

## **STABLE EMPLOYEES PENSION PLAN (THE PLAN) CHAIR STATEMENT FOR SCHEME YEAR ENDING 28 FEBRUARY 2020**

### **Introduction**

Since 6 April 2015, the Trustee of defined contribution pension schemes such as this Plan must produce an annual report, signed by their Chair (the Chair's Statement). The Trustee of the Plan is Winterbourne Trustee Services Limited. Governance requirements are to help members achieve a good outcome from their pension savings. This statement is used to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested
- the requirements for processing financial transactions
- the charges and transaction costs borne by members
- an illustration of the cumulative effect of these costs and charges
- a value for money assessment
- the Trustee knowledge and understanding

The Trustee retains the services of an independent financial adviser from whom they receive advice on both the structure of the investment offering to members of the Plan and the detail of the individual investment funds offered. The Trustee has an advice contract in place with Professional Pensions and Investments Ltd. They are a Chartered Firm and are regulated and authorised by the Financial Conduct Authority.

Winterbourne Trustee Services Limited are the Administrator of the Plan and provide specialist pension administration services to this Trust based Defined Contribution Pension Plan. The Trustee considers that as the service provider they have appropriate knowledge and experience to assist in discharging the responsibilities under the Trust for the benefit of the membership.

The Plan year end is 28<sup>th</sup> February 2020 and there is a statutory requirement to include an Annual Governance Statement within the Report and Accounts: The Chair's Statement.

This is such a statement and as the Chair's annual governance statement it has been prepared in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as of 1 February 2020.

### **Investment Arrangement**

A copy of the latest Statement of Investment Principles (SIP) prepared in accordance with the requirements of Section 35 of the Pensions Act 1995, Section 244 of the Pensions Act 2004 and Occupational Pension Scheme (Investment) Regulations 2005 is attached. The purpose of the SIP is for the Trustee to describe the governing decisions about investment matters, as they impact on the Plan.

The Plan is not being used as a qualifying scheme for automatic enrolment purposes. The Plan invests in a Cash Fund and a Diversified Growth Fund. Members do not have a choice as to

where the funds are invested. The Trustee has considered the desired and appropriate outcomes, taken advice and decided on the funds used. This helps to keep operational and management costs proportionate.

### **Financial Transactions**

The core financial transactions include (but are not limited to):

- Transfer of members out of the Plan
- Payments from the Plan to, or in respect of, members.

The Trustee ensured that during the year the core financial transactions of the Plan were processed promptly and accurately by:

- Having an agreement with their administration service. This includes expectation of certain service level standards
- The Trustee receives appropriate administration reports from the administrator. This means that the Trustee is aware of the activity on the Plan. This provides information to the Trustee on how transactions and member enquiries are dealt with.
- Administration reporting and development are regularly considered in Trustee meetings. This facilitates a two way understanding of the management of the Plan and allows the Trustee to exercise their governance function effectively.
- At Trustee meetings the Trustee hears from their Investment Adviser, Professional Pensions and Investments Ltd. The Investment Adviser comments on market background and facilitates the Trustee in considering the suitability of the investment funds offered to members
- At Trustee meetings the Trustee receives investment reports from the Investment Manager Mobius Life. These include information on the underlying investment managers. Additionally, the Trustee receives information from the underlying investment managers on governance, specifically how the investment manager exercises the responsibilities associated with shareholders and effectively on behalf of the membership, via the mechanism of the pension trust.
- The combination of this level of reporting and discussion at Trustee meetings enables the Trustee to form a view on the exercise of their governance responsibilities.

Examples of typical turnaround times from the administrator and, given that all the required documentation from the member has been provided would be

- Payment of DC transfer value to alternative arrangement: 10 days
- Payment of DC cash commuted lump sum on retirement: 10 days
- Payment of DC death lump sum: 5 days

Considering all of the foregoing the Trustee is of the opinion that core financial transactions are processed promptly and accurately on behalf of members of the Plan during the year and that elements of the Trustee governance function are exercised with diligence in an appropriate manner.

## CHARGES AND TRANSACTION COSTS

The Trustee is required to set out the on-going member borne charges. These are the annual management charge (AMC), the Trustee administration charge and the transaction costs. The following table outlines charges as a percentage of the fund value, as provided to the Trustee for the investment funds utilised by members.

| <b>Fund</b>                  | <b>AMC % per annum</b> | <b>Trustee Admin Charge % per annum</b> | <b>Transactional Cost % per annum</b> | <b>Total Charges % per annum</b> |
|------------------------------|------------------------|---|---------------------------------------|----------------------------------|
| SEPP Cash Fund               | 0.12                   | 0.05                                    | 0.00                                  | 0.17                             |
| SEPP Diversified Growth Fund | 0.3                    | 0.4                                     | 0.023                                 | 0.723                            |

These charges are expected to be incurred by members in relation to their investments in the noted fund. Such charges are within the unit price and therefore not explicit. The transaction cost figure includes an element of implicit cost which is the difference between the mid-market price at the time the trade is sent to the market and the eventual price of the trade. It is possible for such a cost to be negative; for example, when buying an asset the value price might be higher than the actual price paid.

