

**CHAIR'S ANNUAL STATEMENT  
for the year ending 3 May 2020**

**The British Academy Superannuation Scheme (“the Scheme”)**

**Introduction**

The Scheme was set up on 1 April 1972 and converted to a Group Money Purchase Plan (a Defined Contribution (“DC”) pension scheme) on 5 April 1988. It operates under a Trust Deed and Rules dated 3 May 1988. The Scheme has been closed and no further contributions received since 18 August 2001.

PTL Governance Ltd (“PTL”) was appointed as the Independent Sole Trustee with effect from 20 July 2020. Steve Longworth, representing PTL, has been appointed as Trustee Chair.

In March 2015, the Department of Work and Pensions (“DWP”) set out new rules for the governance of DC schemes. From 6 April 2015, the Trustee of each DC scheme is required to produce an annual statement, signed by their Chair, setting out a number of prescribed matters. Such a statement had not been provided by the previous trustees and as such this statement, which covers the year ending 3 May 2020, is the first statement that has been produced for the Scheme.

Following our recent appointment as Sole Trustee, PTL are working to improve the governance of the Scheme and have been gathering information and are in the process of appointing advisors to assist, where required.

**Default investment strategy note and Funds holding investments**

As there are no current active members in the Scheme, contributions ceased prior to 6<sup>th</sup> April 2015 and the Scheme is not used as a qualifying scheme for auto-enrolment, the Scheme does not have a default arrangement in terms of the regulations governing the Chair’s Statement. As there are currently only fourteen members (including the pensioners), the Scheme is not required to prepare a Statement of Investment Principles.

As at 3 May 2020 (and the date of this statement), the Scheme has seven deferred members whose funds are invested in the Phoenix Life PLAL NPL Unitised With Profits Fund (“the With Profits Fund”). There is a guaranteed 4% growth on reversionary bonus ordinary units in the With Profits Fund. A market value reduction is applied if a member retires early or the benefits are transferred from Phoenix Life prior to normal retirement date. In addition to the members in the With Profits Fund, there is one further deferred member, who is over age 75, whose fund was disinvested from the With Profits Fund and accrues interest in a deposit fund with Phoenix Life.

The latest performance figures provided by Phoenix Life show that the annual bonus applied to the With Profits Fund for the calendar year ending 31 December 2019 was 4.0% (2018: 4.0%) being the guaranteed minimum rate.

In addition to the above investments, the Scheme has annuities for six pensioner members with Phoenix Life and ReAssure. ReAssure was acquired by Phoenix Life in July 2020.

The Phoenix Life Principles and Practices of Financial Management (“the PPFM”) notes that the primary requirement in the investment strategy for the With Profits Fund is to maintain the financial position of the fund at a level agreed by the Phoenix Life Board and protect guaranteed benefits. Further, the PPFM notes that the need to meet, as far as possible, policyholders’ reasonable expectations on the levels of payouts in excess of the guaranteed benefits is secondary to primary requirement.

At 31 December 2019, the With Profits Fund was invested as follows:

UK Government bonds	11%
Corporate bonds	88%
Cash	1%

More details about the With Profits Fund can be found on the Phoenix Life website: <https://www.phoenixlife.co.uk/customer-centre/PeterboroughNPLL/with-profits#npi-and-national-provident-life>

### **Core financial transactions and administration**

There have been no new contributions received and there have been no investment switches within the Scheme during the year to 3 May 2020.

There was one payment to a member made during the year who transferred their fund to another provider. This was dealt with by the previous trustees and Phoenix Life. Phoenix Life have internal procedures in place to ensure that core financial transactions are dealt with promptly and accurately, but there were delays in the provision of this information to the member that meant that overall, this transfer was not dealt with promptly.

As and when further transactions take place PTL as Sole Trustee will now deal with any requests promptly and will request Phoenix Life to report on how long each transaction takes.

Phoenix Life provide the Trustee with annual statements for the deferred members and other correspondence for members close to retirement. However, these were not issued to members during the year by the previous trustees. Phoenix Life do not hold member addresses for the majority of the members and neither did the previous trustee or the British Academy. Therefore, it has not yet been possible to issue these annual statements and retirement correspondence other than to one member. PTL are arranging for an external tracing agency to trace all the missing member addresses.

Since being appointed, PTL has been in correspondence with Phoenix Life and Reassure to confirm the extent of information held by each firm on the Scheme members. This has been a slow process and is not yet complete. PTL will be undertaking a member tracing exercise using external advisors to trace the Scheme members to be able to provide annual statements going forwards and to provide them with details of retirement options and about any changes that will be made to the Scheme in the future following the governance review.

### **Charges and transaction costs**

The Trustee noted that as there is no default investment strategy, the review of charges and transaction costs undertaken relate to those in place for the With Profits Fund.

There are a number of charges that are incurred in operating the With Profits Fund. These charges are not levied against individual policies but are allowed for when Phoenix Life sets the bonus rates that determine policy payouts. The Trustee has reviewed the PPFM, which sets out the basis on which charges are made to the With Profits Fund, but the expense deductions are not explicitly specified. The Trustee understands that members receive bonuses in the With Profits Fund after the deduction of all charges and costs and therefore the guaranteed minimum growth on the With Profits Fund is applied as an annual bonus after allowing for expenses. Further information and clarity will be sought from Phoenix Life as part of the governance review.

