

Kwik-Fit Group Pension and Life Assurance Scheme (the Scheme) Money Purchase Section

Chair's Statement for the Year Ending 30 June 2023

Introduction

This Statement has been prepared by the Trustees of the Kwik-Fit Group Pension and Life Assurance Scheme ("the Scheme") in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Regulations") 1996. It explains how the Trustees have met their obligations in relation to the management of the Scheme over the period 1 July 2022 to 30 June 2023 ("the Scheme Year").

In line with the Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 ("the 2021 Regulations"), the Trustees have assessed the extent to which they believe the Scheme provides Value for Members, the results of which are set out in Appendix 1 of this statement.

It should be noted that up until 30 June 2006 all contributions were invested with Phoenix Life in a with-profits deferred annuity contract. Contributions at this point were frozen and any incremental premiums resulting from increases in Pensionable Salary have been invested with Aviva.

The charges applied by Phoenix Life and Aviva cover both the administration and investment services provided to members.

A copy of the Scheme's latest Statement of Investment Principles is attached at the end of this statement.

Default Arrangement

There is only one investment choice with Phoenix Life, namely the with-profits deferred annuity contract.

The default investment with Aviva is a "lifestyle" arrangement. This was reviewed in 2021 against the backdrop of the new DC flexibilities introduced by the Government in 2015.

The default arrangement invests in Aviva's My Future investment programme. This initially invests in the Aviva My Future Growth Fund. In the 15-year period leading up to a member's selected retirement age, the lifestyle strategy switches investments on a monthly basis into lower risk investments held in the Aviva My Future Consolidation Fund. This fund aims to provide a broad 'base' for members to reflect the pension freedoms.

Having taken advice from Isio (formerly Premier Benefit Solutions) the Trustees concluded that this approach remains suitable. Members who do not wish to invest in the default arrangement have the option to invest in a range of other investment options on the Aviva platform. These include alternative lifestyle strategies and individual fund choices.

Net Investment Returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 introduces new disclosure requirements for Trustees of DC pension schemes. From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges. The Trustees calculated the return on investments, as far as they were able to do so.

Below are the annualised net investment returns to 30 June 2023 for all arrangements where lifestyling takes place:

Kwik-Fit ("the Scheme")	Annualised returns	
	1 Year (%)	5 Years (% p.a.)
Default Lifestyle – age 25	8.7	6.4
Default Lifestyle – age 45	8.7	6.4
Default Lifestyle – age 55	5.7	4.6

Below are the annualised net investment returns to 30 June 2023 for all funds where no lifestyling takes place:

Manager	Fund	1 Year (%)	5 Years (% p.a.)
Phoenix Life Limited*	Scottish Mutual With-Profits Fund	n/a	n/a
Aviva	abrdrn Global Absolute Return Strategies	-10.9	-2.2
Aviva	Artemis Strategic Bond	-1.0	-0.5
Aviva	Artemis UK Special Situations	10.9	2.7
Aviva	Baillie Gifford American	22.3	7.7
Aviva	Baillie Gifford International	11.2	7.3
Aviva	Baillie Gifford Japanese	5.4	0.6
Aviva	Baillie Gifford Managed	9.1	4.0
Aviva	Baillie Gifford UK Equity Core	9.5	0.2
Aviva	Balanced Multi-Asset Fund	0.4	2.6
Aviva	BlackRock (30:70) Currency Hedged Global Equity Index Tracker	11.0	6.0
Aviva	BlackRock (40:60) Global Equity Index Tracker	10.8	6.8
Aviva	BlackRock (50:50) Global Equity Index Tracker	10.1	4.9
Aviva	BlackRock (60:40) Global Equity Index Tracker	9.5	4.3
Aviva	BlackRock Consensus	6.2	3.9
Aviva	BlackRock DC Diversified Growth	4.5	2.1
Aviva	BlackRock Emerging Markets Index Tracker	-5.3	0.9

