



THE CHEVIOT TRUST

Pensions for the legal profession

January 2003

Dear Member

I am writing to update you on some changes which are being made to the Money Purchase Scheme of The Cheviot Trust. These changes **do not** affect the current payment of your pension and the purpose of this letter is to keep you up to date with recent developments.

Financial conditions last year proved exceptional. The main UK equity market fell by around 25% during 2002, on top of significant falls in the previous two years. In addition, interest rates and the yield available from government bonds fell to low levels. The prolonged adverse investment conditions mean that if your pension is on a with-profits basis, it is unlikely that there will be any bonuses payable for the foreseeable future. This reflects the current investment returns available in the market and should be seen against the above-inflation increases achieved until very recently. If you have a pension which also has guaranteed increases, the guaranteed increases will not be affected.

The Committee, with assistance from its professional advisers, has kept its investment strategy under close review, particularly in the light of lower than average investment returns and exceptional stock market volatility discussed above. The overall investment strategy of the With Profits option has never been to be wholly invested in equities and the Committee made some changes to the strategy in 1998 and 2001. It is currently implementing a further reduction in the proportion of the With Profit assets invested in equity type investments to around 40%. The investment changes are designed to reduce the fund's exposure to further market falls.

As a consequence of current and expected investment conditions and as part of its ongoing review, the Committee has considered the structure of the With Profits option and is making some important changes to the Scheme as whole. These changes only affect those members who have not yet retired.

If you have any questions, please contact my office at the Southend address or email CEO@cheviottrust.com.

Yours sincerely

Elspeth McKinnon

Chief Executive