

**CHAIR'S ANNUAL STATEMENT:
The Meespierson Derivatives Retirement Benefits Scheme ("the Scheme")
2019**

Introduction

This statement has been prepared by the Trustee of the Scheme to demonstrate how the Scheme has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 (SI 2015 No. 879). It describes how the Scheme has complied with the statutory governance standards during the year ending 31 March 2019 that cover the following key aspects affecting the operation of the Scheme:

- Charges and the extent to which they represent good value to members
- The monitoring of core financial transactions
- How the Trustee ensures it has sufficient knowledge so that the Scheme is well run.

The Scheme operates under a Trust Deed and Rules dated 6 February 1991. PTL acts as sole Trustee to the Scheme with Alison Bostock representing PTL and acting as Trustee Chair.

The Scheme is a small scheme which had a total membership of two during the Scheme year. Shortly after the year end, one member transferred out of the Scheme leaving one remaining member, who is still contributing to the Scheme. Due to the number of members, the Scheme is exempt from preparing a Statement of Investment Principles under the Occupational Pension Scheme (Investment) Regulations 2005. The Scheme is not a qualifying Scheme for the purposes of auto enrolment and there is no longer a default investment strategy in place (historically the scheme had a default option but the one remaining member has chosen to invest differently to the default and therefore the Trustee has ceased to offer a default option). The Scheme is not open to new members. As an earmarked scheme, it is exempt from preparing audited annual accounts.

Governance of the DC Investments

Members of the Scheme have access to a wide range of funds offered by Aviva (formerly Friends Life). However only two funds were utilised by the membership over the Scheme year, as follows:

- Aviva Managed Accumulation Units Fund
- With Profits Accumulation Fund

The one remaining member in the Scheme is invested solely in the With Profits Accumulation Fund.

The default investment strategy

At inception of the Scheme there was no requirement for a default strategy. In addition, the Scheme is not being used for auto enrolment purposes. Whilst historically the Trustee provided a default investment option for members who had not indicated a choice, there is no longer a default option available and the one remaining member has chosen to invest differently to the historic default option that was in place.

Core financial transactions

The core financial transactions include:

- The investment of contributions to the Scheme

- The transfer of assets relating to members into and out of the Scheme
- The transfer of assets relating to members between different investments within the Scheme
- Payments from the Scheme to, or in respect of, members

The Trustee believes that the requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately, based on the following processes in place:

- The administrator Aviva is authorised and regulated by the Financial Conduct Authority (FCA) and Prudential Regulation Authority and are therefore obliged to have a wide range of policies, internal controls and practices to manage their pension scheme administration business. These include accounting practices and management of investment funds.
- Aviva is subject to regular independent financial audit.
- Contributions are paid by BACS
- A monthly schedule is sent by post which is reconciled by the administrator
- Late contributions are immediately highlighted
- There is regular chasing until any outstanding contribution is paid.
- There is a dedicated accounts team dealing with financial transactions

The Trustee has requested quarterly administration reports in order to monitor core financial transactions more closely. However, the administrator has stated that due to the type of scheme this is, this is not something that they can offer. The Trustee also notes that the timing of investment and disinvestment of monies in With Profits funds does not usually have any financial impact on members.

During the period, there have been no late contributions or investments.

Charges

The charges applying to all funds within the Scheme are as follows:

Annual Management Charge	1.00%
Administration Fee	Nil
Bid/Offer Spread	5.00%
<u>Allocation Rates</u>	
Regular Premium	107.8%
Single premium/Protected rights	107.8%

In the Trustee's experience, these charges are higher than alternatives within the marketplace.

Transaction Costs

Aviva have provided transaction costs data in respect of the Aviva Pension Managed Fund:

Fund name	Administration Costs/AMC	Transaction Costs
Aviva Pension Managed	1%	0.0082%

Aviva have again not provided data in respect of the Aviva With Profits Accumulation Fund as they state that the required underlying data is unavailable. We will continue to communicate with Aviva regarding these transaction costs.

The effect of costs and charges on funds within the Scheme

The Trustee has obtained an illustration detailing the impact of costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when selecting this example. The illustration is representative of the remaining membership since it assumes investment in the Aviva With Profits Accumulation Fund which the one remaining member is invested in. Mindful of GDPR requirements, the Trustee felt it was not appropriate to tailor the example to be based on average current pot value, average age and average contribution amount given there is only one member remaining in the Scheme and therefore decided to adopt standard assumptions for the illustration.

