

## Chair's Statement regarding Governance

Regulations effective from 6 April 2015 require the Trustees to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution (DC) benefits. These standards cover the following areas:

1. The default investment strategy;
2. Core financial transactions;
3. Value from member borne deductions;
4. The Trustees' compliance with the statutory knowledge and understanding requirements; and
5. Information regarding DC governance and the Trustees' assessment of the Scheme against the DC Code of Practice.

As Chair of the Trustees, we write to report on how the Trustees have embedded these minimum standards in the Scheme over the period 6 April 2023 to 5 April 2024.

This statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, a list of local independent financial advisers can be obtained on-line at [www.unbiased.co.uk](http://www.unbiased.co.uk).

### Investment Arrangements

In accordance with Regulation 6 of The Occupational Pension Schemes (Investment) Regulations 2005 ("Investment Regulations"), the general requirement for schemes to prepare a Statement of Investment Principles (SIP) does not apply to the Scheme as it has fewer than 100 members. However, following legal advice confirming that the Scheme is likely to satisfy the definition of a 'default arrangement' under Regulation 1 of the Investment Regulations, the Trustees have prepared a default arrangement SIP. The Scheme's SIP is appended to this statement as required by Regulation 23(a)(i) of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("Administration Regulations"). The SIP has been prepared in accordance with Regulation 2A of the Investment Regulations and subsequent legislation. The SIP sets out the Trustees' aims and objectives in relation to the default investment arrangement as well as our policies relating to matters such as risk and diversification. The SIP also explains how the aims and objectives and the policies mentioned above are intended to ensure that assets are invested in the best interests of members and beneficiaries.

Due to the nature of the business of the sponsoring employers and the associated expertise within the Board of Trustees, the Trustees' strategy is to invest in a portfolio of commercial properties to generate income and capital growth. The Trustees also employ a level of bank debt to provide an element of gearing to the portfolio and its return. In view of the relative illiquidity of commercial property investments, the Trustees hold material amounts of cash to assist in providing funds for paying benefits and withdrawals within a reasonable period of their being requested. Members do not have a choice around how their benefits are invested, and consequently, following legal advice, the Trustees consider this to be a default investment arrangement.

Members are provided with a document each year which outlines the Scheme's investment guidelines and strategy and asks them to confirm in writing their continued agreement to their existing fund share and future contributions being invested in the commercial property portfolio. All members confirmed their ongoing agreement to this approach during the Scheme Year. Members are also given the option to have contributions paid to an alternative pension arrangement of their own choice. For

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the avoidance of doubt, the Scheme is not being used as a Qualifying Scheme for Automatic Enrolment purposes.

An agreement is set out between the Trustees and the Principal Employer (Mason Owen & Partners Limited (“MOP”)) for the day to day management of the investment portfolio. The Trustees delegate decisions concerning property investments to the Property Investment Committee (PIC). As part of this daily management, PIC consider the overall risk of the portfolio. The Trustees are satisfied that PIC has the relevant expertise to manage the Scheme’s property portfolio and have therefore decided not to appoint an external investment manager. External investment advice is sought where deemed necessary by the Trustees, such as in the production of the SIP.

The Trustees carried out a review of the SIP during the Scheme Year on 09/01/2024, considering the objectives and aims of the overarching investment strategy. No significant amendments were made, and the SIP was signed in April 2024. A full review of the Scheme’s investment strategy and the underlying portfolio of the properties held is ongoing and due to conclude in Q4 of 2024. This considers the cashflow requirements likely to be required to support the membership profile as it matures (a number of members will reach age 60 in the next 5 years), and whether the portfolio and its returns remain consistent with the Trustees’ aims and objectives as outlined to members on joining the Scheme and in the SIP, and summarised below:

- provide exposure to a range of properties in the commercial sector, including retail, servicing and other sectors as appropriate.
- deliver opportunities to diversify their investments across each of the property holdings within the portfolio; and
- maintain a level of liquidity, through holding cash in a bank account, to meet payments to members and expenses when needed and to increase the holdings within the portfolio when opportunities arise.