Aviva	BlackRock European Equity Index Tracker	19.1	6.5
Aviva	BlackRock Japanese Equity Index Tracker	12.7	3.2
Aviva	BlackRock Over 15 Year Corporate Bond Index Tracker	-14.9	-5.3
Aviva	BlackRock Over 15 Year Gilt Index Tracker	-24.7	-8.7
Aviva	BlackRock Over 5 Year Index-Linked Gilt Index Tracker	-18.5	-6.4
Aviva	BlackRock Overseas Bond Index Tracker	-7.3	-1.8
Aviva	BlackRock Pacific Rim Equity Index Tracker	1.6	2.8
Aviva	BlackRock UK Equity	7.8	2.4
Aviva	BlackRock UK Equity Index Tracker	12.9	3.8
Aviva	BlackRock UK Smaller Companies	-5.0	-1.3
Aviva	BlackRock UK Special Situations	6.4	0.1
Aviva	BlackRock US Equity Index Tracker	12.7	11.9
Aviva	BlackRock World ex UK Equity Index Tracker	12.8	9.6
Aviva	BNY Mellon Global Equity	13.0	9.0
Aviva	BNY Mellon Long-Term Global Equity	15.9	10.1
Aviva	BNY Mellon Multi-Asset Balanced	7.9	7.1
Aviva	BNY Mellon Real Return	-4.7	2.4
Aviva	BNY Mellon UK Equity	10.4	2.6
Aviva	BNY Mellon UK Income	11.1	5.3
Aviva	Cash	2.4	0.3
Aviva	Cautious Managed	-1.0	1.7
Aviva	Cautious Multi Asset Fund	-1.0	1.4
Aviva	CT European Select	26.7	7.5
Aviva	CT Global Equity Income	6.3	5.8
Aviva	CT UK Equity Income	8.4	3.5
Aviva	CT UK Social Bond	-4.3	-1.5
Aviva	European	11.7	4.7
Aviva	Fixed Interest	-10.4	-3.5
Aviva	Global Equity	11.7	11.4
Aviva	HSBC Islamic Global Equity Index	14.0	13.3
Aviva	Index-Linked	-16.6	-5.2
Aviva	Invesco Corporate Bond	-3.3	-1.0
Aviva	JPM Emerging Markets	-0.6	3.0
Aviva	JPM Natural Resources	-0.4	6.2

Aviva	Lazard Multicap UK Income	4.9	1.7
Aviva	Legal & General (PMC) Ethical UK Equity Index	8.0	2.7
Aviva	Legal & General (PMC) Future World Annuity Aware	-14.9	-5.0
Aviva	Legal & General (PMC) Global Real Estate Equity Index	-9.2	0.6
Aviva	M&G Feeder of Property	n/a	n/a
Aviva	Managed	0.4	2.8
Aviva	Multi-Asset Growth Fund	0.4	2.6
Aviva	Multi-Asset Index Cautious Fund	4.5	3.8
Aviva	Multi-Asset Index Growth Fund	8.7	6.0
Aviva	My Future Annuity	-15.0	-5.3
Aviva	My Future Cash Lump Sum	-2.6	-1.0
Aviva	My Future Consolidation	-0.2	0.9
Aviva	My Future Drawdown	4.5	4.0
Aviva	My Future Focus Annuity	-15.0	-5.5
Aviva	My Future Focus Cash Lump Sum	-2.4	-1.1
Aviva	My Future Focus Consolidation	-2.0	0.2
Aviva	My Future Focus Drawdown	-0.4	1.1
Aviva	My Future Focus Growth	3.4	3.3
Aviva	My Future Growth	8.7	6.4
Aviva	Ninety One Global Income Opportunities	0.5	-2.4
Aviva	North American	13.0	12.2
Aviva	Pacific Basin	-0.1	2.7
Aviva	Pre-retirement Fixed Interest	-15.5	-5.0
Aviva	Property	-14.1	1.1
Aviva	Schroder Diversified Growth	-4.7	0.7
Aviva	Schroder Tokyo	12.0	1.7
Aviva	Stewardship International Equity	4.4	9.2
Aviva	Stewardship Managed	1.5	6.1
Aviva	Stewardship UK Equity	3.1	2.8
Aviva	Stewardship UK Equity Income	6.9	3.7
Aviva	Stewart Investors Asia Pacific Leaders Sustainability	3.5	5.4
Aviva	UK Equity	4.5	3.4
Aviva	UK Smaller Companies	-4.3	-0.4

* We requested this data from Phoenix Life and are working with them to ensure that this data is available in the future.

