

Beales Pension Scheme

Annual report for the year ended 19 January 2021

Scheme Registration Number 10124390

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The Trustees' Report

Introduction

This report relates to the operation of the Beales Pension Scheme ("the Scheme") during the year to 19 January 2021.

The Scheme was a contracted-out salary related pension arrangement and provides its members with retirement benefits and ceased to be contracted-out with effect from 30 April 2009. This type of arrangement is also known as a defined benefit arrangement.

Full details of the Scheme's benefits can be found in the member's explanatory booklet (see "Contact for further information" on page 6).

Management of the Scheme

Upon the insolvency event of J E Beale PLC, the existing Trustees resigned, with the exception of BESTrustees, and a professional, independent trustee (PSGS Trust Corporation Limited), was appointed on 15 June 2020. In this structure there is no requirement for Member Nominated Trustees.

The names of the Trustees of the Scheme who served during the year and those serving at the date of approval of this report are as follows:

Name	Nominated/appointed by	Date of appointment	Date of resignation
PSGS Trust Corporation Limited	PPF	15 June 2020	
BESTrustees Limited	Employer	20 September 2005	
S C Kempton	Employer		17 February 2020
G M Tapping	Employer		1 April 2020
M C H Mitchell	Members		1 April 2020
T R Rathbone	Members		1 April 2020

The directors of PSGS Trust Corporation Limited are as follows:

Name	Date of appointment
Edwin Charles Bruce-Gardner	29 June 2017
James Michael Double	29 June 2017
Wayne Phelan	29 June 2017
Stuart Malcolm Southall	29 June 2017
Christopher Hayes	13 March 2019
Mark Homer	29 June 2017
Claire Teagle	13 March 2019
Alex Davies	13 March 2019

The directors of BESTrustees Limited are as follows:

Name	Date of appointment	Date of resignation
Andrew Boorman	1 July 2019	
Huw Evans	1 April 2018	
Zahir Fazal	1 January 2010	
Julie Stothard	12 May 2020	16 April 2021
Rachel Tranter	1 January 2010	
Ann Rigby	1 June 2021	

The Trustees' Report (Cont)

The directors of PSGS Trust Corporation Limited and BESTrustees are appointed in line with each company's articles of association.

The Trustees are in regular contact with their advisers and the PPF to discuss the progress of the Scheme through the Assessment Period.

The Trustees have delegated the day-to-day management and operation of the Scheme's affairs to professional organisations.

Scheme Changes

Following the insolvency events of J E Beale PLC and Beale Limited on 20 January 2020, who were the Principal and Participating Employers ("the Employers") of the Scheme, the insolvency practitioner is obliged under the Pensions Act 2004 to issue a section 120 notice to the Pension Protection Fund ("PPF") and to The Pensions Regulator ("TPR") to inform them that a sponsoring employer of an occupational pension scheme has suffered an insolvency event as defined by section 121 of the Pensions Act 2004. The insolvency practitioner has issued a notice under section 120 and has also issued a notice to the PPF and TPR under section 122 confirming that a 'scheme rescue' is not possible.

The Scheme formally entered an Assessment Period for entry into the PPF on 20 January 2020. Members' benefits have been adjusted in accordance with the PPF regulations to ensure that only PPF levels of compensation are paid. The Trustees, the Scheme actuary and advisers will work with the PPF to ensure the member data is cleansed and the Scheme's assets and liabilities are identified and reconciled.

In order to bring the Assessment Period to an end, the Board of the PPF is required to establish if the Scheme has sufficient assets to secure benefits for the members that are equivalent to the PPF levels of compensation.

In order to establish whether the Scheme has sufficient assets, an actuarial valuation at the Relevant Date (the day before the insolvency event) will be undertaken in accordance with section 143 of the Pension Act 2004. If the section 143 valuation shows that the Scheme does not have sufficient assets to secure PPF levels of compensation, the Scheme will formally transfer to the PPF. If the Scheme has sufficient assets to secure more than PPF levels of compensation, the Scheme will be wound up outside of the PPF.

Audited financial statements were required as at 19 January 2020 ("Relevant Accounts") to support the s143 valuation. The Scheme changed its accounting reference date to 19 January to coincide with the Relevant Accounts Date.

The Trustees continue to be responsible for the administration of the Scheme and for communicating with and making pension payments to Scheme members. A member announcement was issued to all members on 12 March 2020 explaining the Assessment Period, the process of entry to the PPF and the PPF levels of compensation applicable to members over and under Normal Pension Age as at the assessment date.

The Trustees also continue to act in the interests of all the Scheme members throughout the Assessment Period. However, during an Assessment Period, various restrictions and controls apply in relation to the Scheme which the Trustee is also obliged to adhere to.

Changes to Scheme Rules

On 20 January 2020 the Scheme entered the PPF Assessment Period.

If the Scheme is admitted into the PPF, members will be entitled to PPF levels of compensation.

Given the funding level, the Scheme is expected to have sufficient assets to secure members' benefits at, at least PPF level benefits. This process is expected to take some time.

There have been no other changes to Scheme Rules during the year under review.

The Trustees' Report (Cont)

The Sponsoring Employer

The name and address of the Sponsoring Employer is as follows:

JE Beale PLC (in administration)
c/o KPMG LLP*
15 Canada Square
London
E14 5GL

*since being appointed as insolvency practitioners KPMG LLP's restructuring business has rebranded as Interpath Advisory Ltd

Scheme advisers

The Trustees retain a number of professional advisers in connection with the operation of the Scheme. The advisers currently appointed are as follows:

Scheme Actuary	Ben Pullen FIA (from 18 May 2020) Nicholas Atkin (until May 2020)
Advising Actuaries	Barnett Waddingham LLP (from 1 June 2020) Atkin & Co (until 31 May 2020)
Administrator of the Scheme benefits	Barnett Waddingham LLP (from 1 June 2020) Atkin & Co (until 31 May 2020)
Investment Adviser	Barnett Waddingham LLP (from 10 March 2020) Quantum LLP (until 31 March 2020)
Independent Auditor	Nexia Smith & Williamson Audit Limited (from 30 December 2020) BDO LLP (until 27 October 2020)
Investment Managers	Legal & General Investment Management Limited Pictet Asset Management Limited (until 25 August 2020)
Legal Advisers	Osborne Clarke LLP Burgess Salmon LLP
AVC Providers	Legal & General Investment Management Limited
Annuity Providers	Canada Life Limited Phoenix Life Limited Scottish Widows Limited Sun Life Financial of Canada (U.K.) Limited
Bankers	Lloyds Bank plc (from 15 April 2020) National Westminster Bank plc (until 11 February 2021)

The Trustees' Report (Cont)

Changes in and other matters relating to Scheme advisers

Nicholas Atkin resigned as Scheme Actuary in May 2020. As required by Regulations made under the Pensions Act 1995 Mr Atkin confirmed in his notice of resignation that he knew of no circumstances connected with his resignation that significantly affected the interests of the members, prospective members or beneficiaries of the Scheme. Ben Pullen was appointed as Scheme Actuary on 18 May 2020.

BDO LLP resigned as Scheme auditor with effect from 27 October 2020. BDO LLP confirmed there were no circumstances connected to their resignation which significantly affects the interest of members, prospective members, or beneficiaries of the Scheme. The Trustees appointed Nexia Smith & Williamson Audit Limited as auditor to the Scheme with effect from 30 December 2020.

Except those noted in the table above there have been no other changes to Scheme advisers and other matters during the year under review.