MOP undertake a valuation of the portfolio of properties at least annually and the Trustees arrange for these to be independently valued not less than triennially. The Trustees regularly monitor the investment strategy to ensure that the returns are consistent with the aims and objectives of the Scheme (to maximise the retirement funds accumulated by members with an appropriate risk tolerance).

### Asset Allocation

The Trustees are required to disclose the full asset allocation of investments for the default strategy.

The table below shows the percentage of assets allocated in the Scheme’s default strategy to specified asset classes as at 5 April 2024. This information is provided in line with statutory guidance.

Asset Class	Allocation (%) at Age 25	Allocation (%) at Age 45	Allocation (%) at Age 55	Allocation (%) at Age 65
Cash	4.6	4.6	4.6	4.6
Bonds				
Listed Equities				

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UK Equities				
Developed Market Equities				
Emerging Market Equities				
<b>Private Equity</b>				
<b>Infrastructure</b>				
<b>Property / Real Estate</b>	95.4	95.4	95.4	95.4
<b>Private Debt / Credit</b>				
<b>Other</b>				
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Net Investment Returns

The net investment return achieved over the Scheme Year is 3.1%. The Statutory Guidance has been followed in preparing this figure to the extent that:

- This figure is net of all charges and transaction costs;
- There are no self-select or "non-default" fund available to consider;
- Three year investment return, net of all charges and transaction costs, was 35.7%.

### Processing Core Financial Transactions

Under the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately including:

- Investment of contributions paid to the Scheme;
- Transfers of members' benefits into and out of the Scheme;
- Payments of benefits to members of the Scheme.

As there is only one investment option available under the Scheme, it is not possible for members to transfer between funds and hence this type of transaction is not relevant under the Scheme.

The Trustees receive reports from Broadstone on all member events and transactions to ensure that these are processed in a timely and accurate manner. There were no new joiners to the Scheme during the year, no transfers in and one transfer out. Broadstone have confirmed there were 47 member cases processed within the period, all of which related to personal data updates rather than financial transactions, and 100% were completed within the 5 working day SLA. In addition, one member designated all funds to drawdown and another member continued to receive benefits via UFPLS, however these may only be taken at specific points in the year under the Scheme's Rules – in April and October. Both requests were processed in line with the timescales agreed with the Trustee.

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The Trustees are pleased to report that the requirements have been met and core financial transactions have been processed promptly and accurately during the Scheme year. In assessing this, the Trustees have ensured that:

- Contributions by the employers were paid in all material respects according to the Schedule of Payments agreed annually by the employers and the Trustees. The Scheme's auditors also check compliance with this Schedule annually.
- Financial transactions relating to the Scheme's investments in commercial properties are processed according to the normal rules by which MOP manage their clients' investments.
- The Trustees have appropriate service agreements in place with their advisers and are aware of their key contacts.
- The Trustees consider all areas of risk and specifically risks of significant impact such as: fraud (including pension liberation), investment, management of costs, administration, regulatory requirements, operational procedures, communications and member understanding, corporate activity relevant to the Scheme and options at retirement.
- The Trustees identify, evaluate, manage and monitor risk. By incorporating risks identified into a risk register they are categorised in accordance to their likelihood of occurring and the potential impact it would have if they did occur. Risks, and the Trustees' controls to mitigate risks, are recorded on the Trustees' Risk Register which is monitored annually at Trustee meetings.
- Databases of members' data and their fund shares are maintained away from the business premises of the employers by Broadstone Limited. These databases undergo a regular back up and are cross-copied to other Trustees and Scheme advisers.
- The Trustees have recently reviewed all their data management procedures and those of their service providers and have a post 25 May 2018 data protection policy in place to ensure compliance with the General Data Protection Regulation.
- In line with anti-money laundering regulations the Trustees hold an up to date register of beneficial owners.

### Charges and transaction costs

The Trustees are required, under the Administration Regulations, to report on the charges and transaction costs associated with the investments used within the Scheme, and the Trustees' assessment on the extent to which the charges represent good value for money.

