

## **Chair's Statement for the Money Purchase Section of the Seetru Limited Pension and Assurance Scheme for the scheme year ended 5 April 2022**

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Administration Regulations') require the Annual Report of a scheme with defined contribution ('DC') arrangements to include a statement regarding the governance of such arrangements signed by the Chair of the Trustees. This Chair's statement ('Statement') incorporates the requirements relating to the disclosure and publication of the level of charges and transaction costs within the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 [SI 2018/233] ('the 2018 Regulations'), which amends the Administration Regulations to reflect these new requirements.

Since the Scheme is closed and no member contributions have been paid in the period since the new regulations came into force on 6 April 2015, the Scheme does not provide a default arrangement under the meaning of regulation 3 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 for automatic enrolment purposes or the meaning of regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

### **Fund options**

The Trustees offer money purchase members the option of investing in the following funds:

- Legal & General Multi-Asset (formerly the Consensus Index) Fund – this fund invests in a range of assets which may include equities, bonds, cash and listed infrastructure, private equity and global real estate companies. The assets held within the fund are passively managed.
- Legal & General Global Equity Fixed Weights (60:40) Index Fund – the aim of this fund is to capture the total sterling returns of the UK and overseas equity markets, with a fixed asset allocation between the UK (60%) and overseas (40%).
- Legal & General Pre-Retirement Fund – the aim of this fund is to provide diversified exposure to sterling assets that reflect the broad characteristics of investments underlying the pricing of a typical non-inflation linked annuity product.
- Legal & General Cash Fund – the aim of this fund is to provide capital protection with growth at short term interest rates. The fund invests in short term money markets such as bank deposits and Treasury bills.

The Trustees recognise that many members would wish to protect the purchasing power of their accumulated money purchase accounts in the period leading up to their expected retirement date. For this reason, the Trustees allow members to opt into a lifestyling strategy which automatically switches investments from the Multi-Asset Fund or the Global Equity Fixed Weights (60:40) Fund over a ten-year period prior to expected retirement. Switches take place at quarterly intervals, designed to culminate in a fund that is around 75% invested in the Pre-Retirement Fund and 25% invested in the Cash Fund at retirement.

### **Processing financial transactions**

The Trustees have a specific duty to ensure that core financial transactions relating to money purchase assets (including the transfer of member assets out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) are processed promptly and accurately. These transactions are undertaken on the Trustees' behalf by Legal & General Investment Management ('LGIM') as investment manager, Hughes Price Walker Ltd as Scheme administrator and Seetru Ltd operating the Trustees' bank account. The Trustees receive regular reports to enable them to assess that controls are in place and procedures are being followed appropriately. The Scheme's accounts are audited annually by Grant Thornton UK LLP.

The Trustees are confident that all of the required processes and controls are in place to ensure that the DC section is compliant with the Regulator’s Code of Practice 13 on DC governance.

### Investment returns net of all costs and charges

Performance for the funds that members can invest in is shown in the table below:

Fund	Performance over the year to 31 March 2022 (%)
Legal & General Multi-Asset Fund	4.0
Legal & General Global Equity Fixed Weights (60:40) Index Fund	11.4
Legal & General Pre-Retirement Fund	-6.7
Legal & General Cash Fund	0.0

The performance shown in the table above allows for the deduction of relevant charges and transaction costs.

### Charges and transaction costs

The Trustees are required to collate information about the level of charges and transaction costs borne by money purchase section members.

Transaction costs typically arise as a result of the automatic switching of investments and from other movements in or out of individual funds. These are reflected in the unit dealing prices, which are adjusted upwards for the expenses of purchases or downwards for the expense of sales.