Financial development of the Scheme

During the year the value of the net assets decreased by £1,163,701 to £50,430,748 as at 19 January 2021. The decrease comprised net withdrawals from dealings with members of £2,617,444 together with a net increase from the return on investments of £1,453,743.

Scheme Audit

The financial statements on pages 23 to 33 have been prepared and audited in accordance with regulations made under sections 41(1) and (6) of the Pensions Act 1995.

Tax status of Scheme

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and, to the Trustees' knowledge, there is no reason why the Scheme's registered status should be prejudiced or withdrawn.

Unpaid Contributions

Deficit funding contributions of £31,727 were recovered via an RP15 claim on 19 February 2021. No further deficit payments will be paid to the Scheme. Additional funds are expected on the realisation of a property freehold over which security is held. This property is currently being marketed for sale.

During the period an RP15 claim was submitted to the Insolvency Service for assessment. This was for unpaid contributions and fees paid by the Scheme instead of by the Principal Employer.

The Trustees' Report (Cont)

Scheme membership

	Number as at start of year	Changes in year	Number as at end of year
Preserved pensioners	130		
transferred out		(1)	
retired		(7)	
trivial commutation		(1)	
		<hr/>	
		(9)	121
Pensioners and dependants	417		
new pensioners		7	
new dependant		3	
died		(17)	
		<hr/>	
		(7)	410
Sub-total members	<hr/>		<hr/>
	547		531

The member numbers shown above reflect the number of member records held by the Scheme.

Pension increases

With effect from 20 January 2020, members of the Scheme have received PPF increases. These members will therefore receive no increases on benefits built up before 6 April 1997. Benefits built up on or after 6 April 1997 will receive increases in line with the Consumer Prices Index (CPI), subject to a maximum of 2.5% per year.

No discretionary increases were applied during the year.

Transfer values

Since the Scheme entered an Assessment Period on 20 January 2020, the calculation and payment of transfer values has been prohibited in line with PPF rules (except for divorce purposes).

Data Protection Act 2018 and General Data Protection Regulation

Under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 regulations, pension scheme trustees are classed as data controllers, with legal responsibility for compliance falling to them. Scheme Actuaries are also classed as data controllers (jointly with the trustees) in accordance with guidance issued by the Actuarial Profession. Barnett Waddingham LLP act as a data processor as the administrators of the Fund.

The Trustees have worked with their advisers to receive relevant training, and continues to do so to ensure continued compliance with data protection legislation.

Codes of Practice

The Trustees are aware of and adhere to the Codes of Practice issued by The Pensions Regulator ("TPR"). The objectives of these codes are to protect members' benefits, reduce the risk of calls on the Pension Protection Fund ("PPF") and to promote good administration.

The Trustees' Report (Cont)

The Pensions Regulator: Record Keeping

TPR issues guidance on all aspects of pension scheme data record keeping to all those responsible for the data (the Trustees) and those who administer pension schemes. The guidance covers both common data and scheme-specific (conditional) data. The guidance sets out good practice in helping trustees to assess risks associated with record keeping. Improved data means that trustees and employers will be able to make a more precise assessment of their financial liabilities. Schemes are expected to keep their data under regular review and set targets for the improvement in the standard of data recorded.

More information can be found at:

<http://www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx>

GMP equalisation

On the 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits.

The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees of the Scheme will ensure that pension benefits in relation to GMP are equalised in line with the PPF's specified methodology.

On 20th November 2020 the High Court handed down a further judgment on the GMP equalisation case in relation to the Lloyds banking group pension schemes. The Trustees are considering the impact of the latest judgment with their advisers.

Contact for further information

If, as a Scheme member, you wish to obtain further information about the Scheme, including copies of the Scheme documentation, your own pension position, or who to contact in the event of a problem or complaint, please write to or telephone: the Scheme administrators

Barnett Waddingham LLP, 2 London Wall Place, 123 London Wall, London, EC2Y 5AU

Tel 0333 11 11 222.

Email: Beales@Barnett-Waddingham.co.uk

The Trustees' Report (Cont)

Statement of Trustees' Responsibilities

Trustees' responsibilities in respect of the financial statements

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustees. Pension Scheme regulations require, and the Trustees are responsible for ensuring, that those financial statements:

-) show a true and fair view of the financial transactions of the Scheme during the year and of the amount and disposition at the end of the year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year, and
-) contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustees are responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustees are also responsible for making available certain other information about the Scheme in the form of an Annual Report.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustees' Report (Cont)

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, the Scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date. This is assessed using the assumptions agreed between the Trustees and the Employer and set out in the Statement of Funding Principles, which is available to Scheme members on request.

On 20 January 2020, the sponsoring employer suffered an insolvency event as defined by Section 121 of the Pensions Act 2004 and the Scheme formally entered a PPF Assessment Period with effect from this date.

The most recent full actuarial valuation of the Scheme was carried out as at 31 October 2016. Updated valuations were performed on 31 October 2017 and 31 October 2018. These showed:

	Actuarial Valuation 31 October 2016	Actuarial Update 31 October 2017	Actuarial Update 31 October 2018
The value of Technical Provisions was:	56.9 million	53.8 million	53.1 million
The value of Assets was:	49.0 million	49.5 million	48.4 million
Percentage of Technical Provisions:	86%	92%	91%

Principal actuarial assumptions for valuation as at 31 October 2016

Investment return	2.05% p.a.
RPI price inflation	3.50% p.a.
CPI price inflation	2.70% p.a.
Salary increases	2.70% p.a.
Deferred revaluation	2.70% p.a.
Pension increases	
- RPI	3.50% p.a. *
- RPI up to 5% p.a.	3.40% p.a.
Commutation	80% of members take the maximum cash allowed at retirement based on the current Scheme cash commutation terms.
Retirement age	50% of members retire at age 60 with the remaining members retiring at age 63.
Mortality	
- base table	S2PA (light) year of birth tables with a 90% weighing for females.
- improvements	CMI 2016 projections with a 1.5% p.a. long-term improvement trend.

*pre 97 pension generally receives 5% fixed annual increases but some members have previously elected to receive RPI increases

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

The Trustees' Report (Cont)

Significant actuarial assumptions

Derivation of actuarial assumptions for valuation as at 31 October 2016

Investment return (discount rate): An estimate of the yield available on a notional portfolio of UK Government conventional gilt stocks whose cashflows approximately match the Scheme's estimated benefit cashflows rounded to the nearest 0.05% p.a., plus an additional 0.3% p.a. to reflect the prudent allowance the Trustees have agreed for additional investment returns.

If the Scheme's investment strategy changes after the completion of the valuation, the assumed discount rate may also change at subsequent funding updated to reflect the different (prudent) return from the new asset mix.

RPI Inflation: The investment market's expectation for RPI inflation as indicated by an estimate of the difference between the yields available on notional portfolios of conventional and Index-linked UK Government bonds whose cashflows approximately match the Scheme's estimated benefit cashflows, rounded to the nearest 0.05% p.a. At the 31 October 2016 actuarial valuation date, a 0.1% p.a. inflation risk premium was then deducted in determining the RPI inflation assumption.

CPI inflation: The CPI inflation assumption was set equal to the RPI inflation assumption (as set out above), less an amount to reflect the difference in the basket of goods and calculation methods underlying the RPI and CPI price inflation indices. At the 31 October 2016 actuarial valuation date, this deduction was 0.8% p.a.

Salary increases: The assumption for real salary increases (salary increases in excess of price inflation) will be determined after consulting the Company. The Scheme closed to future accrual from 30 April 2009, from which point members' accrued benefits are increased up to retirement (or earlier date of leaving service) at the higher of CPI (subject to a maximum of 5% p.a. compound) and salary increases. The Company has confirmed that it does not expect to give salary increases in excess of CPI over in the short to medium term, and the salary increase assumption has therefore been set equal to the CPI assumption.