The fund bears various types of expense:

- (i) normal property management costs, paid as a percentage of rents to MOP for their management services;
- (ii) property ownership and asset management costs (e.g. professional charges, service charges, repairs and ground rents);
- (iii) bank interest and charges;

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- (iv) sundry administrative expenses including an annual fee to the Pensions Regulator;
- (v) transaction costs (e.g. acquisition and sale costs including stamp duty); and
- (vi) with effect from 1 January 2022, all other administrative costs, including fees to professional advisers and member communications are met from the Scheme. Previously these had been met by the employers.

The expenses incurred by the Scheme are not fixed but are volatile from year to year depending on the number of transactions that take place. The transactional and management/advisory fees paid over the last three years were as follows:

Year	(i) Management costs	(ii) Property ownership costs	(iii) Bank interest and charges	(iv) Administration expenses	(v) Transaction costs	(vi) Other management costs	Total charges as % of assets
To 5 April 2024	£34,714	£68,081	£84,646	£61	£4,210	£0	1.86%
To 5 April 2023	£35,654	£89,334	£68,557	£2,402	£0	£0	1.78%
To 5 April 2022	£38,988	£(39,259)*	£30,677	£4,616	£0	£0	0.34%
							1.33% p.a.

\*includes £60,000 early lease surrender – premium and dilapidations.

All the Scheme's assets and liabilities are pooled, and members' fund values are calculated based on their entitlement to a proportion of that pool. This is calculated by taking the Scheme assets at the start of year plus the Scheme's Investment Income plus the change in the market conditions and contributions by the Employer. The value of the administration fees and the investment manager expenses are deducted from this value to give a full scheme asset value.

The member's share of this pooled fund is calculated proportionately by the monetary share at the beginning of the year, plus any employee contributions paid into the fund, less any transfer out payments plus share of increase to fund.

Expenses are not allowed for explicitly, however expenses are allowed for implicitly based on proportion of fund across members.

### The impact of costs and charges

The Trustees are required to provide members with information on the effect of costs and charges on their pension pot. We have illustrated the cumulative effect of charges over time and the projections are shown below. The Trustees have prepared these projections in line with statutory guidance and acknowledge the requirements to publish these on a website, and for this statement to be available in time for the deadline of 7 months following the Scheme Year End.

The figures below have been based on:

- The average member age of 55;
- Using a starting pot size of £430,000 with contributions of 24% of salary.

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- We have assumed a starting salary of £78,000 and future salary increases of 2.50%p.a..

### Projected DC Account in Today's Money (£)

	Property Fund		Property Fund		Property Fund		Property Fund	
	Illustration 1: 0% charges with 1% transaction cost each year assumed		Illustration 2: 2.5% charges with 1% transaction cost each year assumed		Illustration 3: 4% charges with 1% transaction cost each year assumed		Illustration 4: Projection using average charges and transaction costs over the previous 5 years (2.40% combined)	
Age	Pot Size with no Charges incurred	Pot Size with Charges incurred	Pot Size with no Charges incurred	Pot Size with Charges incurred	Pot Size with no Charges incurred	Pot Size with Charges incurred	Pot Size with no Charges incurred	Pot Size with Charges incurred
55	430,000	430,000	430,000	430,000	430,000	430,000	430,000	430,000
60	579,300	554,600	579,300	496,600	579,300	464,300	579,300	521,400
65	758,200	699,200	758,200	571,200	758,200	506,000	758,200	624,400
70	971,600	866,900	971,600	655,100	971,600	555,900	971,600	740,400

#### Notes:

1. Price inflation is assumed to increase at 2.5% per year.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. Values are illustrations only and are not guaranteed. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
4. The projected growth rates assumed is 4.6% per year.

We have presented two further illustrations on the following pages.

The first additional illustration is based on:

- A typical "young" member aged 30;
- Using a starting pot size of £60,000 with contributions of 24%.
- We have assumed a starting salary of £54,000 and future salary increases of 2.50%p.a..