LGIM’s fees are paid in relation to the size of assets managed within each fund.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member borne charges for the Scheme’s default arrangement complied with the charge cap. The charges and transaction costs for the previous year are shown within brackets:

Fund	Total ongoing charges <sup>1</sup> (%)	Transaction costs <sup>2</sup> (%)	Total (%)
Legal & General Multi-Asset Fund	0.26 (0.26)	0.01 (0.03)	0.27 (0.29)
Legal & General Global Equity Fixed Weights (60:40) Index Fund	0.22 (0.19)	0.01 (0.00)	0.23 (0.19)
Legal & General Pre-Retirement Fund	0.15 (0.15)	-0.01 (0.04)	0.14 (0.19)
Legal & General Cash Fund	0.12 (0.12)	0.02 (0.00)	0.14 (0.12)

<sup>1</sup>Includes Manager’s fees and indirect fees.

<sup>2</sup> Transaction costs include entry/exit charges which are offset by anti-dilution levies. From time to time the net transaction cost can therefore become negative, i.e. a gain to the investor.

### Impact of costs and charges on member funds

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. An illustrative example of the cumulative effect of costs and charges incurred by a typical member invested in the Multi-Asset Fund up to retirement age is shown within the table below. (Ninety per cent of members in the DC section currently have some of or all their DC pot invested in the Multi-Asset Fund.)

The table shows the projected pension pot, both before and after charges are deducted, for a member aged 31 whose starting pot is assumed to be £30,000.

Projected pension pot in today's money for a member aged 31 (£ pa) – default strategy		
Years	Before charges deducted	After all charges deducted
1	30,702	30,615
3	32,157	31,882
5	33,681	33,202
10	37,813	36,745
15	42,452	40,667
20	47,660	45,007
25	53,507	49,810
30	60,072	55,126
34	65,899	59,784

Notes:

1. Projected pension pot values are shown in today's money and do not need to be further adjusted for inflation
2. Inflation is assumed to be 2.5% each year
3. Projection is for 34 years, being the approximate duration that an established member has until they reach the Scheme's Normal Retirement Age
4. Values shown above are estimates and are not guaranteed
5. The example member is assumed to be invested in the Multi-Asset fund
6. The projected growth rate for the Multi-Asset fund is assumed to be 2.4% per annum above inflation, before charges are deducted
7. No allowance for active management has been made.

The Trustees have set up processes to publish relevant information on the costs and charges of the funds and to notify members about this in their annual benefit statements.

### **Value for Members Assessment**

The Scheme is a "specified scheme" for the purposes of Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021. As such, the Trustees are required to carry out a detailed value for members assessment to determine whether members will receive value for money in the Scheme over the long term or whether they would obtain better value for money in a different scheme. This detailed value for members assessment covers three key areas:

- Costs and charges
- Net investment returns

- Administration and governance

In assessing costs and charges and net investment returns the Trustees are required to compare those in the Scheme with three “comparison schemes” with over £100m of assets. For this assessment the Trustees were only able to obtain information from two “comparison schemes”.

In assessing administration and governance, the Trustees are required to assess the value delivered across the following seven key metrics on an absolute basis:

- Promptness and accuracy of core financial transactions
- Quality of record keeping
- Appropriateness of the default investment strategy
- Quality of investment governance
- Level of trustee knowledge, understanding and skills
- Quality of communication with scheme members
- Effectiveness of management of conflicts of interest

The Trustees are required to report the outcome of the value for members assessment in the annual scheme return to the Pensions Regulator and if the conclusion is that the Scheme does not provide value for members, the Trustees are also required to report what action they are taking to address matters. This can either be:

1. Transfer members to another arrangement and wind up the Scheme; or
2. Taking steps to improve the value for members within the Scheme.

The results and conclusions of the value for members assessment carried out by the Trustees are set out below. In completing this value for members assessment, the Trustees have followed the Guidance for trustees of relevant occupational defined contribution schemes as published by the Department of Work and Pensions (DWP) on 21 June 2021.

### **Value for Members – Costs and Charges**

The Trustees have obtained indicative costs and charges from comparison schemes. The results of the comparison are set out in the table below:

<b>Fund</b>	<b>Total ongoing charges (%)</b>	<b>Transaction costs (%)</b>	<b>Total (%)</b>
L&G Multi-Asset Fund	0.26	0.01	0.27
Comparator A	0.37	0.03	0.40
Comparator B	0.65	Unavailable	0.65

The L&G Multi-Asset Fund has charges that are below the comparator schemes. Part of the reason for this is that administration costs of member accounts are met separately by the Company.

