock 50/50 Equity and Bond Tracker	0.500	0.013	0.513	0.048
Aegon BlackRock 50/50 Equity and Bond Tracker	0.750	0.013	0.763	0.048



The level of charges that apply to the Cushon Flexible Retirement funds are set out in Table 13 below.

Table 13: Cushon Flexible Retirement fund charges to 31 December 2020

Fund Name	A – Annual Management Charge (AMC) (% per annum)	B – Additional Expenses (% per annum)	C – Expense Ratio (% per annum)	Transaction Costs (% per annum)
Cushon Flexible Retirement	0.55	0.008	0.558%	-0.038%

The level of charges that apply to the Retirement Bridge Target-Dated Funds are set out in Table 14 below.

Table 14: Retirement Bridge fund charges to 31 December 2020

Fund Name	A – Annual Management Charge (AMC) (% per annum)	B – Additional Expenses (% per annum)	C – Expense Ratio (% per annum)	Transaction Costs (% per annum)
AB Retirement Bridge 1948 Drawdown Strategy	0.85	0.000	0.85	0.076%
AB Retirement Bridge 1950 Drawdown Strategy	0.85	0.000	0.85	0.074%
AB Retirement Bridge 1951 Drawdown Strategy	0.85	0.000	0.85	0.074%
AB Retirement Bridge 1953 Drawdown Strategy	0.85	0.000	0.85	0.075%
AB Retirement Bridge 1954 Drawdown Strategy	0.85	0.000	0.85	0.076%
AB Retirement Bridge 1956 Drawdown Strategy	0.85	0.000	0.85	0.003%
AB Retirement Bridge 1958 Drawdown Strategy	0.85	0.000	0.85	0.077%
AB Retirement Bridge 1960 Drawdown Strategy	0.85	0.000	0.85	0.003%
AB Retirement Strategies Fund 2026-2028	0.78	0.022	0.802	0.056%
AB Retirement Strategies Fund 2032-2034	0.78	0.029	0.809	0.064%
AB Retirement Strategies Fund 2035-2037	0.78	0.033	0.813	0.076%
AB Retirement Strategies Fund 2038-2040	0.78	0.032	0.812	0.075%

Further detail on the transaction costs for the Ascot Lloyd Pension Trust, Cushon Flexible Retirement and Retirement Bridge sections of the Scheme are included within Appendix B, C and D.

The level of charges that apply to Self-select funds are set out in Table 15 below.

Table 15: Self-select fund charges to 31 December 2020

Fund Name	A – Annual Management Charge (AMC) (% per annum)	B – Additional Expenses (% per annum)	C – Expense Ratio (% per annum)	Transaction Costs (% per annum)
Aegon BlackRock 50/50 Global Equity Tracker	0.450	0.011	0.461	0.025
Aegon BlackRock Corporate Bond Tracker	0.490	0.024	0.514	0.072
Aegon BlackRock Corporate Bond Tracker	0.500	0.024	0.524	0.072
Aegon BlackRock Corporate Bond Tracker	0.600	0.024	0.624	0.072
Aegon BlackRock Corporate Bond Tracker	0.650	0.024	0.674	0.072
Aegon BlackRock Corporate Bond Tracker	0.750	0.024	0.774	0.072
Aegon BlackRock Corporate Bond Tracker	0.290	0.024	0.314	0.072
Aegon BlackRock Corporate Bond Tracker	0.340	0.024	0.364	0.072
Aegon BlackRock Corporate Bond Tracker	0.440	0.024	0.464	0.072
Aegon BlackRock European Equity Tracker	0.750	0.013	0.763	0.000
Aegon BlackRock Japanese Equity Tracker	0.750	0.013	0.763	0.000
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.290	0.016	0.306	0.175
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.340	0.016	0.356	0.175
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.440	0.016	0.456	0.175
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.500	0.016	0.516	0.175
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.600	0.016	0.616	0.175
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.650	0.016	0.666	0.175
Aegon BlackRock Over 15 Years Corporate Bond Tracker	0.750	0.016	0.766	0.175
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.450	0.012	0.462	-0.040
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.500	0.012	0.512	-0.040
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.600	0.012	0.612	-0.040
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.650	0.012	0.662	-0.040
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.750	0.012	0.762	-0.040
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.340	0.012	0.352	-0.040
Aegon BlackRock Over 15 Years UK Gilt Tracker	0.440	0.012	0.452	-0.040

Fund Name	A -Annual Management Charge (AMC) (% per annum)	B - Additional Expenses (% per annum)	C - Total Expense Ratio (% per annum)	Transaction Costs (% per annum)
Aegon BlackRock Pacific Rim Equity Tracker	0.750	0.017	0.767	0.025
Aegon BlackRock UK Equity Tracker	0.290	0.013	0.303	0.054
Aegon BlackRock UK Equity Tracker	0.340	0.013	0.353	0.054
Aegon BlackRock UK Equity Tracker	0.440	0.013	0.453	0.054
Aegon BlackRock UK Equity Tracker	0.450	0.013	0.463	0.054
Aegon BlackRock UK Equity Tracker	0.490	0.013	0.503	0.054
Aegon BlackRock UK Equity Tracker	0.500	0.013	0.513	0.054
Aegon BlackRock UK Equity Tracker	0.600	0.013	0.613	0.054
Aegon BlackRock UK Equity Tracker	0.650	0.013	0.663	0.054
Aegon BlackRock UK Equity Tracker	0.750	0.013	0.763	0.054
Aegon BlackRock UK Index-Linked Gilt Tracker	0.290	0.013	0.303	-0.004
Aegon BlackRock UK Index-Linked Gilt Tracker	0.340	0.013	0.353	-0.004
Aegon BlackRock UK Index-Linked Gilt Tracker	0.440	0.013	0.453	-0.004
Aegon BlackRock UK Index-Linked Gilt Tracker	0.490	0.013	0.503	-0.004
Aegon BlackRock UK Index-Linked Gilt Tracker	0.500	0.013	0.513	-0.004
Aegon BlackRock UK Index-Linked Gilt Tracker	0.600	0.013	0.613	-0.004
Aegon BlackRock UK Index-Linked Gilt Tracker	0.650	0.013	0.663	-0.004
Aegon BlackRock UK Index-Linked Gilt Tracker	0.750	0.013	0.763	-0.004
Aegon BlackRock US Equity Tracker	0.750	0.012	0.762	0.038
Aegon BlackRock World (ex-UK) Equity Tracker	0.290	0.011	0.301	0.031
Aegon BlackRock World (ex-UK) Equity Tracker	0.340	0.011	0.351	0.031
Aegon BlackRock World (ex-UK) Equity Tracker	0.440	0.011	0.451	0.031
Aegon BlackRock World (ex-UK) Equity Tracker	0.450	0.011	0.461	0.031
Aegon BlackRock World (ex-UK) Equity Tracker	0.490	0.011	0.501	0.031
Aegon BlackRock World (ex-UK) Equity Tracker	0.500	0.011	0.511	0.031
Aegon BlackRock World (ex-UK) Equity Tracker	0.600	0.011	0.611	0.031
Aegon BlackRock World (ex-UK) Equity Tracker	0.650	0.011	0.661	0.031
Aegon BlackRock World (ex-UK) Equity Tracker	0.750	0.011	0.761	0.031
AEGON's MI Savings (H)	0.900	0.021	0.921	0.082
AEGON's MI Savings (L)	0.900	0.022	0.922	0.056
AEGON's MI Savings (M)	0.900	0.020	0.920	0.093

Fund Name	A -Annual Management Charge (AMC) (% per annum)	B - Additional Expenses  (% per annum)	C - Total Expense Ratio (% per annum)	Transaction Costs  (% per annum)
Balanced Passive	0.230	0.021	0.251	0.127
Balanced Passive	0.750	0.021	0.771	0.127
Balanced Passive	0.450	0.021	0.471	0.127
Cash	0.290	0.003	0.293	0.000
Cash	0.340	0.003	0.343	0.000
Cash	0.440	0.003	0.443	0.000
Cash	0.450	0.003	0.453	0.000
Cash	0.490	0.003	0.493	0.000
Cash	0.500	0.003	0.503	0.000
Cash	0.600	0.003	0.603	0.000
Cash	0.650	0.003	0.653	0.000
Cash	0.750	0.003	0.753	0.000
Distribution	0.750	0.009	0.759	0.102
Emerging Markets Equity Tracker	0.750	0.041	0.791	-0.095
Ethical	1.050	0.004	1.054	0.129
SE HSBC Life Amanah	1.050	0.000	1.050	-
SE L&G Pre-Retirement	0.800	0.011	0.811	0.026
SE M&G Property Portfolio	1.450	0.004	1.454	0.535
SE M&G Recovery	1.200	0.002	1.202	-0.155
SE M&G Recovery	1.450	0.002	1.452	-0.155
UK Gilts All Stocks Tracker	0.500	0.010	0.510	0.034
UK Gilts All Stocks Tracker	0.600	0.010	0.610	0.034
UK Gilts All Stocks Tracker	0.750	0.010	0.760	0.034
UK Gilts All Stocks Tracker	0.290	0.010	0.300	0.034
UK Gilts All Stocks Tracker	0.340	0.010	0.350	0.034
UK Gilts All Stocks Tracker	0.440	0.010	0.450	0.034
UK Gilts All Stocks Tracker	0.490	0.010	0.500	0.034
UK Gilts All Stocks Tracker	0.650	0.010	0.660	0.034

Some of the funds in Table 15 are the same but with a different AMC. This reflects the commercial requirement to cover costs but still allow the Scheme to remain open to the very smallest employers and deliver the same features and Scheme benefits.

## Illustration of charges and disclosure costs

Table 16 sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

The "before costs" figures represent the projected pensions savings assuming an investment return with no deduction of member borne fees or transaction costs. In comparison, the "after costs" figures represent the projected pension savings using the same assumed investment return after deducting the member borne fees.

An illustration is shown for each of the default investment strategies. In addition, we have included detail on the following funds:-

- The fund into which most members invest – this is the Cautious Lifestyle.
- The fund with the highest before-costs expected return – this is the Emerging Markets Equity Tracker.
- The fund with the lowest before-costs expected return – this is the Cash Fund.

### Notes to the illustrations detailed overleaf are:

- Values shown are estimates and are not guaranteed.
- Projected pension pot values are shown in today's terms.
- Costs and charges applied to the pension pot are assumed to remain at the same level throughout the term of the pension as those that applied during 2020.
- Future investment growth is determined by the investment fund selected and are in line with the method and assumptions governing Statutory Money Purchase Illustrations (SMPI) as detailed by the Faculty and Institute of Actuaries in Technical Memorandum 1 (TM1). The assumed growth rate for the Cautious Lifestyle is 2.82% per annum; for the Balanced Lifestyle is 3.18% per annum; for the Ascot Lloyd Pension Trust is 2.84% per annum; for the Spinnaker 50/50 Equity & Bond tracker fund is 2.00%; for the Spinnaker Cash fund is 0.00%; for the Mapped Investment funds is 3.00%; for the Cushon Flexible Retirement is 3.10%; and the Emerging Markets Equity Tracker is 4.50%.
- Future changes in investments as a result of lifestyling have been factored into the calculations, where applicable.
- The total costs and charges are assumed to be at a rate of 0.50% per annum for the Ascot Lloyd Pension Trust, Spinnaker Cash and Mapped Investment funds; 0.55% per annum for the Cautious Lifestyle, Balanced Lifestyle and Cushon Flexible Retirement; and 0.96% per annum for the Spinnaker 50/50 Equity & Bond tracker. These charges are in line with the average Total Expense Ratio detailed within this Chair's Statement.
- Inflation is assumed to be 2.0% each year.
- The starting pot size is £5,000.
- The starting salary is assumed to be £25,000.
- The projections assume that salaries increase in line with inflation, which is assumed to be 2.0% per annum, to allow for prudence in the projected values.
- Contributions are assumed to be 8.0% per year (employee plus employer contribution) for the Cautious Lifestyle, Balanced Lifestyle, Ascot Lloyd Pension Trust, Cushon Flexible Retirement and Emerging Markets Equity Tracker funds. 8.0% is close to the actual average contribution received for the contributory sections of the Scheme. It is assumed that no further contributions are received for the Spinnaker Master Trust and Mapped Investment fund sections.

This illustration has been produced having regard to the Department of Work and Pensions 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes' published 21 September 2018 and updated 21 June 2021. The Trustees investment advisers have confirmed that this illustration does not deviate from the principles in that guidance.