With regard to the Phoenix Life with-profits deferred annuity contact, each premium paid purchases a guaranteed annuity at retirement with reference to an underlying rate table. It is possible that the underlying guarantee may be increased through the payment of an annual or terminal bonus. However, Phoenix Life have not paid annual bonuses for many years and the extent to which a terminal bonus is paid is limited.

Charges and Transaction Costs

The Total Expense Ratio of the two Aviva funds within the default arrangement is 0.72% per annum. Aviva have also provided details of their transaction costs. Scheme members can also invest in an extensive range of fund options available on Aviva's platform. The impact of charges and transaction costs set out in the next section capture some of the funds that Aviva have advised that the Scheme members invest in. The charges that Phoenix Life apply are implicit within the guaranteed annuity rate tables and an analysis of the impact of costs and charges is not feasible.

Manager	Fund	TER (%)	Average transaction costs (%)	Total costs (%)
Phoenix Life Limited	Scottish Mutual With-Profits Fund	-	-	-
Aviva	abrdn Global Absolute Return Strategies	1.67	0.59	2.26
Aviva	Artemis Strategic Bond	1.26	0.12	1.38
Aviva	Artemis UK Special Situations	n/a	0.19	0.19
Aviva	Baillie Gifford American	1.18	0.00	1.18
Aviva	Baillie Gifford International	0.95	0.01	0.96
Aviva	Baillie Gifford Japanese	1.18	0.03	1.21
Aviva	Baillie Gifford Managed	0.94	0.12	1.06
Aviva	Baillie Gifford UK Equity Core	1.04	0.00	1.04
Aviva	Balanced Multi-Asset Fund	0.72	0.03	0.75
Aviva	BlackRock (30:70) Currency Hedged Global Equity Index Tracker	0.72	0.12	0.84
Aviva	BlackRock (40:60) Global Equity Index Tracker	0.72	0.03	0.75
Aviva	BlackRock (50:50) Global Equity Index Tracker	0.72	0.04	0.76
Aviva	BlackRock (60:40) Global Equity Index Tracker	0.72	0.03	0.75
Aviva	BlackRock Consensus	0.72	0.00	0.72
Aviva	BlackRock DC Diversified Growth	1.33	0.44	1.77
Aviva	BlackRock Emerging Markets Index Tracker	0.97	0.05	1.02
Aviva	BlackRock European Equity Index Tracker	0.72	0.04	0.76
Aviva	BlackRock Japanese Equity Index Tracker	0.72	0.01	0.73