It should be noted that some of the information about the Comparator A scheme was obtained in 2020, although the Trustees have received additional information more recently which confirms that similar charges would still apply. If the Trustees were to transfer to this scheme

they would need to obtain an up to date quote which may differ. The Trustees have concluded that, in the area of costs and charges, the Scheme provides good value to members.

### **Value for Members – Net Investment Returns**

The Trustees have obtained net investment performance figures from the same two comparison schemes that were used for the comparison of costs and charges. A comparison of 1, 3 and 5 year annualised returns (where possible) is set out in the table below. The comparison has been made with the default arrangements in the comparator schemes.

Fund	Performance figures over the period to 31 March 2022 (the returns are annualised)		
	1 year	3 years	5 years
L&G Multi-Asset Fund	4.0%	5.9%	5.2%
L&G Global Equity Fixed Weights (60:40) Index Fund	11.4%	8.1%	6.6%
Comparator A	4.0%	5.9%	Unavailable
Comparator B – more than 7 years from retirement	7.4%	10.0%	Unavailable

The Trustees believe that the two most popular L&G funds used by Scheme members have performed well over all three time periods in the above table. The returns achieved by the L&G Multi-Asset Fund are similar to the returns achieved by the Comparator A scheme. Similarly, the returns achieved by the L&G Global Equity Fixed Weights (60:40) Index Fund are similar to the Comparator B returns.

The Trustees have concluded that, in the area of net investment returns, the Scheme provides good value to members.

### **Value for Members – Administration and Governance**

The Trustees have assessed the value for members delivered by the Scheme’s governance and administration offering across the seven key areas required and the results of the assessment are set out below.

#### **Promptness and accuracy of financial transactions**

The Trustees are required to ensure that core financial transactions are processed promptly and accurately. In relation to the Scheme the relevant financial transactions will be transfer payments out of the Scheme to alternative arrangements and payments out of the Scheme to beneficiaries.

The Trustees ensure that these important financial transactions are processed promptly and accurately. These transactions are undertaken on the Trustees’ behalf by Legal & General Investment Management (‘LGIM’) as investment manager, Hughes Price Walker Ltd as Scheme administrator and Seetru Ltd operating the Trustees’ bank account. The Trustees receive regular reports to enable them to assess that controls are in place and procedures are being followed appropriately. The Scheme’s accounts are audited annually by Grant Thornton UK LLP and HPW’s administration department is ISO 9001 accredited.

The Trustees are pleased to report that in the last Scheme year there were no material administration service issues or member complaints, and all core financial transactions were processed promptly and accurately.

The Trustees have concluded that, in the area of financial transactions, the Scheme provides good value to members.

### **Quality of record keeping – Security & Accuracy**

The Trustees have reviewed the security and accuracy of the Scheme's record keeping policies and processes and have taken into account the following:

- The Scheme has an up-to-date privacy notice for members.
- The Scheme's legal documentation is complete and up to date.

The Trustees confirm that the Scheme's member records were last reviewed in February 2021, from which the common data scored 96% and the scheme-specific data scored 92%. It is the Trustees' intention for the data to be reviewed on at least a triennial basis going forward and consider member tracing to maintain current addresses for members on a case-by-case basis, as required.

The Trustees have concluded that in relation to the quality of record keeping the Scheme provides good value for members.

### **Appropriateness of default investment strategy**

The Scheme is not a qualifying scheme for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 as it is not used for auto-enrolment purposes. As such, there is no "default arrangement" (as defined in those Regulations). As there is no default investment strategy the Trustees do not consider it necessary to carry out an assessment of value for members in this area. However, the Trustees do consider that the recent investment returns achieved by the L&G Multi-Asset Fund (which around 90% of members' funds are invested in) do represent acceptable value for members.

The Trustees review the Scheme's lifestyling strategy from time to time. The last review covered whether it was appropriate for the lifestyling option to remain "opt-in", and whether the lifestyling approach itself was appropriate in terms of the funds used and the target allocation at retirement date. The Trustees concluded that no changes were necessary to the lifestyling strategy at that time.

