

CHAIR'S ANNUAL STATEMENT:
The Woolwich Property Services Retirement Benefits Plan
("the Plan")

Introduction

In March 2015 the Department of Work and Pensions (DWP) set out new rules for the governance of Defined Contribution (DC) pension schemes. From 6 April 2015, the Trustee of each scheme will have to produce an annual statement, signed by their Chair, setting out a number of prescribed matters. Ramona Tipnis, representing PTL Governance Limited, has been appointed as Trustee Chair of the Plan.

The Plan was set up on 6th April 1993. This is its annual statement for the year ending 5th April 2020. The Plan operates under a Trust Deed and Rules dated 6th April 1993.

Default investment strategy note and Funds holding Investments

There is no default investment strategy in place, as defined in the regulations. The Plan is not used as a qualifying scheme for auto enrolment purposes and no contributions have been paid since April 2014.

All funds in the Plan are invested in the Prudential With-Profits Cash Accumulation Fund, the annual charge for this Fund is currently 1%, which is allowed for in the bonuses declared. This is the only fund available to the Plan, so there is no opportunity for members to switch to any other Fund.

The Trustee has considered the membership profile of the Plan, which consists of 47 deferred members in total. Of the 47 deferred members in the Plan, 35 are yet to reach their normal retirement date and 12 are past their normal retirement date.

For those members who have passed their normal retirement date, as with those who have yet to reach their normal retirement date, funds remain invested in the Prudential With-Profits Cash Accumulation Fund and they therefore continue to receive increases to their Fund value by way of a Regular Bonus and Final Bonus.

Regular Bonus is subject to a minimum guarantee the amount of which depends on the year in which contributions were paid. Final Bonus is not guaranteed. There are no other guarantees.

The Final Bonus amount included in the Pension Funds is not guaranteed. Final Bonus, which is only applied at the time benefits become payable, can be reduced or removed.

If money invested in the With-Profits Fund is taken out at any time except on death or on the normal retirement date, Prudential may reduce the amount paid out to reflect the current market value of the underlying investments, this is known as the Market Value Reduction (MVR). The Trustee recognises that the value of any MVR can change daily, up to the point that money is actually withdrawn from the with-profits fund. Prudential's current practice is not to apply a MVR for retirement before or after normal retirement date. However Prudential can change this practice at any time.

The underlying performance of the With-Profits Fund (before tax) for the period to 31st December 2020 was:

<u>1 Year</u> <u>Fund Return</u>	<u>5 Year Annualised</u> <u>Fund Return</u>	<u>10 Year Annualised</u> <u>Fund Return</u>
11.5%	7.3% p.a.	8.0% p.a.

Core financial transactions

The Trustee noted that there have been no new contributions or transfers received. There have been no deaths or retirements, but there have been two transfers out from the Plan during the financial period to 5th April 2020.

Prudential's work on the Plan is measured against a Service Level Agreement, with transfers out and payments to members or claims having a five day turnaround from the day that the request was received. The Trustee is pleased to note that Prudential met this service standard in relation to the transfers out.

The Plan auditor, Dixon Wilson Audit Services LLP, has undertaken the annual audit of the statement about contributions and assisted in the preparation of the Annual Report which the Trustee has signed and to which this Chair Statement will be appended.

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 on the Funds under which Plan Investments are held, being the Prudential With-Profits Cash Accumulation Fund.

There are a number of costs that are incurred in operating the With-Profits Fund. Whilst there are no explicit charges taken from the With-Profits Fund, the bonuses declared are set with reference to investment returns earned, less an annual charge, which was 1% during the year. The annual charge is the allowance made for expenses, distributions to shareholders and profits or losses from other sources arising in the With-Profits Fund. The annual charge is reviewed each year as part of the process for setting bonus rates.

Transaction costs in the fund average 0.0825% for the last 5 years. The total yearly cost within the fund is estimated as 1.40%.

The Trustee has reviewed the literature produced by Prudential on the With-Profits Cash Accumulation Fund.