### Projected DC Account in Today's Money (£)

	Property Fund		Property Fund		Property Fund		Property Fund	
	Illustration 1: 0% charges with 1% transaction cost each year assumed		Illustration 2: 2.5% charges with 1% transaction cost each year assumed		Illustration 3: 4% charges with 1% transaction cost each year assumed		Illustration 4: Projection using average charges and transaction costs over the previous 5	

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Age	Pot Size		Pot Size		Pot Size		years (2.40% combined)	
	with no Charges incurred	with Charges incurred	with no Charges incurred	with Charges incurred	with no Charges incurred	with Charges incurred	with no Charges incurred	with Charges incurred
30	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
35	126,100	121,600	126,100	110,900	126,100	104,900	126,100	115,500
40	207,100	194,200	207,100	165,700	207,100	150,800	207,100	177,600
45	305,600	279,400	305,600	224,900	305,600	198,400	305,600	247,100
50	424,600	379,100	424,600	289,500	424,600	248,600	424,600	325,200
55	567,800	495,400	567,800	360,200	567,800	302,200	567,800	412,800
60	739,000	630,600	739,000	438,000	739,000	359,900	739,000	511,300
65	943,100	787,500	943,100	524,100	943,100	422,900	943,100	622,100

*Notes:*

1. Price inflation is assumed to increase at 2.5% per year.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. Values are illustrations only and are not guaranteed. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
4. The projected growth rates assumed is 4.6% per year.

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The second additional illustration focuses on the Scheme's deferred membership, based on a typical deferred member aged 55, using a starting pot size of £270,000. No further contributions have been assumed.

### Projected DC Account in Today's Money (£)

	Property Fund		Property Fund		Property Fund		Property Fund	
	Illustration 1: 0% charges with 1% transaction cost each year assumed		Illustration 2: 2.5% charges with 1% transaction cost each year assumed		Illustration 3: 4% charges with 1% transaction cost each year assumed		Illustration 4: Projection using average charges and transaction costs over the previous 5 years (2.40% combined)	
Age	Pot Size with no Charges incurred	Pot Size with Charges incurred	Pot Size with no Charges incurred	Pot Size with Charges incurred	Pot Size with no Charges incurred	Pot Size with Charges incurred	Pot Size with no Charges incurred	Pot Size with Charges incurred
55	270,000	270,000	270,000	270,000	270,000	270,000	270,000	270,000
60	298,800	284,800	298,800	252,100	298,800	233,900	298,800	266,100
65	330,700	300,400	330,700	235,300	330,700	202,600	330,700	262,200
70	366,000	316,900	366,000	219,700	366,000	175,500	366,000	258,400

#### Notes:

1. Price inflation is assumed to increase at 2.5% per year.
2. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
3. Values are illustrations only and are not guaranteed. The numbers shown in the illustration are rounded to the nearest £100 for simplicity
4. The projected growth rates assumed is 4.6% per year gross expected real return above inflation

#### Value for money for charges borne by members

The Trustees undertook a value for members assessment ('VFMA') in accordance with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance)(Amendment) Regulations 2021 ("the 2021 Regulations"). As such, the Trustees compared the net investment performance and member borne-charges to that of 3 Comparator Schemes, selected for this purpose following advice by Broadstone. The Trustees also considered the Governance and Administration services against the seven key metrics required in the 2021 Regulations.

Across the 2 areas where the Trustees are required to directly compare the Scheme to three comparator arrangements, the results were as follows:

- Charges over the Scheme Year were higher than all three of the comparator schemes; and



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- Net investment performance was lower than the default funds of all three comparators for one-year returns, but significantly better across three-year returns.

As a result, and when considering the “absolute” element of the VFMA, the Trustees concluded that the Scheme does continue to offer good value to members for the following reasons:

- Although the estimated member-borne charges for the Scheme Year were higher than the Comparators, they were more in line with (though still higher than) that of the only available comparator property fund. Given that the bespoke nature of the investment strategy, the higher charges are to be expected. However, as providing access to commercial property assets is one of the Scheme's core objectives, and members confirm each year that they believe it offers value, the Trustees are of the view that it still presents good value even if the charges are higher than the standard default funds of the three comparators.
- The Scheme's investment strategy outperformed the standard property offering of one of the comparators (the other comparators do not offer a property fund);
- The investment strategy is unique and aimed at the specific requirements of the membership as commercial property experts – member input on the strategy and confirmation of their understanding and continued agreement to invest in this way is sought annually, including during this Scheme Year;
- The Trustees believe that the Scheme is well managed and that the governance and administration is proportionate for the size of the Scheme and working effectively; and, crucially;
- Members have confirmed that they believe the Scheme provides them with value.