## Projected pension pot in today's money

Table 16: Cumulative impact of charges

Years from now	Cautious Lifestyle (most popular)		Balanced Lifestyle		Ascot Lloyd Pension Trust	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£5,000.00	£5,000.00	£5,000.00	£5,000.00	£5,000.00	£5,000.00
1	£6,998.18	£6,959.69	£7,015.58	£6,976.99	£6,860.00	£6,964.16
2	£9,010.83	£8,922.70	£9,052.77	£8,964.18	£8,682.02	£8,933.03
3	£11,038.07	£10,889.05	£11,111.82	£10,961.63	£10,466.81	£10,906.62
4	£13,080.01	£12,858.73	£13,192.98	£12,969.39	£12,215.12	£12,884.94
5	£15,136.75	£14,831.76	£15,296.49	£14,987.52	£13,927.68	£14,868.01
10	£25,646.61	£24,747.35	£26,158.05	£25,235.81	£21,978.80	£24,855.01
15	£36,544.09	£34,747.69	£37,616.85	£35,752.22	£29,237.61	£34,962.72
20	£47,844.24	£44,833.71	£49,706.86	£46,544.33	£35,780.28	£45,192.85
25	£59,562.71	£55,006.34	£62,463.98	£57,619.92	£41,675.64	£55,547.18
30	£71,715.78	£65,266.54	£75,926.17	£68,986.98	£46,985.92	£66,027.49
35	£84,237.38	£75,541.09	£90,133.53	£80,653.74	£51,767.39	£76,635.58
40	£95,439.16	£84,337.81	£105,065.92	£92,573.71	£56,070.88	£87,373.29
45	£104,014.24	£90,601.77	£119,490.54	£103,657.41	£59,942.35	£98,242.47
50	£105,299.98	£95,539.59	£121,895.20	£104,166.87	£63,423.36	£109,245.01

Years from now	Spinnaker 50/50 Equity & Bond Tracker		Spinnaker Cash Fund (lowest return)		Mapped Investment funds	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£5,000.00	£5,000.00	£5,000.00	£5,000.00	£5,000.00	£5,000.00
1	£4,998.00	£4,950.02	£4,900.00	£4,875.50	£5,047.00	£5,021.77
2	£4,996.00	£4,900.54	£4,802.00	£4,754.10	£5,094.44	£5,043.62
3	£4,994.00	£4,851.55	£4,705.96	£4,635.72	£5,142.33	£5,065.58
4	£4,992.00	£4,803.05	£4,611.84	£4,520.29	£5,190.67	£5,087.63
5	£4,990.01	£4,755.04	£4,519.60	£4,407.74	£5,239.46	£5,109.78
10	£4,980.04	£4,522.09	£4,085.36	£3,885.63	£5,490.39	£5,221.96
15	£4,970.08	£4,300.54	£3,692.85	£3,425.37	£5,753.33	£5,336.61
20	£4,960.15	£4,089.85	£3,338.04	£3,019.63	£6,028.87	£5,453.78
25	£4,950.24	£3,889.48	£3,017.32	£2,661.94	£6,317.61	£5,573.52
30	£4,940.35	£3,698.93	£2,727.42	£2,346.63	£6,620.17	£5,695.89
35	£4,930.47	£3,517.72	£2,465.37	£2,068.67	£6,937.22	£5,820.94
40	£4,920.62	£3,345.38	£2,228.50	£1,823.63	£7,269.46	£5,948.74
45	£4,910.79	£3,181.48	£2,014.39	£1,607.61	£7,540.08	£6,017.48
50	£4,900.97	£3,025.62	£1,820.85	£1,417.19	£7,016.70	£5,461.18

Years from now	Cushon Flexible Retirement		Emerging Markets Equity Tracker (highest return)	
	Before charges	After charges	Before charges	After charges
0	£5,000.00	£5,000.00	£5,000.00	£5,000.00
1	£7,011.90	£6,973.33	£7,080.50	£7,023.86
2	£9,043.90	£8,955.41	£9,210.36	£9,079.13
3	£11,096.21	£10,946.26	£11,390.76	£11,166.32
4	£13,169.04	£12,945.93	£13,622.92	£13,285.93
5	£15,262.60	£14,954.47	£15,908.10	£15,438.48
10	£26,049.01	£25,131.67	£28,175.00	£26,714.00
15	£37,387.05	£35,537.06	£41,972.54	£38,895.31
20	£49,305.97	£46,176.22	£57,494.33	£52,056.83
25	£61,836.61	£57,054.90	£74,958.44	£66,279.09
30	£75,011.40	£68,178.97	£94,610.50	£81,649.21
35	£88,864.53	£79,554.43	£116,727.23	£98,261.49
40	£103,292.18	£91,064.50	£141,620.33	£116,217.94
45	£115,504.20	£100,283.05	£169,640.90	£135,628.99
50	£123,990.02	£106,051.86	£201,184.46	£156,614.10

**Non-financial aspects of value for members**

Value for members is not solely about providing a low-cost investment vehicle. The Trustees have also taken into account the other aspects of the Scheme that provide value and have formed an assessment about the quality and scope of these services, how these have performed over the year and whether they think that this will continue into the future.

**Governance**

The fundamental responsibility of the Trustees is to protect the interests of the members and to help them to achieve good value from being a member of the Scheme. They do that by holding the administrators and sponsor to account in terms of how the Scheme is managed on a day-to-day basis and thinking carefully about the appropriate investment strategy and choice of funds available, and the security of the assets held for members.

This is achieved by seeking appropriate professional advice, having agreed methods of reporting by all parties, and by performing regular reviews of the performance of all parties associated with the Scheme, including their own.

The Pensions Regulator (TPR) Master Trust Authorisation process and ongoing TPR supervision programme required the Trustees to undertake a root and branch review of every aspect of the operation of the Scheme and the way in which the Trustees conduct this oversight. This, in addition to the continuous required TPR assessment and the post year end strengthening of the Trustee Board, has resulted in further enhancements to the way the Scheme is governed. The Trustees view is that the portion of the Scheme charge spent on the governance function represents good value to members. However, the Trustees cannot be complacent and must ensure that they continue to strive for excellence in this area.

**Member facilities**

Cushon is keen to provide as much useable information as they can to the members, in order to help them to understand the importance of monitoring their pensions savings and achieving the optimal outcome.

Much of the Trustees responsibility in this area is delegated to the Scheme Administrator, HS Admin, which provides the Trustees with an administration report on a quarterly basis to assist the Trustees in assessing the administration services provided and how these impact on value for members. This review is particularly focused on the handling and maintenance of member contributions, customer service including complaint handling, and the way in which members access their benefits. In reviewing value for members, the Trustees recognise the technology improvements that have been made over the past few years which has directly improved the member experience. However, there is much to do in this area and further technology enhancements are planned.

At retirement, members have the option to take their accrued funds as a cash lump sum; purchase an annuity with another provider; transfer their fund to another provider; or take drawdown via Retirement Bridge. The Trustees are conscious that the majority of retiring members are currently taking their retirement benefits as a cash lump sum. The Trustees recognise that this behaviour is likely to continue for as long as pension pots are small. The Trustees have therefore taken the view that, from a value for members perspective, that the current options available to members remain appropriate.

The Scheme Administrator, HS Admin, actively seeks member feedback. All correspondence issued to members of the Scheme both by e-mail and hard copy post includes a notification to members on how they can leave feedback on-line. This is encouraging and provides an improved member experience and encourages better member outcomes.



Throughout the year the following communications have been issued:-

Member communications:

- Statutory Money Purchase Illustrations;
- Correspondence to all members who were within 6 months of their Normal Retirement Date. All retirement options and the next steps were also communicated;
- Communications at 5-year intervals up to their Target Retirement Date (TRD). The earliest communication is issued 16 years before TRD for a member who is in the 15-year profile. The intention of this communication is to engage with members, so they start to think about their retirement journey;
- E-mail with link to a survey on the scheme's investment strategy and Environmental, Social and Governance (ESG) criteria;
- Notice on Member Portal regarding Covid-19.

Employer communications:

- E-mail to all employers in late March 2020 regarding Covid-19.
- Q&As were posted on the Salvus Trust site regarding Covid-19 and were updated on an ongoing basis.

Features such as knowledgeable help desk staff and the Member Portal all enhance the member experience. The Member Portal allows members to:

- View the current value of their account;
- Initiate investment fund switches;
- Arrange transfers in and out of the Scheme;
- Complete a death benefit nomination form;
- View fund fact sheets;
- Feedback to the Administrators on any aspect of their account;
- Request a retirement pack;
- Change their investment allocation;
- Amend their target retirement date;
- View details of any monthly fixed charge and the annual management charge;
- View projected pension benefits at retirement.

The mobile app currently allows members more access to online tools. The app hosts a range of services including tax tables and savings modellers, and members are also able to access the Member Portal via the mobile app. The functionality will be further enhanced when the Cushon App is rolled out across the whole Scheme.

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The Origo transfer service, which is used by the Scheme, significantly speeds up the process and security of making transfers into and out of the Scheme and allows members the facility to consolidate pensions savings in a streamlined manner.

The Retirement Bridge facility offers members good value, as it enables eligible members to draw cash from their pensions savings without having to move to another provider. As more members reach the stage where they wish to access their funds in a flexible and convenient manner, this facility enhances the value that members derive from the Scheme. The Scheme is keen to encourage members to engage with their pensions savings and make the most of their membership. The Retirement Bridge facility represents a Scheme feature that adds to the value to members and the Trustees are keen to enhance this offering to members.



### **Trustees assessment of value for members**

An assessment of value for members must take into account all the costs and features. The Trustees recognise that cost is not the sole determinant of value, but they have put appropriate weight on that aspect in view of the potentially corrosive impact of charges on long term savings. As the tables earlier in this section demonstrate, there are different levels of charges for some members, dependent upon the contractual agreement with their employer, but all members enjoy the same level of administration, governance, available investment performance and product features, regardless of that charge. The conclusions by Isio that the Scheme provides access to a range of investment options, including de-risking as retirement approaches, at a competitive investment management and platform cost, informed the Trustees in their judgement.

The value for member assessment has, however, highlighted areas for improvement with the Scheme.

- Enhancements to the Scheme technology are required and in particular the way members access and engage with their pension. The Trustees are keen that the Cushon App is enhanced so that members have the same level of visibility with their retirement savings as they do with everyday banking.
- Our communications with members could be better, this will be enhanced with the roll out of the Cushon App to ensure that the Trustees engage with members using less conventional methods which are more suited to the individual member.
- The current investment proposition is broadly equivalent to other Master Trusts in the industry; however, the Trustees are working on an innovative, improved investment proposition that will be market leading.

In conclusion, the Trustees have determined following a review in June 2021 that the Scheme provides good value for members currently, however, there is work to do and the Trustees plans for future enhancements to the Cushon App, investment platform and the investment strategy changes will address this.

## Core Financial Transactions

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

- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or in respect of members.

The Trustees must ensure that these important financial transactions are processed promptly and accurately. In practice these tasks are delegated to the Scheme Administrator, HS Admin.

The Trustees have an administration agreement in place with HS Admin, which incorporates service level agreements, covering the accuracy and timeliness of all core financial transactions.

During the 2020 Scheme year ‘core financial transactions’ were processed promptly and accurately (having regard to TPR’s DC Administration Guidance).

In order to perform this major task for such a large number of members, HS Admin has automated processes in place that materially reduce the need for human input when contributions are paid to the Scheme. This is explained further below, alongside the other ways in which the Trustees ensure that core financial transactions are processed promptly and accurately.

Employers load their earnings and pensions data onto the online Employer Portal which immediately performs an analysis and flags any issues. Once this stringent test is completed, the data is automatically allocated to the respective individual member record and a direct debit instruction is raised to call the contributions from the employer’s bank account. Once the contributions have been invested, the system automatically records the number of units purchased, and the purchase price, on each member’s record.

The Trustees regularly review the quality of the Scheme data, with a formal annual common and Scheme specific data check taking place. The last checks having been completed by HS Admin in October 2020 and an action plan put in place thereafter to improve our record keeping.

The Trustees have service level agreements (SLAs) in place with HS Admin that cover the accuracy and timeliness of core financial transactions and HS Admin provides quarterly reports that confirm their performance has met these service levels during the year. Recent reports have confirmed that the average number of working days from the date that contributions are received to the date of payment to the investment manager has been 1.0 day. The average working days from the date of contribution receipt to date of actual investment has been 2.0 days.