Aviva	BlackRock Over 15 Year Corporate Bond Index Tracker	0.72	0.26	0.98
Aviva	BlackRock Over 15 Year Gilt Index Tracker	n/a	0.02	0.02
Aviva	BlackRock Over 5 Year Index-Linked Gilt Index Tracker	0.72	0.02	0.74
Aviva	BlackRock Overseas Bond Index Tracker	0.72	0.01	0.73
Aviva	BlackRock Pacific Rim Equity Index Tracker	0.72	0.06	0.78
Aviva	BlackRock UK Equity	0.94	0.16	1.10
Aviva	BlackRock UK Equity Index Tracker	0.72	0.11	0.83
Aviva	BlackRock UK Smaller Companies	1.62	0.46	2.08
Aviva	BlackRock UK Special Situations	1.62	0.48	2.10
Aviva	BlackRock US Equity Index Tracker	0.72	0.01	0.73
Aviva	BlackRock World ex UK Equity Index Tracker	0.72	0.03	0.75
Aviva	BNY Mellon Global Equity	n/a	0.17	0.17
Aviva	BNY Mellon Long-Term Global Equity	1.39	0.05	1.44
Aviva	BNY Mellon Multi-Asset Balanced	1.03	0.10	1.13
Aviva	BNY Mellon Real Return	1.51	0.13	1.64
Aviva	BNY Mellon UK Equity	1.03	0.18	1.21
Aviva	BNY Mellon UK Income	1.21	0.53	1.74
Aviva	Cash	0.72	0.00	0.72
Aviva	Cautious Managed	0.72	0.04	0.76
Aviva	Cautious Multi Asset Fund	0.72	0.05	0.77
Aviva	CT European Select	1.22	0.17	1.39
Aviva	CT Global Equity Income	1.40	0.12	1.52
Aviva	CT UK Equity Income	1.23	0.16	1.39
Aviva	CT UK Social Bond	1.03	0.07	1.10
Aviva	European	0.72	0.24	0.96
Aviva	Fixed Interest	0.72	0.08	0.80
Aviva	Global Equity	0.72	0.41	1.13
Aviva	HSBC Islamic Global Equity Index	1.02	0.02	1.04
Aviva	Index-Linked	0.72	0.04	0.76
Aviva	Invesco Corporate Bond	1.27	0.18	1.45
Aviva	JPM Emerging Markets	1.52	0.29	1.81
Aviva	JPM Natural Resources	1.52	0.68	2.20

Aviva	Lazard Multicap UK Income	1.09	0.25	1.34
Aviva	Legal & General (PMC) Ethical UK Equity Index	0.92	0.11	1.03
Aviva	Legal & General (PMC) Future World Annuity Aware	n/a	0.04	0.04
Aviva	Legal & General (PMC) Global Real Estate Equity Index	1.07	0.21	1.28
Aviva	M&G Feeder of Property	n/a	0.02	0.02
Aviva	Managed	0.72	0.03	0.75
Aviva	Multi-Asset Growth Fund	0.72	0.03	0.75
Aviva	Multi-Asset Index Cautious Fund	0.72	0.11	0.83
Aviva	Multi-Asset Index Growth Fund	0.72	0.15	0.87
Aviva	My Future Annuity	0.72	0.04	0.76
Aviva	My Future Cash Lump Sum	0.72	0.04	0.76
Aviva	My Future Consolidation	0.72	0.04	0.76
Aviva	My Future Drawdown	0.72	0.11	0.83
Aviva	My Future Focus Annuity	0.82	0.04	0.86
Aviva	My Future Focus Cash Lump Sum	0.82	0.05	0.87
Aviva	My Future Focus Consolidation	0.82	0.07	0.89
Aviva	My Future Focus Drawdown	0.82	0.06	0.88
Aviva	My Future Focus Growth	0.82	0.08	0.90
Aviva	My Future Growth	0.72	0.15	0.87
Aviva	Ninety One Global Income Opportunities	1.46	0.63	2.09
Aviva	North American	0.72	0.35	1.07
Aviva	Pacific Basin	0.72	0.18	0.90
Aviva	Pre-retirement Fixed Interest	0.72	0.03	0.75
Aviva	Property	0.72	0.11	0.83
Aviva	Schroder Diversified Growth	1.34	0.48	1.82
Aviva	Schroder Tokyo	1.57	0.06	1.63
Aviva	Stewardship International Equity	0.72	0.29	1.01
Aviva	Stewardship Managed	0.72	0.22	0.94
Aviva	Stewardship UK Equity	0.72	0.08	0.80
Aviva	Stewardship UK Equity Income	0.72	0.04	0.76
Aviva	Stewart Investors Asia Pacific Leaders Sustainability	1.51	0.11	1.62
Aviva	UK Equity	0.72	0.08	0.80
Aviva	UK Smaller Companies	0.72	0.00	0.72

* We requested this data from Aviva and Phoenix Life. We are working with them to ensure that this data is available in the future.

With effect from 1 August 2023, Aviva has applied a reduction in fees of 9 basis points. This will be reflected in the 2023/24 annual Chair's Statement.