Fund	Estimated Yearly Cost
Prudential With Profits Cash Accumulation Fund	1.40%

Projections of the effects of charges and transaction costs

Years	Before charges	After all charges and costs deducted
1	£3,100	£3,060
5	£3,550	£3,320
10	£4,220	£3,680
20	£5,930	£4,530
30	£8,350	£5,570
40	£11,700	£6,710

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. The effect of Inflation is allowed for within the Growth rate using an assumed inflation rate of 2.5% per year.

3. The starting pot size is assumed to be £3,000 invested in With Profits Cash Accumulation fund. These are representative of the membership of schemes invested in the fund.
4. We have assumed no further contributions as the membership is deferred.
5. All costs, including transaction costs, are assumed to be consistent with January 2019 - December 2019.
6. Values shown are estimates and not guaranteed.
7. The projected growth rate for the With Profits Cash Accumulation fund is 3.56%.

These illustrations can be accessed at www.pru.co.uk/trustees and also within this Chair's Statement which can be accessed at: www.ptluk.com/chairs-annual-statements.

The illustrations have been prepared having regard to the statutory guidance.

Members are advised in their benefit statements that the illustrations are available at the website www.pru.co.uk/trustees.

Good value for members

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

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

Plan Governance and management – The Plan has a sole professional trustee whose charges are paid by the employer. The Plan is administered by Prudential who also administer the Plan investments and provide documentation services. Dixon Wilson Audit Services LLP is appointed as the Plan's auditor, with their fees being paid by the employer.

Investment – As detailed above, the Plan investments are held in the Prudential With-Profits Cash Accumulation Fund. The With-Profits Cash Accumulation Fund has a minimum guarantee in relation to the Regular Bonus. There is no guarantee on the Final Bonus and there are no guaranteed annuity rates or other guarantees. This is the only fund available to the Plan.

Administration – Prudential hold the members’ data and deal with members when they wish to amend their details, take or transfer their benefits. The options available to members on retirement are; to purchase a pension using the full fund value, to take part as a tax free lump sum and purchase a pension using the reduced fund value, to transfer their fund to a suitable alternative vehicle such as a drawdown policy, or to take an authorised lump sum payment as allowed for in the new flexible retirement options.

Communications – Communications are issued by Prudential for the Plan. 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 it’s 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.

Charges – The employer pays the cost of the Plan services of the trustee, auditor and any legal work, the only charges borne by members are those outlined above within the Prudential With-Profits Cash Accumulation Fund.

The Trustee assessment is that the charges and transaction costs represent good value for members. The Trustee notes that switching investments away from the With-Profits Fund is not available for the members of the Plan and, transfers out of the Plan could result in a loss of Final Bonus and application of a Market Value Reduction.

Knowledge and understanding of the Trustee

The sole trustee of the scheme is PTL Governance Ltd (PTL), a professional trustee who is represented by Ramona Tipnis. All client directors of PTL have a professional qualification appropriate to pension schemes and have completed the Pensions Regulator’s e-learning trustee toolkit. PTL undergo an annual audit of their processes and procedures under the AAF 02/07 accreditation. This includes confirmation that the client directors undertake Continuous Professional Development (CPD).

During the year to 5th April 2020 the Trustee demonstrated a working knowledge of the Scheme’s rules and investments by reviewing the following items in conjunction with the preparation of the Chair’s Statement for the year to 5th April 2020:

- The annual performance and charges of the investment fund
- The benefits available to each scheme member outlined on their Benefit Statements
- Fact sheet for the investment fund

The Trustee is supported by independent and professional advisers who ensure that the latest legislative, regulatory and market developments that apply to the Plan are considered when relevant. These advisory appointments are also periodically reviewed.

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

Chair's signature _____ Ramona Tipnis _____ *Date* 2nd November 2020

Ramona Tipnis, Client Director, PTL Governance Ltd

Trustee Chair of the Woolwich Property Services Retirement Benefits Plan