During the Covid-19 pandemic the Trustees continued to review service levels, particularly as a result of HS Admin moving the majority of their staff to home working. These reviews saw a slight reduction in service levels with the average number of working days from the date that contributions are received to the date of payment to the investment manager increasing to a year high of 1.11 days in March 2020. The average working days from the date of contribution receipt to date of actual investment also increasing to a year high of 2.11 days in March 2020. Although, there had been an increase in the number of days taken to invest contribution in March 2020, the Trustees were pleased to note that this delay was still within the service level agreement.

An important factor in collecting contributions from employers is the success or otherwise of making a direct debit (DD) transaction. Statistics from HS Admin show that DDs average at over 99.5% success each month. HS Admin have processes in place to identify and follow up on the failures. This includes system-generated reports that enable the administrators to contact the employers. The cause of these failures is typically due to either the employer cancelling the DD or not having sufficient funds in their account.

If this was anything other than an accidental lapse, and contributions do not follow promptly, the contribution monitoring protocols come into play. These protocols aim to initiate a rapidly escalating

chasing process carried out by HS Admin on behalf of the Trustees that reminds the employer of its responsibility and moves on to notifying the members and TPR, as is required by law. HS Admin provides the Trustees with a monthly report on the payment of contributions and any action taken in respect of late payments. This includes whether they have had to instigate the contribution monitoring protocol. These reports, together with a formal report at each quarterly Trustee meeting, keeps the Trustees updated if issues are not resolved quickly. The process has proved extremely effective, and the incidence of late contributing employers is now very low. During the Covid-19 pandemic the Trustees continued to monitor contributions, the number of employers with contributions up to date began to reduce in April and May 2020 but begun to improve again thereafter. The Trustees to continue to monitor the payment of contributions on a monthly basis.

As well as the collection and investment of routine contributions, the other financial transactions that need to be performed quickly and accurately are also monitored and reported to the Trustees. These are also subject to an SLA that covers the accuracy and timeliness of these core financial transactions.

The performance against the SLAs for the processing and payment of death claims, retirement settlements and trivial commutation payments are reported in HS Admin's routine report to the Trustees, as well as the processing of transfers into and out of the Scheme, and instructions by members to switch their investment funds. Table 17 below sets out how HS Admin has performed over the year in these tasks:

*Table 17: Performance against Service Level Agreement*

Task	Completed - Total	Completed – In Target	% Completed within SLA
Deaths	14	9	64
Retirement Settlement	323	319	99
Trivial commutation payment	287	287	100
Transfer In	759	722	95
Transfer Out	1,210	1,170	97
Investment switch	192	190	99

Performance of processing these transactions has improved by adding functionality on the Member Portal. As has been mentioned above, members can initiate fund switches, transfers in and out and retirement quotations on the Member Portal, and update their Expression of Wishes form, all reducing the time taken for these events to be concluded.

The Trustees have queried with HS Admin the performance against the Service Level Agreement in respect of death cases. HS Admin have advised that sometimes these actions take longer than they should for a variety of reasons namely, but not limited to, legal time limits, identification and response times from beneficiaries, documentation requirements, etc. This varies on a case by case basis depending on the individual circumstances. To address these issues, the Trustees receive reporting on outstanding death cases within the quarterly administration report in order that progress on individual cases can be monitored to ensure that action is being taken by HS Admin. However, due to the nature of these cases delays can occur that is out of the control of both the Trustees and HS Admin.

## Trustee Knowledge and Understanding

Occupational pension schemes, such as this Scheme, are complex structures and the level of knowledge and expertise required of the Trustees is rightly set at a high level. The pensions landscape is in a constant state of development, as new regulations and legislation impacts on the way in which schemes must be governed.

The law requires the Trustees to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. This includes that the Trustees must have knowledge and understanding of the law relating to pensions and trusts, and the principles relating to the investment of the assets of the Scheme. It also requires the Trustees to have a working knowledge of the Scheme Trust Deed and Rules, Statement of Investment Principles, and other Scheme policy documentation relating to the administration of the Scheme.

As part of our new Trustees induction process, Trustees familiarise themselves with these documents and many other key Scheme documentation, including the Trustees Governance Plan.

All of the Scheme documents are referenced during meetings and any amendments considered as specific agenda items.

All of the Trustees have access to the Trustee SharePoint site, which is a secure online portal holding key documentation for the Scheme.

The Trustees take their training and development responsibilities seriously and keep a record of the training completed and provide this to the Scheme Secretary at the end of each quarter. Training activities completed during 2020 have covered all aspects of DC scheme governance, pensions and trust law, investment principles and strategy, member engagement, cyber security and other relevant topics. Each Trustee has logged at least 30 hours on these activities during 2020.

All of the Trustees have completed the relevant modules of the Trustee Toolkit which have been made available by the Pensions Regulator (TPR), including the Pension Scams module added during 2020.

During the Scheme Year and following on from TPR's Master Trust Authorisation process the Trustees continue to monitor and review the Scheme's operations, and the Trustees duties and obligations as part of this process.

The selection of the new Trustees appointed post the Scheme Year end has strengthened the Trustee Board's combined knowledge and understanding and has ensured there is wide ranging experience throughout. This wide ranging experience, together with the ongoing training and development that is undertaken, and the use of appointed third party advisers on matters such as investment and legal, enables the Trustees to exercise properly their functions as the Trustees of the Scheme. Nonetheless there is no room for complacency, and it is for this reason that Trustee Knowledge and Understanding is reviewed on an ongoing basis as a regular topic for discussion at each formal quarterly Trustee meeting.

During the 2020 Scheme year the Cushon Trustees demonstrated their continued satisfaction of the 'Trustee Knowledge and Understanding' requirements in a number of ways:

- The Trustees continued to review all of the procedures and process involved in the administration and governance of the Scheme. This included checking their familiarity with the governing documents, in particular the Trust Deed and Rules, and carrying out a detailed analysis of the Trustees various policies relating to the good administration of the Scheme. It also included ensuring the Trustees remained familiar with the 'balance of powers' under the Scheme rules and pensions law;
- Actively engaged with their professional Investment Adviser to develop the investment strategy. This included a review of the Statement of Investment Principles (SIP) to ensure the Trustees on each time a new section was added to the Scheme were fully versed with the new document and had given consideration to the investment principles. The Trustees will conduct training on an ongoing basis to ensure they have sufficient knowledge and understanding of the relevant principles relating to the investment of occupational schemes ensuring this is still suitable.

Throughout the year, there have been various reviews of the SIP (dated 11 January 2021 and attached in Appendix A) conducted by the Trustees. Further detail on this is contained on page 6;

- Read legislation and Regulations at source, in particular relating to Responsible Investment, together with summaries and interpretations published in the professional journals and by specialist pensions advisers on an ad-hoc basis focussing on areas of interest in industry publications and items directly affecting the Scheme. The Trustees will conduct training on an ongoing basis to ensure they can demonstrate sufficient knowledge and understanding of pensions and trust law;
- Read the output produced by the Pensions Regulator, in particular the Codes of Practice and supporting guidance, including the special guidance issued during 2020 regarding the approach Trustees should take around managing the Scheme during the Covid-19 pandemic;
- Checking awareness of updates to the Trustee Toolkit, which is an e-learning programme produced by the Pensions Regulator and that the Trustees are comfortable with the subject material contained within them;
- Attending and contributing to specialist pensions conferences and seminars, hosted by pensions journals, advisory firms and the Pensions Regulator. These events, commonly include keynote speeches from representatives of the Pensions Regulator and are a particularly effective means to maintain knowledge and to understand new developments.

In line with the new Trustee Induction Policy the Trustees appointed in early 2021 have spent time familiarising themselves with the Scheme's governing documentation. Given the new Trustees both have a strong pensions and Master Trust background, as well as the fact they had already completed the Trustee Toolkit, it was considered that a formal induction programme was not proportionate. The process for inducting new trustees is assessed on a case by case basis to ensure it remains tailored and proportionate. The new Trustees have already demonstrated that they have commensurate knowledge and understanding. All Trustees are provided with refresher Scheme training on an ongoing basis, as appropriate;

The Trustees have a combined experience of working in the pensions industry of over 100 years and have experienced at first hand the impact of the multitude of legislative changes and new regulations that have impacted occupational pensions over that time.

The Trustee Board covers a broad spectrum of relevant experience and a brief summary of each Trustee, including the new Trustees, is detailed as follows:-

**Abundzu Limited:** Represented by Barry Parr who is an independent trustee with over 20 years of experience. He is trustee of several pension schemes and master trusts, and was the founding chairman of the Association of Member Nominated Trustees. Barry has attained the Award in Pension Trusteeship (PMI - APT - DC) 2011.

**Andrew Blackman:** Andrew has been in the pensions industry for over 30 years, having acted as a Consultant/Secretary to trustee Boards of Defined Contribution and Final Salary pension schemes for the last 23 years. He has also been involved in establishing, consulting and providing ongoing governance support to master trusts (Spinnaker Master Trust and Cushon Master Trust) for over 10 years and was involved in the merger of the Spinnaker and Complete Master Trusts into the Scheme.

**Ross Trustees Services Limited:** Represented by Roger Mattingly who is Chair of the Trustees of the Cushon Master Trust. Roger holds a number of trusteeships, and is chair of trustees of two other master trusts. He is a Past President of the Society of Pension Professionals, a Fellow of the Institute of Directors and has been a member of various industry groups, including the Pensions Regulator's Stakeholder Advisory Panel and more recently as Chair of the Pensions & Lifetime Savings Association's Multi-employer Defined Benefit Committee.

**Capital Cranfield Pension Trustees Limited:** Represented by Andrew Warwick-Thompson who is a proven board level operator who brings expertise in pensions regulation, governance, and operations of occupational pension schemes and directing their investment strategies. He is a well-known industry figure through his role as Executive Director for Regulatory Policy at TPR, where he was responsible for formulating regulatory policies. He is an affiliate Member of the Institute and Faculty of Actuaries and an Accredited Member of the Association of Professional Pension Trustees. He currently chairs the

Trustee Board of the Scottish Widows Master Trust and has previously chaired the hybrid Mencap Pension Plan.

**Independent Trustee Services Limited:** Represented by Dianne Day is a Client Director at Independent Trustee Services Ltd (ITS). She joined ITS in 2015, specializing in defined contribution (DC) schemes. Dianne holds the PMI Certificate in DC Governance and is an accredited professional pension trustee. Her trustee experience spans DC master trusts, single employer schemes and sole trustee roles. Dianne applies over 30 years' experience in investment management and member communications to the good governance of members' pension benefits.

The Trustees recognise the risk that their knowledge and experience could overlap to such an extent that there are areas where their combined skills are insufficient, leaving vulnerabilities in the governance of the Scheme. In order to assess the situation, the Trustees complete a skills matrix, based on a TPR published document on an annual basis. The Trustees use this analysis to determine training requirements and activities to pursue in order to fill any gaps.

The Trustees consider that, due to the actions and attributes outlined above, and in conjunction with the use of their professional advisers, they have the combined knowledge and understanding and access to advice to enable them to properly exercise their functions as Trustees of the Scheme for the benefit of the Members.

All professional Trustees have sought and achieved professional pension accreditation during 2020 as follows:-

Barry Parr was Accredited Professional Trustee through the PMI – PTPMI (Accred).

Dianne Day, Roger Mattingly and Andrew Warwick-Thompson are all Accredited Professional Trustees through the Association of Professional Pension Trustees (APPT).

#### **Non-affiliation of trustees**

The legislative requirement is for the majority of the trustees to be non-affiliated. Non-affiliated broadly means that the trustee is both currently independent of the Scheme Funder and all other undertakings which provide advisory, administration, investment or other services in respect of the Scheme, and was not an employer or officer (or equivalent) of a Scheme service provider in the five years preceding appointment. Where a non-affiliated trustee resigns, the Scheme must again aim to meet the non-affiliation requirement within three months.

Trustees can be treated as non-affiliated for a single period of up to five years and up to 10 years in total. If there is a gap of more than five years between appointments, the previous appointment is ignored when working out the total. Slightly different rules apply to professional trustee bodies. Again, they can be treated as non-affiliated for a single period of up to five years, but they are not restricted to any cumulative term. However, their individual representative cannot retain this role for more than 10 years in total, regardless of any gap between appointments. The limit on the length of appointment starts from the later of 6 April 2015 and the date of the appointment.