Pension increases: Increases in payment to pensions earned after April 1997 (where increases are in line with RPI price inflation up to a maximum of 5% p.a.) are assumed to be in line with the RPI inflation assumption described above, less an adjustment to reflect the 5% maximum that applies in each year. As at the 31 October 2016 actuarial valuation date, this adjustment was a deduction of 0.1% p.a. to the RPI assumption. Pensions earned before April 1997 (with increases in line with RPI price inflation) are assumed to be in line with the RPI inflation assumption described above. Pensions earned before April 1997 (with fixed 5% p.a. increases) are assumed to increase at the fixed annual rate.

Mortality: The mortality assumptions are based on up-to-date information published by the Continuous Mortality Investigation (CMI) and National Statistics, making allowance for future improvements in longevity and the membership profile of the Scheme. The mortality tables used in the 2016 actuarial valuation are S2PA (light) year of birth tables (with a 90% weighting for females) and allowance for future mortality improvements in line with the CMI 2016 projections with a long-term improvement trend of 1.5% p.a.

The financial statements on pages 23 to 33 do not take into account liabilities which fall due after the year end. As part of the triennial valuation, the Scheme Actuary considers the funding position of the Scheme and the level of contributions payable.

The Trustees' Report (Cont)

The Investment Report

Investment managers

The Trust Deed and Rules permit the Trustees of the Beales Pension Scheme to delegate the task of investment management to external professional investment managers. The Trustees set the investment strategy for the Scheme after taking advice from Barnett Waddingham, the Scheme's investment adviser. The Trustees have put in place a mandate with their investment managers which implements this strategy. The investment managers are remunerated by fees based on a percentage of funds under management, and these fees are met by the Scheme. There are no performance-related fee arrangements.

When choosing investments, the Trustees and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The Trustees' responsibilities also include:

-) Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
-) Voting and corporate governance in relation to the Scheme's assets.

The Trustees expect that the investment managers will take into account these responsibilities in the exercise of their delegated duties. These matters are, however, kept under review by the Trustees, in consultation with their investment adviser and investment managers

Investment principles

The Trustees have produced a Statement of Investment Principles (SIP) as required by section 35 of the Pensions Act 1995 and a copy is available online at www.psgovernance.com/communications/beales-pension-scheme.html. The SIP incorporates the Trustees' investment strategy. The current SIP was signed on 24 September 2020.

Departures from investment principles

There were no significant departures from the stated principles during the period under review. Small deviations from the benchmark allocation are to be expected as a result of fluctuations in asset prices.

Review of investment performance

Investment Strategy

The investment objective set by the Trustees is to achieve the best overall investment return over the longer term consistent with an acceptable degree of risk in relation to the nature and duration of the Scheme's liabilities.

The Trustees' main investment objectives are:

-) to ensure that they can meet the members' entitlements as they fall due, in accordance with the Trust Deed and Rules and overriding PPF requirements during the PPF assessment period;
-) to manage the expected volatility of the returns achieved in order to control the level of volatility in the Scheme's funding level;
-) to invest in assets of appropriate liquidity which will generate income and capital growth to meet the cost of current benefits which the Scheme provides;
-) to reduce the risk of the assets failing to meet the liabilities over the long term;
-) to minimise the long-term costs of the Scheme by maximising the return on the assets whilst having regard to the above objectives.

The Trustees' Report (Cont)

The Investment Report (Cont)

The current strategy is to hold:

-) 42.5% in nominal gilts
-) 27.5% in index-linked gilts
-) 30% in corporate bonds

Changes to investments over 2020

The investment changes involved disinvesting in full from the LGIM Diversified Fund and the Pictet Absolute Return Fixed Income funds and was actioned in 3 tranches. The initial tranche of disinvestments was on 26 May 2020 and the third tranche of disinvestments was on 25 August 2020. The proceeds were invested in 3 new funds; LGIM All Stocks Gilts Index Fund, LGIM Under 15 Year Index-Linked Gilts Index Fund, and the LGIM Buy and Maintain Credit fund and the change in investments was completed on 1 September 2020.

Strategy as at 19 January 2021

The Trustees, having taken advice from the Scheme's investment consultants about the Scheme's assets and liabilities, have set the following long-term asset allocation policy for the Scheme:

Asset class	Benchmark allocation as % of market value
Nominal gilts	42.5
Index-linked gilts	27.5
Corporate bonds	30

The actual allocation of investments as at 19 January 2021 is set out below, with pooled investment vehicles analysed by underlying economic exposure:

Funds	Bid Value £000	Actual Allocation %
LGIM Over 15 years Gilts Index Fund	5,818	11.9%
LGIM All Stocks Gilts Index Fund	14,857	30.3%
LGIM Over 5 Year Index-Linked Gilts Index Fund	5,879	12.0%
LGIM Under 15 Year Index-Linked Gilts Index Fund	7,427	15.2%
LGIM Buy and Maintain Credit Fund	14,983	30.6%
Total	48,964	100%

This strategy is implemented through investments in pooled funds. All of the Defined Benefit Section's managers are authorised and regulated by the Financial Conduct Authority. All investments are valued at least weekly. The Trustees regards all of the Scheme's investments as readily marketable.

The Trustees' Report (Cont)

The Investment Report (Cont)

Performance to 31 December 2020

The table below sets out the investment performance figures for the Scheme's funds over 1 year, 3 year and 5 years periods ending 31 December 2020 (together with the respective benchmark returns):

Fund manager	1 year returns		3 year returns (p.a.)		5 year returns (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
LGIM Over 15 years Gilts Index	13.9%	13.9%	n/a	n/a	n/a	n/a
LGIM Over 5 Year Index-Linked Gilts Index Fund	12.4%	12.4%	6.2%	6.1%	9.3%	9.3%
LGIM All Stocks Gilts Index Fund	n/a	n/a	n/a	n/a	n/a	n/a
LGIM Under 15 Year Index-Linked Gilts Index Fund	n/a	n/a	n/a	n/a	n/a	n/a
LGIM Buy and Maintain Credit Fund	n/a	n/a	n/a	n/a	n/a	n/a

Source: LGIM, gross of fees

Where performance above is n/a, the Scheme has not been invested in that fund for the period concerned so the performance is not available.

Custodian arrangements

The Trustees are responsible for ensuring the Scheme's assets continue to be securely held.

For the Scheme's pooled fund investments, the Trustees have no direct ownership of the funds or the underlying assets of the pooled funds. The policies, proposal forms, prospectuses and related principles of operation, set out the terms on which the assets are managed. The safekeeping of the assets within the pooled funds is performed on behalf of the investment managers by custodian banks specifically appointed to undertake this function.

Nature, disposition, marketability, security and valuation

The Trustees have considered the nature, disposition, marketability, security and valuation of the Scheme's investments and considers them to be appropriate relative to the reasons for holding each class of investment. More details about investments are given in the notes to the financial statements.

Financially material consideration, Socially Responsible Investment and Corporate Governance

The Trustees believe that environmental, social and governance factors are potentially financially material and therefore have a policy to consider these, alongside other factors, when selecting or reviewing the Scheme's investments.

The Trustees acknowledge that the Scheme is in the PPF Assessment Period and therefore the impact of environmental, social and governance factors is not expected to be hugely significant. In part, this is due to the fact that the time horizon for the investment strategy is not expected to be long and the Scheme invests predominately in passive gilts and corporate bonds.