The Trustee is required to provide members with information on the effect of costs and charges on their pension pot. The table below illustrates the potential impact of the costs and charges after allowing for the guaranteed minimum growth on the With Profits Fund i.e. it has been assumed that the average growth after allowing for smoothing and the deduction of charges and costs results in the guarantee applying in the period to retirement.

Period Years	DC pension pot £		
	0	5,000	20,000
5	5,377	21,507	75,274
10	5,782	23,127	80,946

#### Notes

1. *Projected pensions pot values are shown in today's terms, with inflation removed from return expectations and as such they do not need to be reduced further for the effect of future inflation.*
2. *Inflation is assumed to be 2.5% over the long term.*
3. *A range of starting pots is shown to be representative of the different size of pots held by the membership below age 65.*
4. *We have assumed no further contributions as the membership are deferred members.*
5. *Values shown are estimates and not guaranteed. No allowance is made for the market value adjustment or any final bonuses.*
6. *The With Profits Fund is expected to grow at 4% in real terms p.a. after adjusting for bonuses over the long term.*

#### Value for money

The elements we consider in assessing whether the Scheme provides good value for members are:

- **Scheme governance and management**
- **Investment**
- **Administration**
- **Communications**
- **Charges**

**Scheme Governance and management** – The Scheme has a sole professional trustee appointed from July 2020 whose charges are paid by the employer. The Scheme's assets are administered by Phoenix Life. Other advisers' costs will be met by the employer. This

should lead to an improvement in governance.

**Investment** – As detailed above, the investments are held in the Phoenix Life PLAL NPL Unitised With Profit Fund. There is a guaranteed 4% growth on reversionary bonus ordinary units in the With Profits Fund. A market value reduction is applied if a member retires early.

**Administration** – Phoenix Life hold the members' data and deal with members via the Trustee when they wish to amend their details, take or transfer their benefits, or make any changes to their investment choice. There are no address details held for the majority of the deferred members and therefore retirement packs and annual statements have not been issued to members. The Trustee will undertake a tracing exercise to make contact with the members to address this.

**Communications** – Communications are issued by Phoenix Life via the Trustee for the Scheme. The main item of communication is the annual benefit statement, including the Statutory Money Purchase Illustration. At retirement members receive the Money Advisory Service leaflet "Your pension its time to choose" and are provided with details of the Pension Wise service. They can also speak to the administrator to discuss the options available. As no address details are held for the members, these have not been issued and this is being addressed by the Trustee as noted above.

**Charges** – The employer pays the cost of the Trustee and other advisor costs. The only charges borne by members are those within the With Profits Fund which are allowed for in the annual bonus, which is subject to the guaranteed minimum rate. Further information and clarity on the charges will be sought from Phoenix Life as part of the governance review.

Based on the information provided to the Trustee to date, the Trustee's assessment is that the charges and transaction costs represent reasonable value for members, but that the administration and communications have fallen significantly short of what members should expect. This is something which is being addressed by the Trustee since PTL have been appointed.

The governance review will consider whether better value for money can be achieved by the use of alternative arrangement.

### **Knowledge and understanding of the Trustee**

The Scheme is now run by a sole Professional Trustee, PTL. PTL is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments PTL act as an independent trustee on several hundred trust based pension schemes and sit on a number of Investment Governance Committees (IGCs). PTL has oversight or responsibility for in excess of £120bn of pension assets. More information on PTL can be found at [www.ptluk.com](http://www.ptluk.com). PTL were appointed as Sole Trustee with effect from 20 July 2020 i.e. after the year ending 3 May 2020 that this Chair's Statement covers.

The knowledge and understanding of the previous trustees is not known and has not been reviewed by PTL.

PTL have a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process the Trustee is required to confirm that the current team have appropriate level of knowledge

and understanding to be able to represent PTL as Trustee of the Scheme. The annual review process within PTL identifies training needs for each individual and has a requirement for a minimum of 15 hours Continuing Professional Development (CPD) to be completed each year. Each Client Director is supported by another Client Director and calls take place on a three monthly basis to provide a peer review to the work undertaken and challenge the Client Director running the matter. All key decisions would be subject to peer review by the supporting Client Director or another Client Director.

PTL work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes.

PTL is represented by one of its Client Directors, Steve Longworth as Chair managing the Scheme. Steve is a Fellow of the Institute of Actuaries (FIA). He has completed the Pension Regulator's Trustee Toolkit and holds the PMI Award in Pension Trusteeship and PMI Certificate in Pension Trusteeship. Steve is supported by a second Client Director. Debbie Mather and other members of the PTL team also provide day to day support and peer review functions.

He also completes CPD each year in relation to the FIA Fellowship qualification. The Trustee has a copy of all relevant Scheme documents and policies and is familiar with their terms.

PTL's knowledge and understanding of pension schemes and the issues faced means the Trustee is well equipped to properly exercise its functions to act in members' best interest with a view to delivering good member outcomes for the contributions made.

We believe that the combination of these factors enables the Trustee to properly exercise its functions as Trustee of the Scheme.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pensions Schemes (Schemes Administration) Regulations 1996 (inserted via The Occupational Pension Schemes (Charges and Governance) Regulations 2015, as amended by The Occupational Pension Schemes (Administration and Disclosure) (Amendment Regulations 2018) and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

Signed

Steve Longworth, Client Director, PTL Governance Limited

Trustee Chair of the British Academy Superannuation Scheme

Date 2 December 2020