It is confirmed that the majority of the Trustees, including the Chair, during the period covered by this Statement and subsequently, met this non-affiliation requirement.

The independent trustees in place during 2020 (Abundzu Limited and Roger Mattingly) or their representatives, have never provided such services to the Scheme or have been a director, manager, partner or employee of any such undertaking or any undertaking that is in the same corporate group or partnership with a service provider to the Scheme nor did they do so in the five years preceding their appointment. Nor had they ever taken any payment or benefit from the Scheme other than in respect of their role as trustee. They do not have any relationship with any of the service providers to the Scheme that would conflict with their obligations as Trustees of the Cushon Master Trust. Consequently, Abundzu Limited and Roger Mattingly were non-affiliated during their trustee appointment in 2020 and their appointments were less than five years ago.

The new Trustees, Capital Cranfield Pensions Trustees Limited and Independent Trustee Services Limited were appointed on 9 January 2021. Prior to appointment a process of selection and appointment was followed in line with Section 28 of the 1996 Regulations which sets out the requirement for the appointment process to be 'open and transparent'. To this end, the trustee positions were advertised



on Linked-in, which is widely used by professional firms to disseminate news and announcements. The adverts resulted in a several highly qualified candidates putting themselves forward. Additional questions were raised with each candidate, which formed the basis of interviews for a shortlist of individuals. The interview panel consisted of the Chair of Trustees and representatives from the Scheme Funder. Having taken into consideration the skills and experience of the existing Trustees, the new Trustees were selected and formally appointed to form a board that in total comprises the right blend of diversity, background, skillset, and experience. The experience the new Trustees were able to demonstrate, in particular their experience of Trusteeship on other master trusts, will be invaluable in moving the Scheme forward.

### **Communication and engagement with members**

Above all else, the objective of the Trustees is to produce the best possible outcome for the members of the Scheme whilst taking appropriate levels of investment risk. The Trustees attempt to do this by having a robust governance regime, thoughtfully constructed investment strategies and by obtaining the advice of expert professional advisers.

These efforts would be diminished, however, if we did not take into account the views of the members and the size, nature and demographic of the members as part of our communication strategy. This is particularly important when it comes to the consideration of the default investment strategy and the range of self-select funds that are available.

Engagement with members takes many forms:

- Well-constructed information available in hard-copy form and on the website;
- A telephone helpline that is staffed by experienced administrators;
- Correspondence to members when they are 12 months from their 50<sup>th</sup> birthday to encourage them to consider their pensions savings strategy and at 5-year intervals up to their Target Retirement Date for a member who is in the 15 year profile.
- Annual member benefit statements that encourage members to log on to the dedicated Member Portal to see real-time information about their pensions savings;
- Member surveys and feedback mechanisms;
- The Member Portal enables members to take a number of useful actions:
  - reset their username and/or password;
  - nominate a beneficiary in the event of their death;
  - produce a statement of the current value of their pensions account;
  - initiate a non-advised transfer-in from other schemes in order to consolidate their pensions savings;
  - produce a transfer-out quotation and pack that contains the relevant discharge forms;
  - request a retirement quote (if aged 55 or over) with necessary forms. Members are obliged to download copies of helpful guidance from the Government-sponsored Pension Wise and Money Advice Service websites, and the pensions liberation fraud leaflet from the Pensions Regulator;
  - view/download fund fact sheets for all of the funds offered by the Scheme;
  - change their investment allocation;
  - amend their target retirement date;
  - view details of any monthly fixed charge and the annual management charge;
  - view projected pension benefits at retirement

The Trustees and their administrators are aware that the Member Portal can be very well constructed, but that effort would be wasted if the members are not encouraged to access them. Every piece of communication and interaction with the members includes reference to the Member Portal and encourages members to log on and see what functions are available, and to provide feedback via a dedicated website address and online form. This has been reasonably successful, with almost 31% of the members having accessed their accounts via the Member Portal since it was launched. This figure compares well to industry levels; however the Trustees wish to increase the number of members who access their Scheme information online.

Since 30 April 2020, the member feedback functionality within the Member Portal has been extended. When logging out of the Member Portal, members are presented with 3 faces – angry, impartial, and

happy. If a member clicks on the angry or impartial face, they are given the opportunity to provide feedback. Reporting on the feedback received is detailed within the quarterly administration reports.

HS Admin, which performs the administration of the Scheme, provides information and statistics about member engagement in its routine administration reports. The most recent statistics show that:-

- 2,068 (5,802 during 2019) members have made or updated their death benefit nomination forms;
- 399 (765 during 2019) members have completed transfers-in to the Scheme;
- 155 (155 during 2019) members have made use of the Member Portal to amend their investment allocation or to change their target retirement age during the Scheme year.

The fact that members are using the resources available is a positive sign that the encouragement is having the desired effect, but the Trustees routinely consider how this can be enhanced.

A member survey was completed during 2020 to ascertain member investment views and the results were considered by the Trustees as part of the investment strategy review. The Trustees will consider whether a further member survey should be repeated during 2021, once the move to the new investment platform and other restructuring is completed.

Finally, the Trustees have set up an email address ([trustees@cushon.co.uk](mailto:trustees@cushon.co.uk)) to allow members to contact them directly and provide feedback and comments on any aspects affecting the Scheme and their membership.

## Conclusion

2020 was a challenging year for all due to the Covid-19 pandemic, however, it proved that the Scheme has robust governance and protocols in place needed to secure the best possible outcomes for all members.

Our plans for 2021 and beyond, are to:-

- Introduce the Cushon pensions technology to the Scheme for employers and employees with the aim of increasing member engagement;
- Move to the Mobius Life investment platform;
- Move existing Scheme members to the new default investment structure;
- Revisit the Trustees investment beliefs, which feeds into the Statement of Investment Principles, Stewardship Policy, Responsible investment Policy and Investment Governance Reporting Framework;
- Continue to evolve the Scheme investment strategy, including innovations in responsible investing and climate change and consolidate the investment fund offering in the interests of effective governance;
- Explore further investment policies and strategies that achieve the Trustees ESG objectives; and
- Consider further ways to enhance value for members and member engagement.

The acquisition of the Scheme by the Cushon Group Limited is an exciting time for the Scheme and we look forward to working with Cushon and developing the technology so that employers and members alike can benefit from the fintech revolution.

A handwritten signature in blue ink, appearing to read "R. Mattingly", with a long horizontal flourish extending to the right.

Roger Mattingly  
Chair of Trustees  
28 July 2021



## **APPENDIX A – Statement of Investment Principles**

# Cushon Master Trust (formerly the Salvus Master Trust) Statement of Investment Principles January 2021

## Version Update

Version	Effective from
1.0	July 2017
2.0	March 2019
3.0	July 2019
4.0	September 2019
5.0	January 2020
6.0	July 2020
7.0	September 2020
8.0	November 2020
9.0	December 2020
10.0	January 2021

# Statement of Investment Principles

January 2021

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## 1. Introduction

This document constitutes the Statement of Investment Principles (the “SIP”) required under Section 35 of the Pensions Act 1995 for the Cushon Master Trust (formerly the Salvus Master Trust) (“Cushon”, the “Scheme”). It describes the investment policy being pursued for Cushon by the Trustees of the Cushon Master Trust (the “Trustees”) and is in compliance with our understanding of the requirements of the Occupational Pension Schemes (Investment) Regulations 2005, Occupational Pension Schemes (Charges and Governance) 2015 and the Pension Protection Fund (Pensionable Service) Occupational Pension Schemes (Investment and Disclosure) (Amendment and Modification) Regulations 2018, and the Pensions Regulator’s Code of Practice in relation to governance of DC pension schemes issued in July 2016 in force at the time of preparing this document.

The Trustees confirm that, before preparing this SIP, they have consulted with Cushon MT Limited (the “Scheme Funder”), the Scheme Strategist and taken appropriate advice from their advisors. The Investment Advisor is Isio Group Limited and the Legal Advisor is ARC Pensions Law LLP.

The Trustees believe their advisors to be qualified by their ability and practical experience of financial and legal matters respectively and to have appropriate knowledge, and experience of the management of the investment arrangements that Cushon requires. The Trustees also confirm that they will consult with the Scheme Funder and the Scheme Strategist and take advice from the relevant advisors as part of any review of this SIP.

The Trustees are responsible for the investment of Cushon’s assets and arranging the administration of Cushon. Where they are required to make an investment decision, the Trustees always receive advice from the relevant advisors first and they believe that this ensures that they are appropriately familiar with the issues concerned.

In accordance with the Financial Services & Markets Act 2000, the Trustees set general investment policy, but have delegated the day-to-day investment of Cushon’s assets to professional fund managers (the “Investment Managers”) in accordance with Section 34(2) of the Pensions Act 1995. The Managers are authorised under the Financial Services & Markets Act 2000, provide the expertise necessary to manage the investments of Cushon competently and will comply with the requirements of Section 36 of the Pensions Act 1995.

### 1.1. Declaration

The Trustees acknowledge that it is their responsibility, with guidance from their advisors, to ensure the assets of Cushon are invested in accordance with these Principles.

Signed: Roger Mattingly

Date: 11 January 2021

For and on behalf of the Trustees of the Cushon Master Trust.

## 2. Governance

The Trustees are responsible for the governance and investment of Cushon's assets. They consider that the governance structure set out in this SIP is appropriate for Cushon as it allows the Trustees to make the important decisions on investment policy, while delegating the day-to-day aspects to the Investment Managers or the advisors as appropriate. The responsibilities of each of the parties involved in Cushon's governance are detailed in Appendix A.

### 3. Investment Objectives

The Trustees recognise that members have differing investment needs and that these may change during the course of members' working lives. They also recognise that members have different attitudes to risk. The Trustees regard their duty as the provision of a pension scheme which aims to provide members with good outcomes and suitable benefits at retirement.

The Trustees undertake this duty by creating a robust default arrangement offering to cater for the proportion of the workforce not actively managing their pension investments. This default should be focused on members' needs and outcomes.

The Trustees also make available a range of investment options (managed by high quality investment managers) sufficient to enable members who so choose, to tailor their investment strategy to their own needs.

The default strategies available to Cushon members are set out in section 4. The Trustees' objectives in respect of the default strategies are:

- a) To provide members with a robust default arrangement designed to focus on members' needs by aiming to achieve growth and maintain the purchasing power of members' savings and protect the value of accumulated assets as members approach retirement.
- b) To avoid over-complexity in investment in order to keep administration costs, member understanding and member charges to a reasonable level.

In setting objectives, the Trustees do seek to take into account their beliefs as regards financially material considerations over the participation period for Scheme members and this includes Environmental, Social and Governance (ESG) factors including Climate Change.

The Trustees, having regard to the Scheme membership, its identified particular beliefs and feedback to date, have not identified any non-financial (ethical) factors which they believe should be incorporated into their investment objectives to meet the needs of the membership as a whole. The Trustees however do make some provision for ethical interests within its self-select options.

The Trustees intend to further explore member beliefs in the future.

## 4. Default Investment Strategies

Since inception to April 2016, the Trustees have made available to members two default strategies: the Cautious Lifestyle profile and the Balanced Lifestyle profile. For members formerly in the Spinnaker Master Trust, which was merged into the Scheme in February 2017, different default options were used, as set out in Appendices B and C.

Prior to April 2016, employers within Cushon who are advised by Independent Financial Advisers were able to choose the Balanced Lifestyle profile as the default strategy in respect of their employees within Cushon. The Balanced Lifestyle reflects a higher expected risk/return profile overall than the Cautious Lifestyle. Full detail in respect of the Cautious and Balanced Lifestyle profiles is set out in Appendices B and C.

Since April 2016, only the Cautious Lifestyle profile is available as the default strategy for new employers/members. For members joining the non-contributory section as a bulk transfer, a decision is made as to the appropriate default on a case-by-case basis.

In 2020, the Trustees made available the Cushon Flexible Retirement strategy as the default for the Cushon section of the Master Trust. Full detail in respect of the Cushon Flexible Retirement strategy is set out in Appendix B and C.

### 4.1 Aims and Objectives of the Default Strategies

The Trustees' aims and objectives in relation to the default strategies are to support members' investment needs where members do not choose any option. Broader aims and objectives in relation to the default strategies are set out in Section 3, titled "Investment Objectives".