### Trustees Knowledge and Understanding

In accordance with the requirements under the Pensions Act 2004, the Trustees maintain an appropriate level of knowledge and understanding which, together with professional advice, enables them to properly exercise their functions and duties in relation to the Scheme. The Trustees must also be conversant with the Scheme's documentation including the Trustees' Memorandum and Articles of Association, Trust Deed and Rules and SIP as well as any other documentation recording current policy relating to the administration of the Scheme. 'Conversant' is interpreted by the Pensions Regulator to mean having a working knowledge of these documents and that the Trustees are able to use them effectively when required to do so in discharging their duties.

Vidett Trustees Limited is appointed as a Trustee Director of the Scheme and is a professional trustee firm, represented by a team of professionals with a wealth of experience in the pensions industry. The representatives of Vidett are Accredited Members of the Association of Professional Pension Trustees ('APPT') and carry out regular training to keep updated on developments in the industry. They are also subject to requirements of Continued Professional Development (CPD) of the APPT and other professional bodies of which they are members. Vidett also ensure familiarity with and understanding of the Scheme Rules and documentation, and pensions law.

The Trustees are conversant with the Trust Deed and Rules and the powers granted to them. In addition, the Trustees keep up to date with developments in the DC landscape and new guidance issued by the Pensions Regulator. All of the Trustees (with the exception of Vidett) hold professional qualifications which are relevant to the Scheme's investment strategy and are required, under the terms of their respective professional bodies (including the Royal Institution of Chartered Surveyors and the Chartered Insurance Institute), to maintain minimum standards of CPD. 3 of the Trustee Directors in office over the Scheme Year have completed the Trustee Toolkit, and 2 are working

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through it, following their recent appointment to the Board. Additional training is also undertaken by the Trustees at Trustee meetings and seminars/webinars as appropriate.

Training undertaken during the year is logged centrally and requirements are reviewed regularly. During the Scheme Year, other than the ongoing CPD carried out by the Trustees, there were no additional training requirements identified. Over the period 6 April 2023 to 5 April 2024 the Trustees have met the requirements of Section 247 and 248 of the 2004 Act (requirement for knowledge and understanding) by holding regular Trustee meetings. There were six meetings held during the Scheme Year where the Trustees monitored various aspects of the Scheme's management and governance.

The Trustees, together with assistance from their professional advisers, use their combined knowledge and understanding of pension law, specific Scheme documentation, legal requirements and the Pensions Regulator's guidance to ensure that the Scheme is run effectively and members' benefits are paid in accordance with the Scheme Rules and to carry out the fiduciary duties required of them. This combined knowledge helps the Trustees to ensure that good Scheme governance is a priority and to identify whether any improvements can be made to existing procedures and processes. The Trustees' knowledge of the Scheme Rules ensures that they can consider non-standard benefit request options and whether this is permissible under the current Rules and whether legal opinion is required and / or a rule change needed.

The Trustees receive advice from professional advisers and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.

Taking account of actions taken individually and as a group of Trustees, and the professional advice available to them, the Trustees consider they are enabled properly to exercise their function as a Trustee Board. The Trustees believe the Trustee Board operates effectively and no formal Board Effectiveness Review was undertaken during the Scheme Year.

### Statement of DC Governance

The Trustees undertake regular assessments of the Scheme against the DC Code of Practice 13 and related guidance.

The Trustees consider that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's Code of Practice 13.

Code of Practice 13 has been replaced by the General Code in March 2024 and the Trustees will be undertaking an exercise to ensure the Scheme complies with the new requirements.

This Chair's Statement along with its Appendices has been made publicly available and the website address is <https://schemes.vidett.com/the-refuge-pension-scheme/>

Members receive an annual benefit statement which sign-posts them to where they can find this Statement to understand the default strategy, the returns on investment, the charges/transaction costs and how these represent value for members.

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Signed for and on behalf of the Trustees of the Refuge Pension Scheme.

Vidett Trustees Limited, Chair of Trustees

October 2024