The Trustees' Report (Cont)

The Investment Report (Cont)

Given the assets are predominately in passive gilts and some corporate bonds, the Trustees have not imposed any restrictions relating to ESG issues on their investment manager and have not imposed any exclusions on their investment arrangements based on ESG factors. The Scheme's investment manager does have ESG policies in place, and is also a signatory to the UN Principles of Responsible Investment.

Non-financial matters

When constructing the investment strategy and selecting investment managers the Trustees do not prioritise non-financial matters.

Engagement activities

Given the Scheme invests predominately in passive gilts with some corporate bonds; the Scheme does not have a policy in relation to engagement activities.

Implementation Statement

Purpose of this statement

This statement has been produced by the Trustee of the Beales Pension Scheme for the purpose of monitoring how the policies set out in the Scheme's Statement of Investment Principles (SIP) have been followed over the year. It sets out:

-)] How the Trustees' policies on exercising rights (including voting rights) and engagement policies have been followed over the year.
-)] The voting behaviour of the Trustees, or that undertaken on their behalf, over the year to 31 December 2020. The voting behaviour is not given over the Scheme year end to 19 January because investment managers only report on this data quarterly, we have therefore given the information over the year to 31 December 2020.

How voting and engagement policies have been followed

The Trustees believe that their policies have been met in the following ways:

-)] At the Scheme year-end, the Scheme's investment managers was Legal and General Investment Management (LGIM). The Trustees periodically consider the performance of the funds and any significant developments that arise.
-)] The Scheme invests entirely in pooled funds, and as such delegates responsibility for carrying out voting and engagement activities to the Scheme's fund managers.
-)] Annually the Trustees receive and review voting information and engagement policies from the asset managers, which we review to ensure alignment with our own policies. Having reviewed the above in accordance with their policies, the Trustees are comfortable the actions of the fund manager is in alignment with the Scheme's stewardship policies.

Voting Data

This section provides a summary of the voting activity undertaken by the investment managers on behalf of the Scheme over the year to 31 December 2020. During the review period, the Scheme briefly invested in the LGIM Diversified Fund. The voting data for this fund is therefore shown in the table below.

There are no voting rights attached to the Scheme's bond investments with LGIM, so no voting data is shown for these assets.

The Trustees' Report (Cont)

Implementation Statement (Cont)

Manager	LGIM
Fund name	Diversified Fund
Structure	Pooled
Ability to influence voting behaviour of manager	The pooled fund structure means that there is limited scope for the Trustees to influence the manager's voting behaviour.
Number of company meetings the manager was eligible to vote at over the year	10,973
Number of resolutions the manager was eligible to vote on over the year	112,453
Percentage of resolutions the manager voted on	98.8%
Percentage of resolutions the manager abstained from	17.5%
Percentage of resolutions voted <i>with</i> management, as a percentage of the total number of resolutions voted on	82.0%
Percentage of resolutions voted <i>against</i> management, as a percentage of the total number of resolutions voted on	0.5%

Significant votes

For the first year of implementation statements we have delegated to the investment manager(s) to define what a "significant vote" is. A summary of the data they have provided is set out below.

LGIM Diversified Fund

	Vote 1	Vote 2	Vote 3
Company name	Qantas Airways Limited	Whitehaven Coal	International Consolidated Airlines Group
Date of vote	23-Oct-20	22-Oct-20	07-Sep-20
Summary of the resolution	<p>Resolution 3: Approve participation of Alan Joyce in the Long-Term Incentive Plan</p> <p>Resolution 4: Approve Remuneration Report.</p>	<p>Resolution 6: Approve capital protection.</p> <p>Shareholders are asking the company for a report on the potential wind-down of the company's coal operations, with the potential to return increasing amounts of capital to shareholders.</p>	<p>Resolution 8: Approve Remuneration Report was proposed at the company's annual shareholder meeting held on 7 September 2020.</p>
How the manager voted	LGIM voted against resolution 3 and supported resolution 4.	LGIM voted for the resolution.	LGIM voted against the resolution.
If the vote was against management, did the manager communicate their intent to the company ahead of the vote?	LGIM's Investment Stewardship team communicated the voting decision directly to the company before the AGM and provided feedback to	LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with	LGIM publicly communicates its vote instructions in monthly regional vote reports on its website with the rationale for all votes against management. It is

The Trustees' Report (Cont)

Implementation Statement (Cont)

	Vote 1	Vote 2	Vote 3
	the remuneration committee.	investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.	our policy not to engage with our investee companies in the three weeks prior to an AGM as our engagement is not limited to shareholder meeting topics.
Rationale for the voting decision	<p>LGIM wanted to ensure the impact of the COVID crisis on the company's stakeholders was appropriately reflected in the executive pay package. LGIM's Investment Stewardship team engaged with the Head of Investor Relations of the company to express our concerns and understand the company's views. They supported the remuneration report (resolution 4) given the executive salary cuts, short-term incentive cancellations and the CEO's voluntary decision to defer the vesting of the long-term incentive plan (LTIP), in light of the pandemic. However, LGIM's concerns as to the quantum of the 2021 LTIP grant remained, especially given the share price at the date of the grant and the remuneration committee not being able to exercise discretion on LTIPs. LGIM voted against resolution 3 to signal their concerns.</p>	<p>The role of coal in the future energy mix is increasingly uncertain, due to the competitiveness of renewable energy, as well as increased regulation: in Q4 2020 alone three of Australia's main export markets for coal - Japan, South Korea and China - have announced targets for carbon neutrality around 2050. LGIM has publicly advocated for a 'managed decline' for fossil fuel companies, in line with global climate targets, with capital being returned to shareholders instead of spent on diversification and growth projects that risk becoming stranded assets. As the most polluting fossil fuel, the phase-out of coal will be key to reaching these global targets.</p>	<p>LGIM was concerned about the level of bonus payments, which are 80% to 90% of their salary for current executives and 100% of their salary for the departing CEO. LGIM noted that the executive directors took a 20% reduction to their basic salary from 1 April 2020. However, whilst the bonuses were determined at the end of February 2020 and paid in respect of the financial year end to December 2019, LGIM would have expected the remuneration committee to exercise greater discretion in light of the financial situation of the company, and also to reflect the stakeholder experience (employees and shareholders). Over the past few years, LGIM has been closely engaging with the company, including on the topic of the succession of the CEO and the board chair, who were long-tenured. This engagement took place privately in meetings with the board chair and the senior independent director. This eventually led to a success, as the appointment of a new CEO to replace the long-standing CEO was announced in January 2020. A new board chair: an independent non-executive director, was also recently appointed by the board. He will be starting his new role in January 2021.</p>
Outcome of the vote	<p>About 90% of shareholders supported resolution 3 and 91% supported resolution 4. The meeting results highlight LGIM's stronger</p>	<p>The resolution did not pass, as a relatively small amount of shareholders (4%) voted in favour. However, the environmental profile of the company continues to</p>	<p>28.4% of shareholders opposed the remuneration report.</p>

The Trustees' Report (Cont)

Implementation Statement (Cont)

	Vote 1	Vote 2	Vote 3
	stance on the topic of executive remuneration.	remain in the spotlight: in late 2020 the company pleaded guilty to 19 charges for breaching mining laws that resulted in significant environmental harm. As the company is on LGIM's Future World Protection List of exclusions, many of our ESG-focused funds and select exchange-traded funds were not invested in the company.	
Implications of the outcome	We will continue our engagement with the company.	LGIM will continue to monitor this company.	LGIM will continue to engage closely with the renewed board.
Criteria on which the vote is considered "significant"	It highlights the challenges of factoring in the impact of the COVID situation into the executive remuneration package.	The vote received media scrutiny and is emblematic of a growing wave of green shareholder activism.	LGIM considers this vote significant as it illustrates the importance for investors of monitoring investee companies' responses to the COVID crisis.