Illustration of effect of cost and charges for typical funds within your Scheme		
	With Profits	
	Assumed growth rate 3.0% pa	
	Assumed fund costs and charges 1.04%	
At end of year	Projected value assuming no charges are taken	Projected value with charges taken*
1	£1,190	£1,180
2	£2,390	£2,360
3	£3,590	£3,530
4	£4,790	£4,690
5	£6,010	£5,850
10	£12,200	£11,500
15	£18,500	£17,100
20	£24,900	£22,500
25	£31,500	£27,700
30	£38,300	£32,800

* Illustration reflects bid-offer spread of 5% and investment allocation rate of 107.8%

The values shown in the table above are estimates and have been calculated based on a number of assumptions. These assumptions are:

- The starting pension pot is £nil.
- Contributions are assumed to be at the rate of £100 per month increasing in line with assumed earnings inflation of 2.5% per year.
- The figures illustrate the pension pot in today's money which means they take into account inflation by reducing values at 2.5% per year.
- Transaction costs are not included where data is unavailable from the fund managers.

Source: Aviva

Value for Money Assessment

We are required to assess the extent to which the charges represent good value for money and we have carried out this assessment in relation to the charges above.

Good value means different things to different people at different times. What is clear, however, is that it is a balance of those costs against benefits (including the features, quality of service etc.).

As good value is a subjective matter and in the absence of sufficiently comprehensive results and consistent publically available data to compare the value of the Scheme to those provided elsewhere, we have relied on our own knowledge and experience in this matter.

We reached our conclusion following a process where we:

- Understood the features of the Scheme, the quality of service and the benefits on offer
- Assessed these benefits, bearing in mind members' interests
- Looked at the costs paid by members and compared them to the benefits.

The features we considered in our assessment were the management, governance, administration and investment governance of the scheme and its communications.

The conclusion of our assessment was that the Scheme represents adequate value for money for members subject to the following comments:

- Members value the with-profits investment strategy and, having built up significant funds, were happy to bear the higher charges to remain in a fund they were familiar with.
- Members have been offered a cheaper alternative but have chosen to remain and continue contributing to the Scheme.
- The charges are mitigated to some extent by an allocation rate of greater than 100% (although a bid/offer spread applies).
- The administration and customer service is below the standard we would expect but cannot in practice be unbundled from the contract with Aviva.

Knowledge and understanding of the Trustee

The requirement under sections 247 and 248 of the Pensions Act 2004 (requirement for knowledge and understanding) has been met during the period as follows:

The Trustee Board comprises a sole independent trustee PTL Governance Limited (PTL) who were appointed on 26 September 2008. PTL is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments PTL acts as an independent trustee on several hundred trust based pension schemes and serves on a number of Investment Governance Committees ("IGCs").

Alison Bostock is a Director of PTL and acts as Chair of the Trustees for the Scheme. Alison is a qualified actuary who has over 25 years' experience in actuarial, investment and DC consulting. Alison holds the PMI's Award in Pension Trusteeship (since 13 November 2015), the Certificate in DC Governance (since 21 April 2016) and she has also completed all modules of the Pensions Regulator's trustee toolkit, the online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes, including the modules relating to DC schemes (since 27 July 2015).

Alison is assisted by Candace Bengner, a manager at PTL. Candace has almost 20 years' experience in the pensions industry, her most recent experience being within the governance sector. She has completed a number of PMI qualifications such as the Award in Pension Trusteeship and the Retirement Provision Certificate and is currently working towards the Advanced Diploma in Retirement Provision.

All employees of PTL are required to comply with the Continuing Professional Development (“CPD”) requirements of their professional bodies, where applicable, and in any event undertake a minimum of 15 hours of relevant CPD a year. Employees regularly undergo training through attending and participating in industry-wide conferences and seminars, as well as attending bespoke training provided by professional advisers at the various trustee board meetings of which they are a member. In addition, PTL has a training programme for all their staff and are subject to independent audit on their controls and processes through AAF02/07 reporting. As part of the AAF process, the Trustee is required to confirm that the current team has the appropriate level of knowledge and understanding to be able to represent PTL as a Trustee of the Scheme.

We can therefore confirm that the Trustee has the required knowledge and understanding to properly exercise its functions.

Both Alison and Candace are fully conversant with the Scheme’s trust deed and rules and other documentation, including documents setting out the Trustee’s current policies. This is achieved by having access to all Scheme records and documents on PTL’s electronic document storage system. These can be accessed at any time and are referred to by the Trustee when making decisions to ensure these are in line with the Trust Deed and Rules. PTL’s robust governance framework includes policies on how the Trustee will deal with conflicts, manage risk, ensure key tasks are completed in time and deal with member complaints. All key documents are reviewed annually and updated as appropriate. The Trustee will take advice from its advisers, where appropriate, in order to properly exercise its function as Trustee. Finally, the Trustee has developed a good working relationship with the employer and administrator.

What do you need to do next?

This report is for noting. You do not need to take any action. However we do recommend that you review your own level of pension saving on a regular basis.

If you have any questions or require any further information you should contact Candace Benger at PTL, Abbey House, 1650 Arlington Business Park, Theale, Reading, RG7 4SA.

This will be the last chair’s annual statement, as there is no requirement for a statement for a workplace pension scheme with only one member.

Signed:



Alison Bostock on behalf of PTL,
Chair of the Meespierson Derivatives Retirement Benefits Scheme

Date: 18 October 2019