### 4.2 Trustees' Policies in Relation to all Funds, including the Default Strategies

a) The kinds of investment to be held

The default strategies invest in differing proportions of UK and overseas equity, fixed interest and index-linked bonds and cash, depending on members' term to retirement. The funds held within the default strategies are shown in Appendix B.

b) The balance between different kinds of investments

The balance between different investments within the default strategies is shown in Appendices B and C. The Trustees are satisfied that, taken in aggregate, the funds offered are appropriate for different categories and ages of members.

c) Risks (including the ways in which risks are to be measured and managed)

Risks applicable to Cushon as a whole are shown in Section 8, titled "Risks". All of the risks shown, including how they are measured and managed, are relevant to the default strategies.

d) Expected return on investments

Objectives for each fund used within the default strategies are shown in Appendix B.

The default strategies' equity funds are expected to produce long term returns above price inflation. The objectives of including the cash and bond funds are to provide for the payment of the tax-free lump sum on retirement and to reduce volatility relative to the cost of purchasing an annuity, rather than to achieve a specified 'real' or 'nominal' return. The Trustees are in the process of reviewing these objectives (including the continued suitability of annuity targeting), with any changes likely to be implemented early in 2021 at which point this SIP will be revised.

e) Realisation of investments

Funds used within the default strategies are unitised, pooled funds which are dealt daily. This means that the money you invest is pooled together with other people and invested in a collective investment. This pooled fund is split into units that can be bought and sold on a daily basis.

If an investment manager no longer meets the relevant Trustee selection criteria the Trustees could choose to realise (sell) the investment fund.

f) Financial and non-financial material investment considerations

The Trustees consider financial factors including, but not limited to, environmental, social and governance (“ESG”) issues in respect of the default option as indicated in Sections 8 titled “Risks” and 9, titled “Responsible Investing” and as within the overall Investment Objectives (see Section 3).

g) Corporate Governance and Stewardship

The Trustees’ policy is shown in the Section 9, titled “Responsible Investing”.

### 4.3 Best interests of Members and Beneficiaries

In designing the default strategies, the Trustees have considered members’ changing risk and return requirements over time and member outcomes. The Trustees’ default strategies are selected in the best interest of the majority of members and beneficiaries, and the Trustees undertake periodic reviews on the suitability of the strategies.

As at the date of this SIP, the Trustees are carrying out a review of the suitability default strategies and self-select fund options with their Investment Advisor. Any resultant changes are likely to be implemented in early 2021, at which time an updated SIP will come into effect.

#### Investment Strategy

Having due regard for the objectives and the members of Cushon, a number of investment options have been made available. Members can choose to invest their contributions in one or more of these investment options, or may rely on the default strategies, as detailed in Appendix B.

The Trustees will ensure that each member’s investments are invested in accordance with the fund options selected by the member, or in the absence of an investment choice, the applicable default strategy.

### 4.4 Investment Options

The investment options include the default strategies (Cautious Lifestyle and Balanced Lifestyle, the default funds used within the legacy Spinnaker Master Trust, the mapped funds, M&G property fund alternative, the default fund for the Cushon section and the default for the Ascot Lloyd members) and self-directed “self-select” options.

The Cautious, Balanced and Cushon Flexible Retirement Lifestyle profiles involve switching members across different underlying funds as they approach retirement. The switching is designed to adjust the risk and return profile over time, thereby taking account of members’ changing risk profiles as they approach retirement.

In addition to the options outlined above, there is a legacy investment profile, for ex-HS Admin Scheme members, which transitioned on a mapped basis to equivalent funds on the Cushon platform. This being the Aegon Balanced Passive Fund, which over the 5 year period prior to the member’s selected retirement age transitions to the Aegon Over 15 year Gilt Index and Cash Fund at the selected retirement age. These funds have been identified as a Scheme default. All reference to the Scheme default throughout this statement incorporates these funds.

The Trustees have delegated the day-to-day investment of Cushon’s assets to professional investment managers.

Details of the investment options are set out in Appendix B.



## **4.5 Performance Objectives**

The objectives of the funds available within the investment options are set out in Appendix B.

## **4.6 Diversification**

The choice of investment options for members is designed to ensure that members are able to choose investments that are adequately diversified and suitable for their profile. The Trustees monitor the investment options regularly to ensure that they are comfortable with the choice of funds offered to members.

## **4.7 Suitability**

The suitability and range of investment options, including the default strategies, will be reviewed regularly. As at the date of this SIP, the Trustees are carrying out a review of the suitability default strategies and self-select fund options with their Investment Advisor. Any resultant changes are likely to be implemented early in 2021, at which time an updated SIP will come into effect.

Members are responsible for choosing which of the self-select funds are most appropriate based on their own individual circumstances, or otherwise relying on the applicable default strategy for the investment of their own and their employer's contributions.

## **5. Strategy Implementation**

### **5.1 Investment Managers**

The Trustees have appointed Aegon Asset Management (“Aegon”) and Mobius Life to provide the pooled funds that make up Cushon’s investment options for members pre-retirement and the Retirement Bridge (a member option for those transitioning into retirement with a drawdown or deferred annuity expectation). The Trustees have selected a range of investment options for Cushon members. Full details are set out in Appendix B.

### **5.2 Administrator**

Member administration services are provided to the Trustees by HS Administrative Services Ltd.

### **5.3 Fund Options**

The range of funds offered to members has been chosen to give members a diversified range of investments from which they can select according to their individual circumstances both pre and post retirement. The funds available to members are detailed in Appendix B.

### **5.4 Investment of Contributions**

A member’s contributions will be invested in line with their selected choice of funds. Where a member has not made an active selection, their contributions will be invested in the applicable default strategy (detailed in Appendix B).

### **5.5 Transitions**

The Trustees, in conjunction with their advisors, will look to mitigate the potential risks and costs to members as a result of any investment transitions to the best of their ability.

## 6. Monitoring

### 6.1 Managers

The Trustees, or their advisors on behalf of the Trustees, will monitor the performance of the Investment Managers against their own benchmarks.

The Trustees, or their advisors on behalf of the Trustees, will regularly review the activities of the Investment Managers to satisfy themselves that each Investment Manager continues to carry out its work competently and has the appropriate knowledge and experience to manage Cushon's assets.

As part of this review, the Trustees will consider whether or not each Investment Manager:

- Is carrying out its function competently. The Trustees will evaluate the Investment Manager based on, amongst other things:
  - The Investment Manager's performance versus its benchmark.
  - The level of risk within the portfolios given any specified risk tolerances.
  - The competitiveness of Investment Manager fees is reviewed on an annual basis.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising their powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.
- If the Trustees are not satisfied with an Investment Manager they will ask the Investment Manager to take steps to rectify the situation. If the Investment Manager still does not meet the Trustees' requirements, the Trustees will remove the Investment Manager and appoint another.
- The Scheme invests in pooled funds, the duration of which is flexible, and the Trustees will from time-to-time consider the appropriateness of the fund range and whether they should continue to be held.
- The Trustees do not directly monitor turnover costs. However, the Investment Managers are incentivised to minimise costs as they are measured on a net of cost basis. The Investment Managers are required to provide transaction cost information on an annual basis, on the slippage cost methodology, for disclosure to members.
- In addition, the Trustees will now further evaluate and monitor the Investment Managers selected for their exercising of responsible investing activities, which will include voting and engagement, in respect of the Scheme's investment and in accordance with their stated or agreed policies and as may be further agreed with the Trustees.

### 6.2 Advisors

The Trustees will monitor the advice given by their advisors on a regular basis and assess them annually against the investment objectives that have been set in accordance with Part 2 of the Investment Consultancy and Fiduciary Management Market Investigation Order 2019.

### 6.3 Statement of Investment Principles

The Trustees will review this SIP at least triennially, or as soon as is practical following any changes to the investment strategy, and modify it with consultation from the relevant advisors, the Scheme Funder and the Scheme Strategist, if deemed appropriate. There will be no obligation to change this SIP, any Investment Manager, Platform Manager or advisor as part of such a review.

### 6.4 Trustees' Recordkeeping

The Trustees maintain a record of all investment related decisions they have taken, together with the rationale in each case.

## 7. Fees

### 7.1 Member Charges

There are three sources of charges applicable to members:

- a) Investment management charges
- b) Aegon platform charge
- c) Mobius platform charge
- d) Cushon charge (includes administration)

Fees are charged as a proportion of the size of assets invested. The charges have been negotiated and will continue to be reviewed regularly. Member charges are set out in each employer's Investment Choices document.

### 7.2 Advisors

Fees paid to the advisors are based either on actual time spent and hourly rates for relevant individuals or on fixed fees agreed in advance for specifically defined projects.

### 7.3 Value for Members

The Trustees review, as far as possible based on the data available, all sources of fees levied on members' accounts (including management charges, additional expenses and platform charges as appropriate) to ensure value for members is present. The Trustees consider, among other items, the absolute level of charges, the competitiveness of applicable charges relative to the marketplace and the levels of service provided by each of the advisors and Managers.

The Trustees also review, as far as is reasonable and practical, transaction costs paid by members to assess the extent to which these represent good value for money.

The Trustees' conclusions in respect of value for members are documented in Cushon's annual report and accounts.

## 8.Risks

The Trustees recognise a number of key risks to themselves and to the members of Cushon:

- a) Value for Members Risk – the risk that Cushon fails to offer value for members. This is addressed through regular ‘value for members’ reviews.
- b) Inflation Risk – the risk that the purchasing power of their investment account is not maintained. To try to manage this risk, the Trustees have offered a range of funds reflecting asset classes expected to provide long term returns in excess of price inflation.
- c) Pension Purchase Risk – the risk that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained. This risk cannot easily be mitigated as it depends on market conditions for annuity rates at retirement. However, the default strategies (aside from the default funds used within the legacy Spinnaker Master Trust) gradually de-risk as members approach retirement, including an increased allocation to bonds up to fifteen years (Cautious Lifestyle) and 10 years (Balanced Lifestyle and Cushon Flexible Retirement) from retirement which should provide an extent of annuity price matching. Bond funds are also available within the self-select fund range for those members who would like to hedge annuity price movements more explicitly.

For the default funds used within the legacy Spinnaker Master Trust, members joining with greater than two years to expected retirement date were defaulted into an option with a 50% allocation to gilts and corporate bonds and 50% to equities. This allocation would be expected to provide an element of matching versus annuity prices. Members within two years of retirement were placed in cash assets to meet their short term expectations.

- d) Capital Risk – the risk that the value of any element used to provide a cash sum at retirement is not maintained. To try to mitigate this risk, the default strategies (aside from the default funds used within the legacy Spinnaker Master Trust and Cushon Flexible Retirement) de-risk into cash starting five years from retirement. The self-select fund range includes a cash fund option for members prioritising capital preservation.

For the default funds used within the legacy Spinnaker Master Trust, members joining with less than two years to expected retirement date were defaulted into the Cash Fund, with a view to preserving capital.

- e) Passive Manager Risk – the risk that the passive investments do not track the index effectively. The Trustees have mitigated this risk by taking advice from their Investment Advisor in relation to passive investments. The Trustees monitor how effectively Cushon’s passive investments track their benchmarks as part of ongoing investment governance.
- f) Active Manager Risk – the risk that the active investments underlying Cushon’s investment options underperform due to the underlying investment manager underperformance. The Trustees have mitigated this risk by taking advice from its Investment Advisor in relation to active asset management. The Investment Advisor considers a wide range of funds; diversified across asset class, sub asset class and investment manager to reduce the active manager risk.
- g) Communication Risk – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made. This is addressed through the Trustees receiving advice from their advisors and regular monitoring and updates, where appropriate, of member communications.
- h) Inappropriate Member Decision – the risk that members make inappropriate decisions regarding their investments. This is addressed where possible through communication to members and the recommendation that members seek independent financial advice. The Trustees have also offered default strategies (aside from the default funds used within the legacy Spinnaker Master Trust) with a “lifestyling element” designed to phase members into lower risk investments as they approach retirement.
- i) Organisational Risk – the risk of inadequate internal processes leading to problems for Cushon. This is addressed through a regular monitoring of the Investment Managers and advisors.

- j) Liquidity Risk – the risk that members are not able to realise the value of their funds when required. The Trustees have addressed this risk by only offering funds which are considered liquid, however some of the underlying investments in those funds may be less liquid (for example property). In this case whilst the funds offered are usually daily dealing, there is a risk that these funds may suspend investment or redemption requests in periods of extreme market volatility.
- k) Concentration Risk – the risk that the Scheme’s share of a fund becomes too significant.
- l) ESG Risk – the risk of adverse performance due to ESG related factors including climate change. This is addressed by ESG assessment at the point of investment with the Investment Manager where applicable, and by requesting information on the ESG policies adopted by the Investment Manager to ensure they align with Trustee views.
- m) Other Risks – The Trustees do identify other risks including but not limited to political, regulatory, and market risks which are considered in the Investment Strategy and its execution and on-going monitoring. Many of these risks are monitored through a Risk Register which is maintained and actions tracked on a routine basis in the governance of the Scheme.