Fund level engagement

Manager	LGIM	Pictet*
Fund name	LGIM Buy and Maintain Credit Fund LGIM Diversified Fund	Absolute Return Fixed Income Fund
Does the manager perform engagement on behalf of the holdings of the fund	Yes	Yes
Has the manager engaged with companies to influence them in relation to ESG factors in the year?	Yes	Yes
Number of engagements undertaken on behalf of the holdings in this fund in the year	n/a	n/a
Number of engagements undertaken at a	891	227

The Trustees' Report (Cont)

Implementation Statement (Cont)

Manager	LGIM	Pictet*
firm level in the year	<p>Firm level engagement example</p> <p>LGIM has been engaging with Korea Electric Power Company (KEPCO) since early 2017. In 2019, due to a lack of responsiveness to investor concerns, the company's continued plans to expand thermal coal power generation and poor climate risk disclosure, LGIM made the decision to implement voting sanctions and divest from the company from the Future World fund range.</p> <p>In October, KEPCO publicly pledged it would make no further investments in overseas coal projects. The company announced it would focus on renewables and natural gas in the future, and that all currently planned thermal coal projects, with the exception of two plants in Indonesia and Vietnam, will either be converted to liquefied natural gas or called off.</p>	<p>Firm level engagement example</p> <p>Following successful engagement with a company in 2018, most notably in relation to their share ownership practices for executive directors, in 2019 Pictet continued dialogue over improving their remuneration policy. Specifically, Pictet have been engaging with them on their Long-Term Incentive Plan (LTIP) to remove the Total Shareholder Return (TSR) component and to include a cash returns measure.</p>
Examples of engagements undertaken with holdings in the fund		

*The Scheme has fully disinvested from the Pictet Absolute Return Fixed Income Fund.

The Scheme is also invested in LGIM Over 15 years Gilts Index Fund, LGIM Over 15 years Gilts Index Fund, LGIM Over 5 Year Index-Linked Gilts Index Fund and LGIM Under 15 Year Index-Linked Gilts Index Fund. Gilt and cash funds have limited capabilities to vote or engage with investees hence are not included in the table above.

Approval of Trustees' Report

This report was approved by the Trustees on

Date: 18 August 2021

Signed on behalf of the Trustees:

Independent Auditor's Report to the Trustees of the Beales Pension Scheme

Opinion

We have audited the financial statements of the Beales Pension Scheme (the 'scheme') for the year ended 19 January 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

-) show a true and fair view of the financial transactions of the scheme during the year ended 19 January 2021, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
-) have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
-) contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to note 1 of the financial statements, which explains that the financial statements have not been prepared on a going concern basis for reasons set out in that note. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to the Trustees of the Beales Pension Scheme (Continued)

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 6, the trustees are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to wind up the scheme or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Based on our understanding of the scheme and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK pensions legislation such as the Pensions Acts 1995, 2004, 2008 and 2014 and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. We evaluated trustees' opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to misappropriation of assets, particularly cash and investments and posting inappropriate journal entries. Audit procedures performed included:

-) enquiry of the trustees to identify the existence of any correspondence with the Pensions Regulator or any instances of non-compliance with applicable laws and regulations
-) review of minutes of trustee meetings
-) obtaining independent confirmation of, and testing of a risk-based sample of investment balances at the year end
-) testing of a risk-based sample of journal entries to supporting documentation
-) designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing
-) challenging assumptions and judgements made by trustees in their significant accounting estimates, in particular in relation to the valuation of annuities

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Trustees of the Beales Pension Scheme (Continued)

Use of our report

This report is made solely to the scheme's trustees, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the scheme's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the scheme's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith and Williamson

Chartered Accountants

Statutory Auditor

Bristol

Date:

Summary of Contributions Payable in the Year

During the year, the contributions payable to the Scheme by the Employer under the Scheme Rules were as follows:

	£
Amount recovered via RP15 claim	31,727
Contributions payable as shown in financial statements	<u>31,727</u>

During the period an RP15 claim was submitted to the Insolvency Service for assessment. This was for unpaid contributions and fees paid by the Scheme instead of by the Principal Employer.

Date: 18 August 2021

Signed on behalf of the Trustees:

Independent Auditor's Statement about Contributions to the Trustees of the Beales Pension Scheme

We have examined the summary of contributions to the Beales Pension Scheme for the year to 19 January 2021, which is set out on page 21.

In our opinion, contributions for the Scheme year ended 19 January 2021 as reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Scheme Rules and recommendations of the Actuary.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the relevant requirements. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Scheme Rules and recommendations of the Actuary.

Respective responsibilities of trustees and the auditor

As explained more fully in the Statement of Trustee's Responsibilities, the Trustees are responsible for keeping records in respect of contributions received in respect of the Scheme and for monitoring whether contributions are made to the Scheme by the Employer in accordance with the Scheme Rules and recommendations of the Actuary.

It is our responsibility to provide a Statement about Contributions payable under the Scheme Rules and recommendations of the Actuary, and to report our opinion to you.

Use of our statement

This statement is made solely to the Trustees, as a body, in accordance with the Occupational Pension Schemes (Requirement to Obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees, as a body, for our work, for this statement or for the opinions we have formed.

Nexia Smith and Williamson

Chartered Accountants

Statutory Auditor

Bristol

Date:

The Financial Statements

Fund Account

for the year ended 19 January 2021

	Note	Year ended 19 January 2021	Period 1 November 2018 to 19 January 2020
		£	£
Contributions and benefits			
Employer contributions		31,727	564,000
Total contributions	5	31,727	564,000
Benefits paid or payable	6	(1,948,006)	(2,414,391)
Payments to and on account of leavers	7	(212,967)	(4,196,987)
Administrative expenses	8	(488,198)	(229,495)
		(2,649,171)	(6,840,873)
Net withdrawals from dealings with members		(2,617,444)	(6,276,873)
Returns on investments			
Investment income	9	41,530	52,724
Change in market value of investments	10	1,532,264	5,629,232
Investment management expenses	11	(120,051)	(65,021)
Net return on investments		1,453,743	5,616,935
Net decrease in the fund during the year		(1,163,701)	(659,938)
Net assets of the Scheme			
At start of year/period		51,594,449	52,254,387
At end of year/period		50,430,748	51,594,449

The notes on pages 25 to 33 form part of these financial statements.

The Financial Statements (cont)

Statement of Net Assets

available for benefits as at 19 January 2021

	Note	19 January 2021	19 January 2020
		£	£
Investment assets:	10		
Property	10	136,000	150,000
Pooled investment vehicles	13	48,964,040	49,838,048
Insurance policies	14	988,802	1,051,154
		<u>50,088,842</u>	<u>51,039,202</u>
Current assets	19	419,805	603,272
Current liabilities	20	<u>(77,899)</u>	<u>(48,025)</u>
Net assets of the Scheme at 19 January available for benefits		<u>50,430,748</u>	<u>51,594,449</u>

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the year. The actuarial position of the Scheme, which takes into account such obligations is dealt with in the Report on Actuarial Liabilities on pages 8 to 9 of the Annual Report and these financial statements should be read in conjunction with this report.

The notes on pages 25 to 33 form part of these financial statements.

These financial statements were approved by the Trustees on

Date: 18 August 2021

Signed on behalf of the Trustees:

Notes to the Financial Statements

Details of general information for the Scheme are available in the Trustees' Report.