Impact of Charges and Transaction Costs

Disclosure regulations require the Trustees to illustrate the potential impact of charges and transaction costs on the value of Members' Accounts (pot size). In order to do this, we have to make a number of assumptions. For this Chair's Statement the assumptions are as follows:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Retirement is assumed to be at age 65.
3. The starting pot size is assumed to be £47,000 for the 36-year-old member and the 55-year-old member.
4. Inflation is assumed to be 2.5% each year.
5. Gross contributions for both the 36-year-old and 55-year-old member are assumed to be £4,500 each year, which increases by 4% per annum. Contributions are assumed from the start of the projection to retirement.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rate is not shown for every period to retirement above. The projected growth rate which would apply at a point in time is the weighted average of the underlying funds held by the member.
8. The charges assumed for each fund are the current charges as shown in the Chair's Statement.

The table below shows the impact of costs and charges for a member based on the:

- Default arrangement
- Highest charging fund
- Lowest charging fund
- Highest returning fund, net of fees
- Lowest returning funds, net of fees

Member projections – the default lifestyle arrangement

Active member – ongoing contributions assumed invested in the default lifestyle strategy				
Years from 30/6/23	36-year-old member		55-year-old member	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	53,095	52,667	52,858	52,451
3	66,069	64,592	65,107	63,728
4	72,967	70,862	71,490	69,545
5	80,151	77,345	78,037	75,473
10	120,732	113,150	113,043	106,563
14	159,464	146,250		
19	214,663	191,982		
24	275,524	240,793		
29	340,433	291,296		

Individual fund projections – the funds with the highest and lowest charges

36-year-old member				
Years from 30/6/23	abrdn Global Absolute Return Strategies		BlackRock Consensus	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	52,799	51,688	53,095	52,740
3	65,047	61,304	66,069	64,844
4	71,509	66,236	72,967	71,220
5	78,205	71,251	80,151	77,820
10	115,444	97,628	120,732	114,415
14	150,209	120,373	159,464	148,430
19	200,777	151,010	217,048	197,692
24	260,372	184,275	286,546	255,478
29	330,365	220,375	370,111	323,035

55-year-old member				
Years from 30/6/23	abrdn Global Absolute Return Strategies		BlackRock Consensus	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	52,799	51,688	53,095	52,740
3	65,047	61,304	66,069	64,844
4	71,509	66,236	72,967	71,220
5	78,205	71,251	80,151	77,820
10	115,444	97,628	120,732	114,415

Individual fund projections – the funds with the highest and lowest expected returns

36-year-old member				
Years from 30/6/23	Aviva Pension UK Smaller Companies		Aviva Pension Cash	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	53,538	53,183	51,568	51,212
3	67,622	66,378	60,909	59,751
4	75,198	73,409	65,685	64,079

5	83,150	80,743	70,533	68,448
10	129,138	122,367	95,885	90,920
14	174,533	162,360	117,570	109,703
19	244,331	222,218	146,557	134,281
24	331,723	294,985	177,784	160,186
29	440,712	383,113	211,424	187,541

55-year-old member				
Years from 30/6/23	Aviva Pension UK Smaller Companies		Aviva Pension Cash	
	Before charges (£)	After all costs and charges deducted (£)	Before charges (£)	After all costs and charges deducted (£)
1	53,538	53,183	51,568	51,212
3	67,622	66,378	60,909	59,751
4	75,198	73,409	65,685	64,079
5	83,150	80,743	70,533	68,448
10	129,138	122,367	95,885	90,920

Value for Member Assessment

As the Scheme has total assets of under £100m, under the 2021 Regulations, the Trustees are required to carry out a more detailed Value for Member assessment. This includes using three comparator schemes for the purpose of comparing the costs and charges and net performance returns of the Scheme with other larger DC schemes.

The comparator schemes chosen include a bundled DC arrangement and an unbundled DC arrangement, both with DC assets in excess of £100m. The third comparator is a Master Trust arrangement capable of taking on the benefits and assets of the Scheme.

The costs and charges and net investment returns of the Scheme's default arrangement and those of the comparator schemes chosen are set out in Appendix 1 of this Statement.