The importance of each risk varies with time. Inflation is important throughout the whole period to retirement whereas pension purchase risk and capital risk become more significant as retirement approaches, depending on how the member chooses to access their pension saving at retirement.

The Trustees have provided default strategies that aim to address the above risks through a member’s life. The Trustees may vary the underlying asset allocation and investment managers within these strategies from time to time in response to changing market conditions and manager developments.

The Trustees also provide members with a range of self-select investment options into which they may direct their contributions so as to allow each member to determine the appropriate mix of investments based on their own attitude to risk, terms to retirement and investment objective.

In addition to the risks noted above, the Trustees also recognise the options they have selected are subject to underperformance risk. This is addressed through providing options with appropriate diversification and through regular monitoring of the active managers’ performance, processes and capabilities with respect to their mandate.

The Trustees recognise that an efficient process for identifying, evaluating, managing and monitoring risks needs to be in place for Cushon. The Trustees will identify and assess the impact of any risk, what controls can be put in place to manage the risk and review both the individual risks and the effectiveness of the risk management process as a whole.

The Trustees will keep these risks and how they are managed under regular review.

## **9. Responsible Investing**

### **9.1 Corporate Governance and Stewardship Policy**

The Trustees recognise their obligations to foster good corporate governance through their investment policy and execution.

Cushon's investments are mostly made via an investment platform and in pooled investment funds, in which Cushon's investments are pooled with those of other investors. As such, Cushon may not have direct voting rights, or may not have direct and practical control of the process of exercising those rights associated with the investments. Therefore its stewardship expectations, including voting and engagement, are delegated to its Investment Managers. However, Cushon does now seek alignment of objectives with its Investment Managers in respect of responsible investment considerations and will monitor policy and stewardship activities going forward.

The Trustees also recognise the merits of working with others in the industry to agree, develop and report against accepted responsible investing standards and benchmarks and this is a focus for the future. The Trustees recognise the recommendations arising from the Task Force on Climate Related Financial Disclosures (TCFD) following the key milestone of the Paris Agreement. The Trustees are also aware of the EU's action plan on Sustainable Finance including the taxonomy to be applied to funds and the potential impact. The Trustees seek to incorporate related best practise and new benchmarks (eg carbon footprints) into their objectives, into the funds selected in their future strategies and into the regular monitoring and reporting of performance.

### **9.2 Financially Material Investment Considerations**

These considerations which can have financially significant impact: the Risks identified in Section 8 including ESG and Climate Change, are taken into account in the selection of funds made available to the Scheme over the appropriate time horizon applicable to Scheme members. All references to ESG relate to financial factors only. All references to ESG also include climate change.

ESG factors and stewardship are considered in the context of long term performance, by the Trustees (in conjunction with its advisors) as part of the Investment Manager selection criteria. The review occurs before funds are approved for investment. For invested funds, the Trustees request the Investment Managers monitor ongoing compliance with ESG and other factors, like stewardship, as a part of overall engagement.

### **9.3 Non-Financially Material Investment Considerations**

The Trustees do not at present take into account non-financially material factors (such as members' ethical considerations or future quality of life considerations for members and beneficiaries) when making investment decisions as part of the default arrangement, as no common view on ethical matters has yet been identified.

However, the Trustees do offer an ethical investment option and a Shariah compliant option to Cushon members. A recent member survey has highlighted some additional areas of increasing ethical concerns and the Trustees will seek the best way of meeting this interest in future offerings.

## Appendix A - Responsibilities

### Trustees

The main investment related responsibilities of the Trustees include:

- a) Reviewing, at least triennially (or following significant changes to the investment strategy), the content of this SIP and modifying it if deemed appropriate.
- b) Reviewing the investment policy for Cushon in terms of providing a range of funds from which members may choose to invest (see Appendix B).
- c) Assessing the quality of the performance and process of the Investment Managers by means of regular reviews of the investment results and other information, through meetings and written reports.
- d) Monitoring compliance of the investment arrangements with the SIP on an ongoing basis.
- e) Appointing and dismissing Investment Managers.
- f) Assessing the performance of their advisors.
- g) Consulting with the Scheme Funder and Scheme Strategist when reviewing investment policy issues.
- h) Making this SIP publicly available.

### Investment Advisor

The Investment Advisor will be responsible for, amongst other things:

- a) Participating with the Trustees in reviews of this SIP.
- b) Advising the Trustees of any changes in respect of Cushon's Investment Managers that could affect the interests of Cushon.
- c) Advising the Trustees of any changes in the investment environment that could either present opportunities or threats to Cushon.
- d) Undertaking reviews of Cushon's investment arrangements including reviews of the Cushon's structure, current Investment Managers, and selection of new Investment Managers as appropriate.

### Legal Advisor

The Legal Advisor will be responsible for, amongst other things:

- a) Acting on Trustee instructions to ensure legal compliance including those in respect of investment matters.



## Appendix B – Investment Options

This Appendix provides detail on the investment choices for members alongside return objectives and risk management guidelines.

The Trustees provide multiple default strategies (Cautious Lifestyle and Balanced Lifestyle) for members who do not make an active investment decision. For members formerly in the Spinnaker Master Trust, two different default options were used, as detailed below.

Since April 2016, only the Cautious Lifestyle is available as the default strategy for new employers/members. Prior to April 2016, employers within Cushon who are advised by Independent Financial Advisers were able to choose the Balanced Lifestyle as the default strategy in respect of their employees within Cushon. In 2020, the Trustees made available the Cushon Flexible Retirement strategy as the default for the Cushon section of the Master Trust, which is also detailed below.

For these options, the asset allocation automatically changes as members approach retirement, aiming to reflect members' changing risk and return requirements.

Alternatively, members can choose from a range of self-select investment options, which allows them to determine the appropriate mix of investments based on their own attitude to risk, term to retirement and investment objective.

### Default Strategy 1: Cautious Lifestyle

This default strategy is applicable to employers within Cushon who are not advised by Independent Financial Advisers, or who entered Cushon after April 2016.

Where a member does not make a specific investment choice, they will be automatically invested in the Cautious Lifestyle profile. This phases a member's assets through different funds (set out in the table below) as retirement approaches.

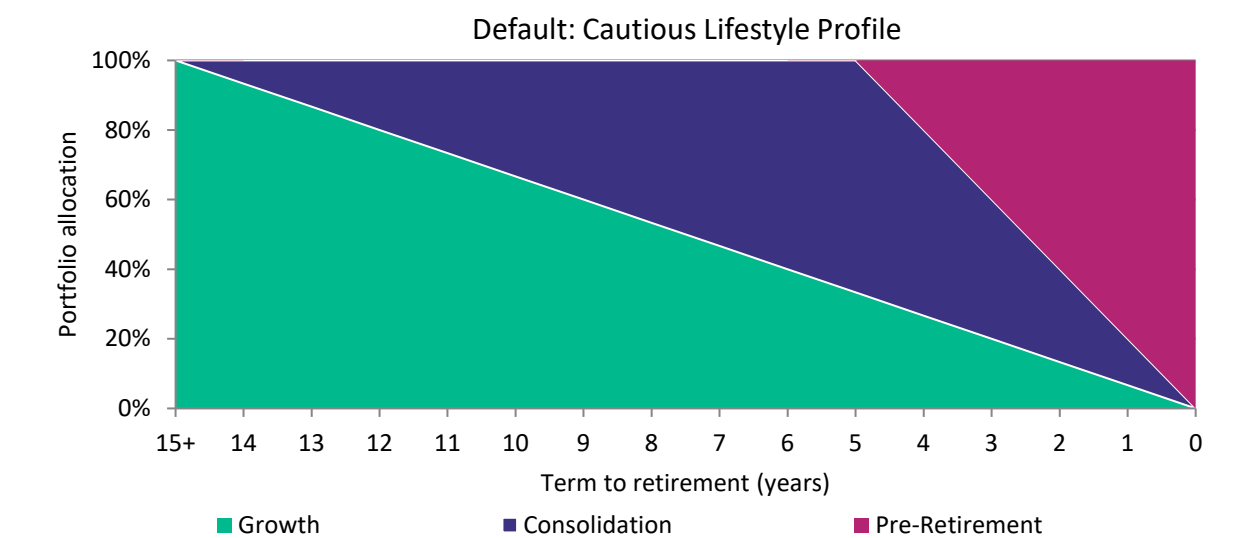
Objectives for the funds underlying the Cautious Lifestyle are set out in the table within the "Self-select fund options" sub-section below.

Fund name	Invests in	Asset class	Investment style
Scottish Equitable BlackRock Aquila UK Equity Index	UK All Companies	Equities	Passive
Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	Global Equities	Equities	Passive
Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	UK Index-Linked Gilts	Equities	Passive
(BlackRock) UK Gilts All Stocks Tracker	UK Gilts	Bonds	Passive
Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	Sterling Corporate Bond	Bonds	Passive
(Aegon) Cash	Deposit & Treasury	Cash	Active

The Cautious Lifestyle profile is split into three stages: Growth, Consolidation and Pre-Retirement. The funds within each stage are set out in the table below:

Fund Name	Cautious Lifestyle Stage		
	Growth	Consolidation	Pre-Retirement
Scottish Equitable BlackRock Aquila UK Equity Index	35%	30%	-
Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	45%	-	-
Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	4%	-	-
(BlackRock) UK Gilts All Stocks Tracker	12%	30%	-
Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	4%	40%	-
(Aegon) Cash	-	-	100%

The progression of these stages through the Cautious Lifestyle profile is shown in the diagram below. A more detailed breakdown of the phasing a member would experience across the underlying funds is shown in Appendix C.



## Default strategy 2: Balanced Lifestyle

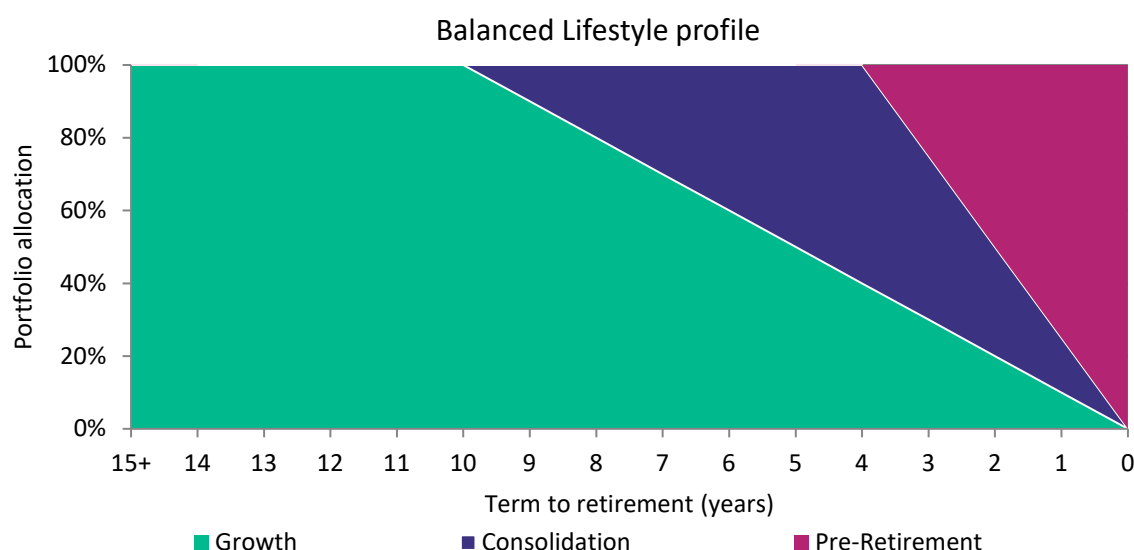
An alternative lifestyle profile made available is the Balanced Lifestyle profile. This profile is suitable for members who wish to be de-risked automatically as they approach retirement, but who have a higher risk appetite than is reflected by the Cautious Lifestyle profile.

Prior to April 2016, employers within Cushon who are advised by Independent Financial Advisers were able to choose the Balanced Lifestyle as the default strategy in respect of their employees within Cushon. The Balanced Lifestyle reflects a higher expected risk/return profile overall than the Cautious Lifestyle.