The Trustee has assessed the extent to which the charges and transaction costs set out above represent value for members and have concluded that the approach taken is fair and reasonable.

### Impact of Charges and Costs

In the table below we illustrate examples of the impact of charges on a member pot of £10,000 over a calendar year. These examples have been prepared in accordance with the guidance below. They are expressed in today's money terms and the assumptions are shown below the table. They include an annual management charge that includes the underlying manager fee and an administration charge. Both charges are levied on each member account.

The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

Values shown below are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

| Initial Value<br>£10,000 | SEPP Diversified Growth Fund |                   | SEPP Cash Fund    |                   |
|--------------------------|------------------------------|-------------------|-------------------|-------------------|
|                          | Investment Return            |                   | Investment Return |                   |
| End of Year              | Before charges               | After all charges | Before charges    | After all charges |
| 1                        | £10,250.00                   | £10,177.70        | £9,900.00         | £9,883.00         |
| 3                        | £10,506.25                   | £10,358.56        | £9,702.99         | £9,653.09         |
| 5                        | £11,314.08                   | £10,920.64        | £9,509.90         | £9,428.53         |
| 10                       | £12,800.85                   | £11,926.05        | £9,043.82         | £8,889.72         |
| 15                       | £14,482.98                   | £13,024.01        | £8,600.58         | £8,381.70         |
| 20                       | £16,386.16                   | £14,223.06        | £8,179.07         | £7,902.71         |
| 25                       | £18,539.44                   | £15,532.49        | £7,778.21         | £7,451.09         |
| 30                       | £20,975.68                   | £16,962.48        | £7,397.00         | £7,025.28         |
| 35                       | £23,732.05                   | £18,524.12        | £7,034.48         | £6,623.81         |
| 40                       | £26,850.64                   | £20,229.53        | £6,689.72         | £6,245.28         |

### Growth Rate Assumed

| Fund                         | Assumed Growth Rate |
|------------------------------|---------------------|
| SEPP Cash Fund               | Inflation - 1.0%    |
| SEPP Diversified Growth Fund | Inflation +2.5%     |
|                              |                     |
| Assumed Inflation Rate       | 0%                  |

### Value for Money Assessment

In considering value for money offered to members the Trustee has conducted an assessment of what it believes constitutes 'Value for Money' for members of the Plan. This assessment addresses the costs and charges including transaction charges that are passed onto members. Currently, there is no legislation setting out how 'good value' should be assessed and what criteria should be reviewed as part of the assessment. The Trustee considers that it broadly means "that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market".

The Trustee considers that based on the information available to them from their Investment Adviser, the charges and transaction costs overall that the members meet are comparable with those applied to similar quality defined contribution pension Schemes. The Plan therefore represents good overall value for the benefit provided to members. This is confirmed by the Trustee's Investment Adviser and is the view of the Trustee. The view is formed taking account of the Investment Advisor's experience of other arrangements and how the Scheme compares in terms of size, quality, cost and services.

When assessing good value, it is not just the direct and indirect costs that are reviewed but all the factors which make up each member's experience. The Trustee has undertaken a 'good value' assessment focusing on member charges and the features of the Scheme.

The main categories that the Trustee considered and their views are:

|                            |      |   |      |
|----------------------------|------|---|------|
| Member costs and charges   | Good | Other costs and charges                   | Good |
| Performance of Investments | Good | Member Communications (at point of claim) | Good |
| Administration             | Good | Trustee overall Governance                | Good |

The Trustee considers that overall member communications could be improved and will look to address this in 2020/21.

### **Trustee Knowledge and Understanding**

The requirement under section 247-248 of the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the Plan year by an ongoing programme of training by the Trustee Directors.

The Trustee is Winterbourne Trustee Services Ltd. As an Independent Professional Trustee. Winterbourne provide an experienced representative to attend Trustee director meetings and matters connected with the Plan. The Team at Winterbourne includes experienced professionals who are well versed in the operation and practices of occupational pension schemes. The wider team hold qualifications and have professional experience appropriate to all aspects of managing an occupational pension scheme. Each member of that team undertakes continuous professional development appropriate to their specific discipline. The team expertise extends to Scheme Administration, Scheme Governance including specifically DC aspects, Legal Documentation and Regulation, Investment and Actuarial matters. Members of the team maintain adequate professional knowledge by undertaking more than 25 hours of professional training annually in their chosen specialty and have undertaken the Pensions Regulator Trustee toolkit training.

**Signed for and on behalf of Winterbourne Trustee Services Limited  
As Trustee of the Stable Employees Pension Plan**

.....  
**Chair of Trustee  
Director**