The Appendix highlights that higher charges are applied to members policies within the Scheme when compared to the default investment strategies of the comparator schemes.

However, the net investment returns of the Scheme's default investment strategy are amongst some of the higher returns when compared to the comparator schemes over the periods assessed.

The comparator schemes provide a reasonable comparison against the Scheme's Aviva investments but not the Phoenix Life with-profits fund which provides valuable guaranteed benefits at retirement.

Information was requested from Phoenix Life regarding the underlying costs of the with-profits fund, but this information was not provided. Separate analysis has indicated that the guaranteed benefits are of value to members and that the investment returns required to generate a fund of sufficient size to purchase similar guarantees may be unrealistic in the current economic climate.

In addition, the Trustees are required to carry out a self-assessment of scheme governance and administration against certain criteria, which are prescribed in the 2021 Regulations. The Trustees' assessment of the Scheme's governance and administration against the areas prescribed in the 2021 Regulations is that Phoenix Life fall below services that could be offered by an alternative provider.

Assessing whether this offsets the benefits of the guaranteed benefits to the extent that the Scheme should be wound up is difficult. However, on balance the Trustees concluded that the guaranteed benefits take precedence, and the Phoenix Life policy does represent value for members.

With regard to Aviva, it is clear that more competitive costs and charges could be achieved from the wider DC market although the Trustees noted that members have benefited from strong net investment returns over the last few years.

In isolation the Trustees have concluded that a transfer of the Aviva investments to a Master Trust would represent better value for members. However, as this is not the case in respect of Phoenix Life, the Trustees are exploring the potential options to improve value for members. Subject to meeting auto-enrolment requirements, it may be possible to transfer the Aviva funds to a more competitive DC vehicle which would offer better value for members. Further analysis of the potential options will be carried out during the 23/24 Scheme Year.

Signed for and on behalf of the Kwik-Fit Group Pension and Life Assurance Scheme.

Glenn Andrews

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Glenn Andrews - Chair of the Trustees

02/14/2024
..... Date

Appendix 1 - Illustrations of the effect of costs and charges and net investment returns including comparison against three comparator schemes

Background

The next pages provide comparative information about the costs and charges applied by the Scheme's fund managers and those of the three comparator schemes. Net investment returns are also shown.

Information is provided for the default fund as most members invest in this fund. Impacts for members aged 55, 45 and 25 are shown.

Costs and Charges

The tables below set out the Schemes costs and charges of the default fund against three comparator Schemes.

Scheme	Total Expense Ratio (%)	Transition Costs (%)	Total Costs (%)
Age 25	0.72	0.15	0.87
Age 45	0.72	0.15	0.87
Age 55	0.72	0.11	0.83

Comparator 1	Total Expense Ratio (%)	Transition Costs (%)	Total Costs (%)
Age 25	0.33	0.19	0.52
Age 45	0.33	0.19	0.52
Age 55	0.38	0.27	0.65

Comparator 2	Total Expense Ratio (%)	Transition Costs (%)	Total Costs (%)
Age 25	0.21	0.14	0.35
Age 45	0.21	0.14	0.35
Age 55	0.21	0.14	0.35

Comparator 3	Total Expense Ratio (%)	Transition Costs (%)	Total Costs (%)
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Age 25	0.24	0.15	0.39
Age 45	0.24	0.15	0.39
Age 55	0.24	0.13	0.37

Net Investment Returns

The table below sets out the net annualised investment returns for the default investment strategy

	Age 25		Age 45		Age 55	
	1 Year (%)	5 Years (% p.a.)	1 Year (%)	5 Years (% p.a.)	1 Year (%)	5 Years (% p.a.)
Scheme	8.7	6.4	8.7	6.4	5.7	4.6
*Comparator 1	7.0	7.3	6.7	7.2	3.2	4.2
Comparator 2	-3.5	5.1	-3.5	5.1	-3.5	2.1
Comparator 3	8.3	6.7	8.3	6.7	6.9	4.0

* Comparator 1 shows 3 year performance as 5 year performance is currently not available.