Similarly to the Cautious Lifestyle profile, the Balanced Lifestyle profile is split into Growth, Consolidation and Pre-Retirement stages. However, the underlying fund allocation within each stage differs to the Cautious Lifestyle. The funds within each stage for the Balanced Lifestyle are set out in the table below:

Fund Name	Balanced Lifestyle Stage		
	Growth	Consolidation	Pre-Retirement
Scottish Equitable BlackRock Aquila UK Equity Index	20%	50%	-
Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	70%	20%	-
Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	-	-	-
(BlackRock) UK Gilts All Stocks Tracker	5%	10%	-
Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	5%	20%	-
(Aegon) Cash	-	-	100%

The progression of these stages through the Balanced Lifestyle profile is shown in the diagram below. A more detailed breakdown of the phasing a member would experience across the underlying funds is shown in Appendix C.



## Default Strategy (Former Spinnaker Master Trust members)

For members who joined the Spinnaker Master Trust with more than two years until expected retirement date, the default option was the Aegon BlackRock 50/50 Bond & Equity Fund. Its objective is to provide long-term capital growth by investing approximately 50% in UK and overseas equities and 50% split equally between gilts and sterling investment-grade corporate bonds that have maturity periods of 15 years or longer. Of the equities, 50% is in the UK and 50% is split equally between the USA, Europe (ex-UK) and the Far East.

For members who joined the Spinnaker Master Trust with less than two years until expected retirement date, the default option was the Aegon Cash Fund. The fund aims to outperform the LIBOR (London Inter-Bank Offer Rate) 3 Months, before charges.

## Mapped Investment Funds

In addition to the above default strategies, there are also a small number of members who transitioned on a mapped basis to equivalent funds on the Cushon platform. The investments were the Aegon Balanced Passive Fund and then 5 years prior to their selected retirement date the monies start transitioning to the Aegon Over 15 year UK Gilt Index and the Aegon Cash Fund. These funds are available to other members on a self select basis but the specific 5 year lifestyling approach is available to this group of members only. The switching is designed to adjust the risk and return profile over time, thereby taking account of members' changing risk profiles as they approach retirement.

## M&G Property Fund

The M&G Property Fund is available to members under the self select fund range. On 4 December 2019 M&G suspended dealing on this fund. The fund is still being actively managed but it means that instructions to buy or sell units in this fund will not be accepted. M&G will monitor this suspension on a monthly basis.

As a result of this suspension HS Admin, on behalf of the Trustees, have contacted all affected members to inform them of the position. In addition, those members who are making ongoing contributions were requested to provide an instruction on an alternative fund choice. A small number of these members have not responded, this has meant that the Trustees have redirected these ongoing contributions to cash until either the gated fund reopens or the affected members exercise their own choice for investing these contributions. This course of action by the Trustees has resulted in this cash holding becoming a default arrangement and subject to the same criteria as the other Scheme default arrangements.

## Default Strategy (Cushon Section)

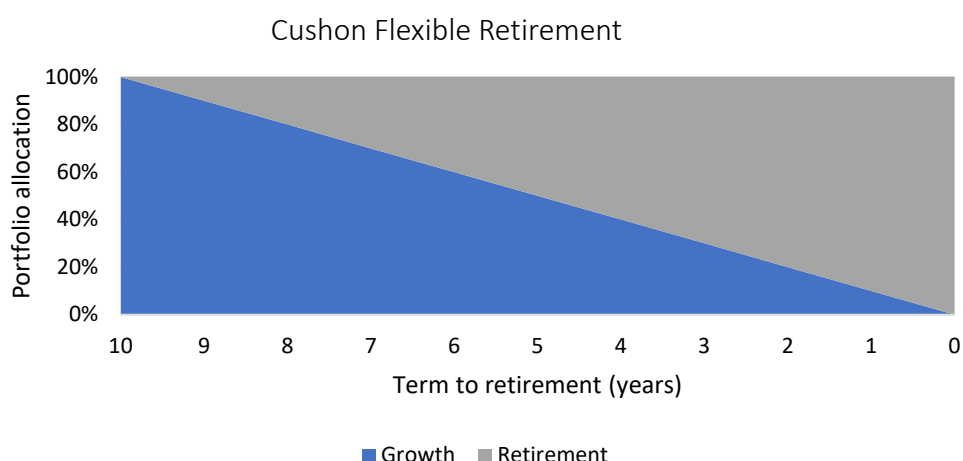
For all Cushon section members who joined the Scheme from October 2020, the default option is the Cushon Flexible Retirement strategy.

Fund name	Invests in	Asset class	Investment style
L&G Future World UK Equity Index Fund	UK equities with an ESG tilt	Equities	Passive
L&G Future World Developed (ex UK) Equity Index Fund	Overseas developed market equities with an ESG tilt	Equities	Passive
BlackRock Aquila Connect Emerging Markets Equity	Emerging market equities	Equities	Passive
Vanguard Global Small Cap Index Fund	Global small cap equities	Equities	Passive
L&G Global Real Estate Equity Fund	Global listed real estate companies	Listed alternatives	Passive
L&G FTSE Developed Core Infrastructure Index Fund	Global listed infrastructure companies	Listed alternatives	Passive
BlackRock Aquila Connect Corporate Bond All Stocks Index Fund	Corporate bonds	Bonds	Passive
L&G All Stocks Index-Linked Gilts Index Fund	UK index-linked government bonds	Bonds	Passive

The Cushon Flexible Retirement lifestyle strategy is split into two stages: Growth and Retirement. The funds within each stage are set out in the table below:

Fund Name	Cushon Flexible Retirement Stage	
	Growth	Retirement
L&G Future World UK Equity Index Fund	5%	2%
L&G Future World Developed (ex UK) Equity Index Fund	45%	20%
BlackRock Aquila Connect Emerging Markets Equity	10%	4%
Vanguard Global Small Cap Index Fund	10%	4%
L&G Global Real Estate Equity Fund	5%	5%
L&G FTSE Developed Core Infrastructure Index Fund	5%	5%
BlackRock Aquila Connect Corporate Bond All Stocks Index Fund	20%	40%
L&G All Stocks Index-Linked Gilts Index Fund	-	20%

The progression of these stages through the Cushon Flexible Retirement lifestyle strategy is shown in the diagram below. A more detailed breakdown of the phasing a member would experience across the underlying funds is shown in Appendix C.



### Default Strategy (Ascot Lloyd Members)

For all Ascot Lloyd members who have joined the Scheme in October 2020 the default has been determined by the transferring Trustees (the Trustees of the Ascot Lloyd Pension Trust). The new contributions are being invested in line with their existing investment strategy, whereby, member's are provided with a default investment from a range of Retirement Age Funds (RAFs). The relevant RAF is based on the member's assumed normal retirement age (Age 65). The Cushon Trustees are currently undertaking a review of the investment strategy and are expecting to implement a new default strategy over in 2021.

## Self-Select Fund Options

The self-select options allow members to choose from a selection of funds based on their own attitude to risk, term to retirement and investment objective. The funds that may be made available to members are set out below.

Fees are charged as a proportion of the size of assets invested. The charges have been negotiated and will continue to be reviewed regularly. Member charges are set out in each employer's Investment Choices document.

Fund	Target Objective	Investment Style
Scottish Equitable BlackRock Aquila UK Equity Index	The fund aims to achieve a return consistent with that of the FTSE All-Share Index	Passive
Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	The fund aims to match the performance of the FTSE All-World Developed (ex-UK) Index	Passive
Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	The fund aims to achieve a return consistent with the FTSE UK Gilts Index-Linked Over 5 Years Index	Passive
(BlackRock) UK Gilts All Stocks Tracker	The fund aims to achieve a total return (a combination of income plus capital growth) for investors by tracking closely the performance of the FTSE Actuaries UK Gilts All Stocks Index	Passive
Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	The fund aims to achieve a return consistent with the Markit iBoxx Sterling Non-Gilts Index	Passive
(AEGON) Cash	The fund aims to outperform the LIBOR (London Inter-Bank Offer Rate) 3 Months, before charges	Active
Scottish Equitable BlackRock Aquila Over 15 Years Corporate Bond Index	The fund aims to achieve a return consistent with the Markit iBoxx Sterling Non-Gilts Over 15 Years Index	Passive
Scottish Equitable BlackRock Aquila Over 15 Years UK Gilt Index	The fund aims to match the performance of the FTSE UK Gilts Over 15 Years Index	Passive
Scottish Equitable BlackRock Aquila Pacific Rim Equity Index	The fund aims to achieve a return consistent with the return of the FTSE All-World Developed Asia Pacific ex-Japan Index	Passive
Scottish Equitable BlackRock Aquila Japanese Equity Index	The fund aims to achieve a return that is consistent with that of the FTSE All-World Japan Index	Passive
Scottish Equitable BlackRock Aquila US Equity Index	The fund aims to match the performance of the FTSE All-World USA Index	Passive
Scottish Equitable BlackRock Aquila European Equity Index	The fund aims to achieve a return consistent with that of the FTSE All-World Developed Europe ex UK Index	Passive
(BlackRock) Emerging Markets Equity Tracker	The fund aims to closely track the performance of the FTSE All World-Emerging Index	Passive
(BlackRock) Balanced Passive	The fund aims to broadly match the performance of the Association of British Insurers (ABI) Mixed Investment 40%-85% Shares sector average	Passive
Scottish Equitable L&G Pre-Retirement	The fund aims to provide diversified exposure to assets that reflect the investments underlying a typical annuity product	Active
(Aegon) Distribution	The fund aims to outperform the ABI Mixed Investment 20-60% Shares sector median, net of fees	Active
Scottish Equitable HSBC Life Amanah	The fund aims to track the performance of the Dow Jones Islamic Titans 100 Index	Passive

Fund	Target Objective	Investment Style
Scottish Equitable M&G Property Portfolio	The fund aims to maximise long-term total return (the combination of income and capital growth) by investing in mainly UK commercial property. Its benchmark is the Investment Association Property peer group	Active
Aegon MI Savings (Low)	The fund invests in a diversified portfolio and aims for long-term growth. The manager believes it could provide returns greater than inflation over the longer term. It aims to suit someone with a low or below-average tolerance for risk who is prepared to see some, limited movement both up and down in their fund value in the hope of achieving greater long-term growth.	Active
Aegon MI Savings (Medium)	The fund invests in a diversified portfolio and aims for long-term growth. The manager believes it could provide returns greater than inflation over the longer term. It aims to suit someone with a medium or average tolerance for risk who is prepared to see some movements both up and down in their fund value in the hope of achieving greater long-term growth.	Active
Aegon MI Savings (High)	The fund invests in a diversified portfolio and aims for long-term growth. The manager believes it could provide returns greater than inflation over the longer term. It aims to suit someone with an above-average tolerance for risk who is prepared to see movements both up and down in their fund value in the hope of achieving greater long-term growth.	Active
(Aegon) Ethical	The fund aims to provide long-term capital growth by investment in equities (shares) and equity type securities of companies based in the UK, mainly conducting business in the UK or listed on the UK stock market, which meet the fund's predefined ethical criteria. The application of its ethical criteria means the fund may have a bias towards small and medium-sized companies. The fund's benchmark is the FTSE All Share index.	Active
Scottish Equitable M&G Recovery	The fund aims to achieve long-term capital growth by investing mainly in a diversified range of investments issued by companies which are out of favour, in difficulty or whose future prospects aren't fully recognised by the market. The fund manager takes a long-term view with a typical holding period of five years or more. Developing a constructive dialogue with company management is a fundamental part of the investment process. The fund's benchmark is the FTSE All Share index.	Active

## Retirement Bridge

In addition to the above self-select fund options, Cushon has a Retirement Bridge offering. This pensions fund is invested in target-dated funds managed by AllianceBernstein (accessed via the Mobius Life investment platform). This allows members to invest their pot in a fund that corresponds to their date of birth. The fund is made up of a collection of growth assets, such as equities, and income-producing assets, such as fixed income gilts, that is adjusted on a lifestyle basis as the member approaches age 75.

## Appendix C – Lifestyle Fund Allocation by Age

The tables below detail members' lifestyle progression across the underlying funds in the default strategies: Cautious Lifestyle and Lifestyle.