1. Basis of preparation

The individual financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, (and the guidance set out in the Statement of Recommended Practice (Revised 2018)). In June 2018, a revised SORP was issued which is applicable to accounting periods commencing on or after 1 January 2019. The Trustees have opted the revised SORP for the first time in these financial statements. The adoption of the revised SORP has had no material impact on the financial statements, although it has required certain additions to or amendments of disclosures in the financial statements.

The Sponsoring Employer of the Scheme suffered an insolvency event on 20 January 2020, and the Scheme entered the PPF assessment period on the same day. These financial statements have been prepared on a basis other than going concern as the Scheme is expected to transfer to the PPF or be wound up outside the PPF within the next 18 months. This has no effect on current period valuation of assets or liabilities.

2. Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustees' Report.

3. Accounting policies

The principal accounting policies of the Scheme which are applied consistently are as follows:

Currency

) The Scheme's functional and presentational currency is pounds sterling.

Contributions

-) Employer deficit funding contributions were accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and Trustees.
-) RP15 contributions have been accounted for in the period in which the submission was made.

Payments to members

-) Pensions in payment are accounted for in the period to which they relate.
-) Where members have a choice regarding the form and timing of their benefit, benefits are accounted for on an accruals basis on the later of the date of retiring or leaving and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retiring or leaving.
-) Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is received or paid.

Expenses and other payments

-) Expenses are accounted for on an accruals basis.
-) Investment management expenses and rebates are accounted for on an accruals basis and shown net within "Returns on investments". Transaction costs are included in the cost of purchases and sale proceeds.

Investment income

-) Rents are earned in accordance with the terms of the lease and on an accruals basis.
-) Income from cash and short term deposits is accounted for on an accruals basis.
-) Receipts from annuity policies are accounted for as investment income on an accruals basis.

Investments

-) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.
-) Unitised pooled investment vehicles have been valued at the latest available bid price or single price provided by the pooled investment manager. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV) determined in accordance with fair value principles, provided by the pooled investment manager.

Notes to the Financial Statements (Cont)

3. Accounting policies (cont)

-) The investment property was stated at 19 January 2020 at an open market value agreed by the Trustees (some of whom were employed by the Principal Employer) on 2 February 2012. The property sold for £136,000 on 10 February 2021 therefore it has been assumed that this is the fair value of the property at 19 January 2021.
-) Annuities have been valued by the Scheme Actuary at the amount of the related obligation, determined using the most recent Scheme Funding valuation assumptions updated for market conditions at the reporting date.

4. Comparative disclosures for the Fund Account

The following table shows a split of the totals for the prior year included within the financial statements between the Defined Benefit and Defined Contribution Sections.

Fund Account

		Period 1 November 2018 19 January 2020		
Note	Defined Benefit Section £	Defined Contribution Section £	Total £	
Contributions and benefits				
Employer contributions	564,000	-	564,000	
Benefits paid or payable	6 (2,394,313)	(20,078)	(2,414,391)	
Payments to and on account of leavers	7 (384,383)	(3,812,604)	(4,196,987)	
Administrative expenses	8 (224,964)	(4,531)	(229,495)	
	(3,003,660)	(3,837,213)	(6,840,873)	
Net withdrawals from dealings with members				
	(2,439,660)	(3,837,213)	(6,276,873)	
Returns on investments				
Investment income	9 52,724	-	52,724	
Change in Market value of investments	5,738,609	(109,377)	5,629,232	
Investment management expenses	11 (65,021)	-	(65,021)	
Net returns on investments	5,726,312	(109,377)	5,616,935	
Net increase / (decrease) in the fund during the year	3,286,652	(3,946,590)	(659,938)	
Net assets of the Scheme				
At the beginning of the period	48,307,797	3,946,590	52,254,387	
At the end of the period	51,594,449	-	51,594,449	

Notes to the Financial Statements (Cont)

5. Contributions

	Year to 19 January 2021	Period 1 November 2018 to 19 January 2020
	£	£
Employer contributions		
Deficit funding	-	564,000
RP15 claim	31,727	-
	31,727	564,000

Deficit funding contributions of £31,727 were recovered via an RP15 claim on 19 February 2021. No further deficit payments will be paid to the Scheme. Additional funds are expected on the realisation of a property freehold over which security is held. This property is currently being marketed for sale.

During the period an RP15 claim was submitted to the Insolvency Service for assessment. This was for unpaid contributions and fees paid by the Scheme instead of by the Principal Employer.

6. Benefits paid or payable

	Year to 19 January 2021		
	Defined Benefit Section	Defined Contribution Section	Total
	£	£	£
Pensions	1,876,779	-	1,876,779
Commutation of pensions and lump sum retirement benefits	71,227	-	71,227
Lump sum death benefits	-	-	-
	1,948,006	-	1,948,006
	Period 1 November 2018 to 19 January 2020		
Pensions	2,252,118	-	2,252,118
Commutation of pensions and lump sum retirement benefits	132,015	20,078	152,093
Lump sum death benefits	10,180	-	10,180
	2,394,313	20,078	2,414,391

7. Payments to and on account of leavers

	Year to 19 January 2021		
	Defined Benefit Section	Defined Contribution Section	Total
	£	£	£
Individual transfers to other schemes	212,967	-	212,967
	212,967	-	212,967
	Period 1 November 2018 to 19 January 2020		
Group transfers to other schemes	-	3,780,784	3,780,784
Individual transfers to other schemes	384,383	31,820	416,203
	384,383	3,812,604	4,196,987

The group transfer out represents the assets transferred in respect of members of the DC section who transferred to a master trust policy with Aegon on 27 December 2018.

Notes to the Financial Statements (Cont)

8. Administrative expenses

	Year to 19 January 2021		Total £
	Defined Benefit Section £	Defined Contribution Section £	
Administration and actuarial fees	269,052	-	269,052
Audit fee	18,480	-	18,480
Legal and other professional fees	112,287	-	112,287
Trustee fees and expenses	105,958	-	105,958
PPF Levy	1,981	-	1,981
Bank charges and miscellaneous expenses	412	-	412
VAT reclaimed	(19,972)	-	(19,972)
	488,198	-	488,198
Period 1 November 2018 to 19 January 2020			
Administration and actuarial fees	124,916	4,531	129,447
Audit fee	7,150	-	7,150
Legal and other professional fees	44,986	-	44,986
Trustee fees and expenses	42,393	-	42,393
PPF Levy	3,670	-	3,670
Bank charges and miscellaneous expenses	1,849	-	1,849
	224,964	4,531	229,495

Administrative expenses are met by the Scheme.

9. Investment income

	Year to	Period
	19 January 2021 £	1 November 2018 to 19 January 2020 £
Net rents from properties	-	1,250
Annuity income	41,401	51,474
Interest on cash deposits	129	-
	41,530	52,724

10. Reconciliation of investments

	Value at 19 January 2020 £	Purchases at cost £	Sales proceeds £	Change in market value £	Value at 19 January 2021 £
Properties	150,000	-	-	(14,000)	136,000
Pooled investment vehicles	49,838,048	37,450,591	(39,933,215)	1,608,616	48,964,048
Insurance policies	1,051,154	-	-	(62,352)	988,802
	51,039,202	37,450,591	(39,933,215)	1,532,264	50,088,842

Notes to the Financial Statements (Cont)

10. Reconciliation of investments (cont)

During the year, the Scheme fully disinvested from the Pictet Absolute Return Fixed Income Fund and the LGIM Diversified Fund. The proceeds were invested in three new funds: LGIM All Stocks Gilts Index Fund, LGIM Under 15 Year Index-Linked Gilts Index Fund and LGIM Buy and Maintain Credit Fund.