The Trustees have concluded that in relation to their "default" investment strategy the Scheme provides good value for members.

### **Quality of Investment Governance**

The Trustees receives investment advice regarding its money purchase section from its professional advisers, Hughes Price Walker Ltd (HPW) and delegates tasks relating to individual investments for the pooled vehicles to the fund manager. Whilst HPW is not authorised under the Financial Services and Markets Act 2000, it is possible in certain circumstances to offer a limited range of investment services to clients because they are licensed by the Institute and Faculty of Actuaries. They can therefore provide these investment services if they are an incidental part of the professional services they have been engaged to provide. The Trustees

therefore receive section 36 investment advice, as well as investment training, from HPW, as and when required.

The Trustees are responsible for maintaining a Statement of Investment Principles (SIP) which sets out details of the Trustees' investment governance practices. The SIP confirms that the Trustees:

- Set an objective for all member investment options, including expected risks and returns;
- Monitor fund performance on a quarterly basis and compare investment returns against the relevant performance objectives;
- Periodically review the investment options available to members;
- Receive appropriate advice before amending the SIP; and
- Review the SIP at least every three years.

The Trustees are satisfied that this is a proportionate level of monitoring and review for the Scheme. The Trustees have therefore concluded that in relation to the quality of investment governance the Scheme provides good value for members.

### **Level of trustee knowledge, understanding and skills to operate the Scheme effectively**

The Trustees are required by law to possess, or have access to, sufficient 'knowledge and understanding' to run the Scheme effectively. Each Trustee must:

- Be conversant with the trust deed and rules of the Scheme, the Scheme's SIP and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally; and
- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

Details of how the knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustees maintain an individual Trustee training record which is reviewed periodically to identify any gaps in the knowledge and understanding across the board. This allows the Trustees to work with their professional advisers to address any areas where their knowledge is less than what the Pensions Regulator would expect. HPW proactively raise any changes in governance requirements and other relevant matters as they become aware of them. HPW would typically deliver training on such matters at Trustee meetings if they were material.

All the Trustees are familiar with the Trust Deed and Rules and other relevant documents relating to the Scheme's governance and general administration. Any new Trustees are required to be familiar with these documents.

Further, the Trustees consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

The Trustees consider that the Trustee board is sufficiently diverse in terms of background, experience and skills. Taking into account the knowledge and experience of the Trustees with

the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisers, the Trustees believe they are well placed to exercise their functions as Trustees of the Scheme properly and effectively.

The Trustees hold regular meetings. Given the size of the Scheme the Trustees consider that half-yearly formal meetings are adequate but are in regular communication with each other over specific member cases and issues as required. The Trustees consider that they have an open and constructive relationship with the employer.

The Trustees have concluded that the level of trustee knowledge, understanding and skills demonstrated by the current trustees enables the Scheme to operate effectively and provides good value for members.

**Quality of communication with Scheme members**

Communications with members are predominantly drafted by the Trustees’ professional advisers and where appropriate, such as bulk communications (e.g. SMPs), are often reviewed by the Trustees before being issued. There have been no specific member complaints relating to the quality or accuracy of member communications, or any breaches of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 in the year to 5 April 2022.

In relation to the communication methods used, no account is taken of individual member preferences and no use is made of digital or online platforms to assist with member communications. The Trustees accept that this is one area of their communications that could be re-considered.

The Trustees have reviewed the quality of communications with Scheme members and have concluded that the Scheme provides acceptable value for members in this area.

**Effectiveness of management of conflicts of interest**

The Trustees have reviewed the effectiveness of the Scheme’s management of conflicts of interest and concluded that, in this area, the Scheme provides good value to members. Controls are in place to ensure that conflicts of interest for Trustees and advisers are declared on appointment and at each meeting.

The statement was approved by the Trustees and signed on their behalf by:

*Paul Duffy*

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D P Duffy

Signed by Chair

Date 2<sup>nd</sup> November 2022