### Default Strategy 1: Cautious Lifestyle

Years to Retirement	Scottish Equitable BlackRock Aquila UK Equity Index	Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	(BlackRock) UK Gilts All Stocks Tracker	Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	(AEGON) Cash
15+	35.0%	45.0%	4.0%	12.0%	4.0%	0.0%
14	34.7%	42.0%	3.7%	13.2%	6.4%	0.0%
13	34.3%	39.0%	3.5%	14.4%	8.8%	0.0%
12	34.0%	36.0%	3.2%	15.6%	11.2%	0.0%
11	33.7%	33.0%	2.9%	16.8%	13.6%	0.0%
10	33.3%	30.0%	2.7%	18.0%	16.0%	0.0%
9	33.0%	27.0%	2.4%	19.2%	18.4%	0.0%
8	32.7%	24.0%	2.1%	20.4%	20.8%	0.0%
7	32.3%	21.0%	1.9%	21.6%	23.2%	0.0%
6	32.0%	18.0%	1.6%	22.8%	25.6%	0.0%
5	31.7%	15.0%	1.3%	24.0%	28.0%	0.0%
4	25.3%	12.0%	1.1%	19.2%	22.4%	20.0%
3	19.0%	9.0%	0.8%	14.4%	16.8%	40.0%
2	12.7%	6.0%	0.5%	9.6%	11.2%	60.0%
1	6.3%	3.0%	0.3%	4.8%	5.6%	80.0%
0	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%

### Default strategy 2: Balanced Lifestyle

Years to Retirement	Scottish Equitable BlackRock Aquila UK Equity Index	Scottish Equitable BlackRock Aquila World (Ex-UK) Equity Index	Scottish Equitable BlackRock Aquila Over 5 Years UK Index-Linked Gilt Index	(BlackRock) UK Gilts All Stocks Tracker	Scottish Equitable BlackRock Aquila Corporate Bond Index All Stocks	(AEGON) Cash
10+	20.0%	70.0%	0.0%	5.0%	5.0%	0.0%
9	23.0%	65.0%	0.0%	5.5%	6.5%	0.0%
8	26.0%	60.0%	0.0%	6.0%	8.0%	0.0%
7	29.0%	55.0%	0.0%	6.5%	9.5%	0.0%
6	32.0%	50.0%	0.0%	7.0%	11.0%	0.0%
5	35.0%	45.0%	0.0%	7.5%	12.5%	0.0%
4	38.0%	40.0%	0.0%	8.0%	14.0%	0.0%
3	28.5%	30.0%	0.0%	6.0%	10.5%	25.0%
2	19.0%	20.0%	0.0%	4.0%	7.0%	50.0%
1	9.5%	10.0%	0.0%	2.0%	3.5%	75.0%
0	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%



## Cushion Flexible Retirement Default

Years to Retirement	L&G Future World UK Equity Index	L&G Future World Developed (ex UK) Equity Index	BlackRock Aquila Connect Emerging Markets Equity Index	Vanguard Global Small Cap Index	L&G Global Real Estate Equity	L&G FTSE Developed Core Infrastructure Index	BlackRock Aquila Connect Corporate Bond All Stocks Index	L&G All Stocks Index-Linked Gilts Index
10+	5.0%	45.0%	10.0%	10.0%	5.0%	5.0%	20.0%	0.0%
9	4.7%	42.5%	9.4%	9.4%	5.0%	5.0%	22.0%	2.0%
8	4.4%	40.0%	8.8%	8.8%	5.0%	5.0%	24.0%	4.0%
7	4.1%	37.5%	8.2%	8.2%	5.0%	5.0%	26.0%	6.0%
6	3.8%	35.0%	7.6%	7.6%	5.0%	5.0%	28.0%	8.0%
5	3.5%	32.5%	7.0%	7.0%	5.0%	5.0%	30.0%	10.0%
4	3.2%	30.0%	6.4%	6.4%	5.0%	5.0%	32.0%	12.0%
3	2.9%	27.5%	5.8%	5.8%	5.0%	5.0%	34.0%	14.0%
2	2.6%	25.0%	5.2%	5.2%	5.0%	5.0%	36.0%	16.0%
1	2.3%	22.5%	4.6%	4.6%	5.0%	5.0%	38.0%	18.0%
0	2.0%	20.0%	4.0%	4.0%	5.0%	5.0%	40.0%	20.0%

## APPENDIX B: Ascot Lloyd Pension Trust - Transaction costs

POOLED FUND COST COLLECTION TEMPLATE												
For use with investments in pooled funds												
All figures in % of average NAV pa unless specified												
Fund Manager	Mobius Life Limited											
Scheme name	Ascot Lloyd section of the Salvus Master Trust											
Share class name												
Date of report	01 January 2020 to 31 December 2020. First trade was 18 November 2020											
Currency of report	GBP											
Investment activity (GBP unless specified)	Total											
Opening assets	0.00											
Closing assets	282,776.67											
Purchases	0											
Sales	0											
Turnover (% pa)												
Asset Allocation												
Mobius Fund	P08797 ML Equity Accumulation Fund	P08909 ML 2055 Retirement Age Fund	P08910 ML 2050 Retirement Age Fund	P08911 ML 2045 Retirement Age Fund	P08912 ML 2040 Retirement Age Fund	P08913 ML 2035 Retirement Age Fund	P08914 ML 2030 Retirement Age Fund	P08915 ML 2025 Retirement Age Fund	P08916 ML 2020 Retirement Age Fund	P08918 ML 2060 Retirement Age Fund	-	-
Opening Allocation Value	-	-	-	-	-	-	-	-	-	-	-	-
Closing Allocation Value	12,096.88	40,434.42	28,749.63	30,707.74	65,589.28	34,831.58	24,564.48	13,029.49	2,657.88	30,115.29		
day count	44	44	44	44	44	44	44	44	44	44		
Total In period	365	365	365	365	365	365	365	365	365	365		
Transaction costs	Total (GBP)	% against avg val										
Transaction Costs For Lending And Borrowing	0.79	0.0006%	0.001%	0.001%	0.001%	0.000%	0.000%	0.000%	0.000%	0.000%	0.001%	
Explicit Transaction Taxes	0.87	0.0006%	0.001%	0.001%	0.001%	0.001%	0.001%	0.000%	0.000%	0.000%	0.001%	
Explicit Fees And Charges	- 0.55	-0.0004%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
Implicit Costs	2.27	0.0016%	0.001%	0.001%	0.001%	0.002%	0.002%	0.002%	0.002%	0.001%	0.001%	
Indirect Transaction Costs	0.48	0.0003%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
Anti Dilution Offset	- 7.07	-0.0050%	-0.005%	-0.005%	-0.005%	-0.005%	-0.005%	-0.004%	-0.003%	-0.003%	-0.005%	
Other transaction costs	-	0.0000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	
Indirect anti-dilution offset	0.07	0.0001%	-0.001%	-0.001%	0.000%	0.001%	0.001%	0.001%	0.001%	0.000%	-0.001%	
Total transaction costs	-3.14		-0.004%	-0.004%	-0.003%	-0.002%	-0.002%	-0.001%	-0.001%	0.000%	0.000%	0.000%
Total transaction cost value	(3.14)											
Total transaction cost	-0.002%											

## APPENDIX C: Cushon Flexible Retirement – Transaction costs

POOLED FUND COST COLLECTION TEMPLATE																									
All figures in % of average NAV pa unless specified																									
For use with investments in pooled funds																									
Fund Manager		Mobius Life Limited																							
Scheme name		Cushon section of The Salvus Master Trust																							
Share class name																									
Date of report		01 January 2020 to 31 December 2020																							
Currency of report		GBP																							
Investment activity (GBP unless specified)		Total																							
Opening assets		0.00																							
Closing assets		11,019.50																							
Purchases		0																							
Sales		0																							
Turnover (% pa)																									
Asset Allocation																									
Mobius Fund		D02501 Cushon Growth Fund																							
Opening Allocation Value		-																							
Closing Allocation Value		11,019.50																							
start																									
First buy		21/12/2020																							
last sell																									
end		31/12/2020																							
day count		11																							
Total In period		365																							
Transaction costs																									
Total (GBP)		% against avg val																							
Transaction Costs For Lending And Borrowing		0.01		0.0001%																					
Explicit Transaction Taxes		0.01		0.0002%																					
Explicit Fees And Charges		0.01		0.0002%																					
Implicit Costs		0.02		0.0003%																					
Indirect Transaction Costs		-		0.0004%																					
Anti Dilution Offset		-		0.0018%																					
Other transaction costs		0.01		0.0002%																					
Indirect anti-dilution offset		-		0.0363%																					
Total transaction costs		-2.07		-0.038%		0.000%		0.000%		0.000%		0.000%		0.000%		0.000%		0.000%		0.000%		0.000%		0.000%	
Total transaction cost value		(2.07)																							
Total transaction cost		-0.038%																							

## APPENDIX D: Retirement Bridge – Transaction costs

POOLED FUND COST COLLECTION TEMPLATE													For use with investments in pooled funds
All figures in % of average NAV pa unless specified													
Fund Manager	Mobius Life Limited												
Scheme name	The Salvus Master Trust												
Share class name													
Date of report	01 January 2020 to 31 December 2020												
Currency of report	GBP												
Investment activity (GBP unless specified)	Total												
Opening assets	1,198,981.18												
Closing assets	1,838,787.53												
Purchases	0												
Sales	0												
Turnover (% pa)													
Asset Allocation													
Mobius Fund	AB Retirement Strategies Fund 2026-2028 (Salvus)	AB Retirement Strategies Fund 2032-2034 (Salvus)	AB Retirement Strategies Fund 2035-2037 (Salvus)	AB Retirement Strategies Fund 2038-2040 (Salvus)	AB Retirement Bridge 1948 Drawdown Strategy 0.85	AB Retirement Bridge 1950 Drawdown Strategy 0.85	AB Retirement Bridge 1951 Drawdown Strategy 0.85	AB Retirement Bridge 1953 Drawdown Strategy 0.85	AB Retirement Bridge 1954 Drawdown Strategy 0.85	AB Retirement Bridge 1956 Drawdown Strategy 0.85	AB Retirement Bridge 1958 Drawdown Strategy 0.85	AB Retirement Bridge 1960 Drawdown Strategy 0.85	
Opening Allocation Value	332,394.98	49,863.21	187,604.37	169,455.87	48,280.75	84,296.80	32,894.13	105,190.97	106,574.13	-	82,425.97	-	
Closing Allocation Value	327,954.26	53,135.20	602,696.02	311,845.31	48,685.51	75,363.31	33,344.57	105,558.89	105,224.80	46,499.50	84,486.80	43,993.36	
start													
First buy										17/12/2020		18/12/2020	
last sell													
end										31/12/2020		31/12/2020	
day count	365	365	365	365	365	365	365	365	365	15	365	14	
Total In period	365	365	365	365	365	365	365	365	365	365	365	365	
Transaction costs	Total (GBP)	% against avg val											
Transaction Costs For Lending And Borrowing <sup>1</sup>	123.61	0.0081%	0.011%	0.007%	0.007%	0.007%	0.011%	0.010%	0.009%	0.008%	0.008%	0.000%	0.000%
Explicit Transaction Taxes	49.31	0.0032%	0.002%	0.002%	0.002%	0.003%	0.006%	0.006%	0.006%	0.006%	0.000%	0.006%	0.000%
Explicit Fees And Charges	19.66	0.0013%	0.001%	0.001%	0.001%	0.002%	0.002%	0.002%	0.002%	0.002%	0.000%	0.001%	0.000%
Implicit Costs	488.70	0.0322%	0.011%	0.013%	0.014%	0.012%	0.080%	0.079%	0.079%	0.078%	0.078%	0.003%	0.003%
Indirect Transaction Costs	411.26	0.0271%	0.028%	0.035%	0.041%	0.044%	0.009%	0.008%	0.008%	0.007%	0.007%	0.000%	0.000%
Anti Dilution Offset	613.62	-0.0404%	-0.039%	-0.046%	-0.048%	-0.037%	-0.043%	-0.042%	-0.042%	-0.039%	-0.002%	-0.037%	-0.001%
Other transaction costs	88.37	0.0058%	0.004%	0.003%	0.003%	0.003%	0.008%	0.010%	0.011%	0.012%	0.013%	0.001%	0.000%
Indirect anti-dilution offset	478.41	0.0315%	0.038%	0.050%	0.056%	0.042%	0.002%	0.002%	0.001%	0.001%	0.001%	0.000%	0.000%
Total transaction costs	1,045.70		0.056%	0.064%	0.076%	0.075%	0.076%	0.074%	0.074%	0.075%	0.076%	0.003%	0.003%
Total transaction cost value	1,045.70												
Total transaction cost	0.069%												