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Direct transaction costs include costs charged to the Scheme such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £nil (2020: £Nil). In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the Scheme.

11. Investment management expenses

	Year to 19 January 2021 £	Period 1 November 2018 to 19 January 2020 £
Administration, management and custody	119,799	65,021
Property expenses	252	-
	120,051	65,021

12. Taxation

The Scheme is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

13. Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2021 £	2020 £
Bonds	32,981,625	24,924,390
Buy & maintain	14,982,415	-
Multi-asset	-	15,391,686
Absolute return	-	9,521,972
	47,964,040	49,838,048

14. Insurance policies

The Scheme held insurance policies at the year-end as follows:

	2021 £	2020 £
Annuities policies	988,802	1,051,154

Included in the above total for annuity policies are annuities held with Canada Life, Scottish Widows, HS UK Annuity and Sun Life Financial of Canada.

15. Property

	2021 £	2020 £
Freehold	136,000	150,000

Notes to the Financial Statements (Cont)

16. Fair value hierarchy

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety.

The Scheme's investment assets and liabilities fall within the above hierarchy levels as follows:

	As at 19 January 2021			Total £
	Level 1 £	Level 2 £	Level 3 £	
Property	-	-	136,000	136,000
Pooled investment vehicles	-	48,964,040	-	48,964,040
Insurance policies	-	-	988,802	988,802
	-	48,964,040	1,124,802	50,088,842

	As at 19 January 2020			Total £
	Level 1 £	Level 2 £	Level 3 £	
Property	-	-	150,000	150,000
Pooled investment vehicles	-	49,838,048	-	49,838,048
Insurance policies	-	-	1,051,154	1,051,154
	-	49,838,048	1,201,154	21,039,202

17. Investment risk disclosures

Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks as follows:

-)] Credit risk – one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
-)] Market risk – comprises the following three types of risk:
 1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
 2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
 3. Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

The Trustees determine their investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management, credit and market risk is set out below. This does not include property held at the year end as this is not considered significant in relation to the overall investments of the Scheme.

Notes to the Financial Statements (Cont)

17. Investment risk disclosures (cont)

The Scheme's exposure to risk is summarised as:

Asset Classes	Currency risk	Interest rate risk	Credit risk	Other price risk	2021	2020
Bonds		x	x	x	48,964,037	24,924,390
Multi-Asset	x	x	x	x	-	15,391,686
Absolute return	x	x	x	x	-	9,521,972
Insurance policy			x		988,802	1,051,154

Market risk: Interest rates

The Scheme is subject to interest rate risk because the Scheme's investments are held in bonds and gilts through pooled vehicles. Under this strategy, if gilt yields fall, the value of the Scheme's investments will rise a certain extent to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Market risk: Currency

The Fund is not exposed to currency risk. The Fund's liabilities are denominated in sterling. Currency risk within the LGIM Buy and Maintain Credit Fund is hedged back to sterling. In the prior year there was currency risk because the multi-asset and absolute return fund held overseas investments which were not hedged by the fund manager.

Market risk: Other price

Other price risk arises in relation to the Scheme's investments held in bonds and gilts through pooled investment vehicles. The Trustees manage this exposure to overall price movements by a policy of seeking diversity.

Credit risk

The investment arrangements of the Scheme comprise of pooled investment vehicles. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and the ongoing due diligence of the pooled managers.

The Scheme is also directly exposed to credit risk relating to the solvency of the annuity providers. Before entering into the annuity policies the Trustee obtained and carefully considered professional advice regarding the financial strength of the providers and the regulations and capital requirements they are bound by and concluded that this risk was acceptably low. The annuity providers are regulated by the Prudential Regulation Authority.

The Trustees monitor the performance of the Scheme's investment manager on a regular basis in addition to having meetings with the managers from time to time if necessary. The Trustees have a written agreement with the investment manager, which contains a number of restrictions on how the investment manager may operate.

The Scheme also has indirect exposure to credit risk from the underlying investments held by the pooled investment vehicles. The credit risk arising from the holdings within the LGIM Buy and Maintain Credit Fund is managed as part of the active management process by the manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2021	2020
	£	£
Unit linked insurance contracts	48,964,040	40,316,076
SICAV	-	9,521,972
	48,964,040	49,838,048

Notes to the Financial Statements (Cont)

18. Concentration of investments

The following investments each account for more than 5% of the Scheme's net assets at the year-end:

	2021		2020	
	£	%	£	%
L&G Buy & Maintain Credit Fund	14,982,415	29.7	-	-
L&G All Stocks Gilts Index Fund	14,857,023	29.4	-	-
L&G Under 15 Year Index-Linked Gilts Fund	7,427,252	14.7	-	-
L&G Over 5 Year Index-Linked Gilts Fund	5,879,155	11.6	10,393,298	20.1
L&G Over 15 Year Gilts Fund	5,818,195	11.5	14,531,092	28.1
L&G Diversified Fund	-	-	15,391,686	29.8
Pictet Absolute return Fund	-	-	9,521,972	18.4

19. Current assets

	2021	2020
	£	£
RP15 Claim	31,727	-
Cash in transit	-	320,000
Prepayments	288	52,473
Cash balances	387,790	230,799
	<u>419,805</u>	<u>603,272</u>

20. Current liabilities

	2021	2020
	£	£
Accrued benefits	5,226	11,402
Accrued expenses	72,673	36,623
	<u>77,899</u>	<u>48,025</u>

21. Related party transactions

Transactions with related parties of the Scheme have been disclosed in the annual report as follows:

-) Contributions receivable from the Employer are disclosed in note 5.
-) Fees and expenses paid directly to the Trustees by the Scheme for their services are disclosed in note 8.
-) Pension payments to two Trustees who served during the year have been calculated in accordance with the trust deed and Rules of the Scheme and are included within pensions payable. These members resigned as Trustees on 1 April 2020.

22. Employer-related investments

There were no direct employer-related investments at the year end. Any potential indirect employer-related investment through pooled investment vehicles is unintentional and would represent less than 0.1% of Scheme net assets.

Notes to the Financial Statements (Cont)

23. Contingent liability – GMP equalisation

As explained on page 6 in the Trustees' report, on 26 October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes.

The Trustees are aware that the issue will affect the Scheme, and have factored a GMP equalisation exercise into the assessment period project plan. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts.

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that DB schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustees will consider next steps as the scheme has experienced historical transfers out which will be subject to adjustment as a result of this second ruling. Any adjustments necessary will be recognised in the financial statements in future years. At the date of signing these financial statements it is not possible to estimate the value of any such adjustments.

Certificate of Adequacy of Contributions

CERTIFICATION OF SCHEDULE OF CONTRIBUTIONS

Name of Scheme

Beales Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to be met by the end of the period specified in the recovery plan dated 24 November 2017.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the statement of funding principles dated 24 November 2017.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

Signature

Scheme Actuary

John Hemsley

Qualification

Fellow of the Institute of Actuaries

Date of signing

24.11.17

Name of employer

Mercer Limited

Address

4 Brindleyplace, Birmingham, B1 2JQ

Schedule of Contributions

SCHEDULE OF CONTRIBUTIONS

Beales Pension Scheme

Status of this document

This schedule has been prepared by the Trustees of the Beales Pension Scheme ("the Scheme") to satisfy the requirements of section 227 of the Pensions Act 2004, after obtaining the advice of John Hemsley, the actuary to the Scheme appointed by the Trustees.

This document is dated 24 November 2017, and supersedes all earlier versions.

After discussions, a pattern of contributions was agreed by the Trustees and by the Principal Employer (JE Beale plc ("the Company")) on 24 November 2017.

The Trustees and the Company have signed this schedule on page 3 to indicate that it represents an accurate record of the agreed pattern of contributions.

The schedule is effective from the date it is certified by the Scheme Actuary on page 4.

Contributions to be paid to the Scheme in respect of the period from 1 October 2017 to 31 October 2026.

Members' contributions – defined benefit section

The defined benefit section closed to future accrual from 30 April 2009 and no contributions have been paid by defined benefit section members in respect of service from this date.

Members' contributions – money purchase section

The money purchase section closed to future accrual from 31 August 2013 and no contributions have been paid by money purchase section members in respect of service from this date.

Employer's contributions – defined benefit section

The Company shall pay annual contributions of at least £490,000 on the following basis:

- the contribution paid in respect of each month will be at least £20,000;
- in respect of the first quarter of each calendar year, contributions will be at least £118,000;
- in respect of the second quarter of each calendar year, contributions will be at least £114,000;
- in respect of the third quarter of each calendar year, contributions will be at least £85,000;
- in respect of the fourth quarter of each calendar year, contributions will be at least £173,000.

Contributions shall normally fall due on the last day of each calendar month in respect of that month, and shall be paid by the 19th of the subsequent month (the Due Date). However, the Trustees and Company can agree for payments to be made earlier than their Due Dates if appropriate and, if so, the date of payment will become the Due Date.

For the avoidance of doubt, contributions of at least £173,000 will be payable in respect of the fourth quarter of 2017 (including contributions paid in respect of October 2017 under the terms of the previous schedule of contributions).

Schedule of Contributions (Cont)

Employer's contributions – money purchase section

The money purchase section closed to future accrual from 31 August 2013 and no contributions have been paid by the Company in respect of service from this date.

Employer's contributions in respect of benefit augmentations

In addition the Company shall pay the cost, as determined by the Scheme Actuary, of any benefit augmentations requested by the Company and approved by the Trustees.

Employer's contributions in respect of administration and other costs

The administrative and other expenses incurred by the Trustees are included within the contributions paid by the Company as detailed above.

The Company shall pay an additional amount equal to the annual PPF levy. The payment will be made directly to the PPF by the Company within 28 days of the Trustees' receipt of the relevant invoice and their notification of the levy amount to the Company.

Additional Voluntary Contributions (AVCs)

This schedule does not cover the employer's commitment to pay across to the Trustees AVCs made by members. No AVCs will be paid by members in the future, given that both the defined benefit and money purchase sections are closed.

Arrangements for other parties to make payments to the Scheme

Payments towards the Scheme may be paid by Beale Limited, or any subsidiary company thereof, in lieu of contributions otherwise due from JE Beale plc.

Dates of review of this schedule

This schedule of contributions will be reviewed by the Trustees and the Company no later than 15 months after the effective date of each actuarial valuation, due every three years.

Employer and Trustee agreement

This schedule of contributions has been agreed by the Company and by the Trustees of the Beales Pension Scheme on 24 November 2017.

Signed on behalf of JE Beale plc

Name

ANTHONY BROWN

Position

DIRECTOR

Date of signing

24.11.17

Signed on behalf of the Trustees of the Beales Pension Scheme

Name

BOB HYMAN (an RE) (Trustee)

Position

Trustee

Date of signing

24.11.17

Chair's Statement

Beales Pension Scheme

Chair's Statement regarding the governance of Defined Contribution arrangements

Scheme year – 20 January 2020 to 19 January 2021

1. Introduction

- 1.1. This statement has been prepared by the Trustees ("the Trustees") of the Beales Pension Scheme ("the Scheme") to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. This statement covers the scheme year 20 January 2020 to 19 January 2021.
- 1.4. The Scheme entered an assessment period for entry into the Pension Protection Fund ("the PPF") on 20 January 2020 as the sponsoring employer J E Beale plc and the participating employer Beale Limited ("the Employers") became insolvent.
- 1.5. As a result of the insolvency event, the Trustees are required to secure all DC assets outside of the Scheme and are in the process of doing so by taking advice from their advisers, Barnett Waddingham LLP, on a suitable solution.

2. The Scheme's DC benefits

- 2.1. As at 20 January 2020 and as previously reported, the Scheme's DC benefits comprised solely the Additional Voluntary Contributions ("AVCs") and the associated assets were invested alongside the Defined Benefit Section's ("the DB Section") assets. Although the AVCs are intended to provide additional benefits for members of the DB Section, following the insolvency and a comprehensive data audit it has been found that there are also a small number of members who have transferred in DC benefits that are held within the AVC assets.
- 2.2. The DC assets (the AVCs and the transferred in DC benefits) are provided through 'unbundled service arrangements' which means that Barnett Waddingham are responsible for the administration and communication services, as well as investment advice, but the responsibility for the Scheme's investments is delegated to investment managers appointed by the Trustees.
- 2.3. The AVC arrangement has been closed to future contributions throughout the Scheme year.

3. Investment arrangements

- 3.1. The DC assets are invested in line with the DB Section's assets, which are all held with Legal & General Investment Management ("LGIM"). As such, there is no "default arrangement."

Chair's Statement (Cont)

Aims and objectives of the investment strategy

3.2. The Trustees' main investment objectives are:

-) to ensure that, in accordance with the Trust Deed and Rules and the overriding PPF requirements during the assessment period, the DB Section's members' benefits can be met as they fall due;
-) to control the level of volatility in the Scheme's funding level;
-) to make appropriate investments to ensure income generation and capital growth to meet the cost of current benefits.

As the DC assets are invested in line with the DB Section's assets, the DC assets are subject to the same set of investment objectives. The focus on reduced volatility should ensure that there will not be large fluctuations in the value of members' DC assets as they approach retirement age.

Review of the investment strategy

3.3. The strategy and performance of the investments were formally reviewed, as at 9 April 2020. The investment strategy review was carried out by the Scheme's investment advisers in response to the Trustees' request for advice following the Scheme's entry into the PPF assessment period.

3.4. Following the strategy review, the Scheme's investment advisers proposed that the Scheme sold all its holdings in the LGIM Diversified Fund and the Pictet Absolute Return Fixed Income Fund and moved to an overall allocation of 70% government bonds and 30% high quality corporate bonds. This was intended to minimise the risk in the portfolio given the Scheme's entry into PPF assessment, reduce transaction costs and more closely match movements in insurer pricing.

3.5. The Trustees agreed to the proposed changes and these changes were implemented over a series of transactions from April to August 2020. The Scheme's asset allocation is in line with the revised Statement of Investment Principles dated 3 September 2020. All of the Scheme's assets are now held with LGIM. The strategic target allocation as at 19 January 2021 is outlined in the table below:

Fund	Strategic Target Allocation (%)
LGIM Over 15 Year Gilts Index Fund	12.5
LGIM Over 5 Year Index-Linked Gilts Fund	12.5
LGIM All Stocks Gilts Index Fund	30
LGIM Under 15 Year Index-Linked Gilts Fund	15
LGIM Buy and Maintain Credit Fund	30

Further information on the investment strategy

3.6. Details of the investment strategy are set out in the attached Statement of Investment Principles dated 3 September 2020. This covers the investment policy in relation to the entire Scheme. The SIP has also been further updated as at July 2021.

4. Core financial transactions

4.1. The Trustee has a duty to ensure that 'core financial transactions' concerning the DC assets are processed promptly and accurately.

4.2. Core financial transactions comprise (but are not limited to) the following:

-) Transfer of the AVCs held with the main Defined Benefit assets between funds.

Chair's Statement (Cont)

) Payments to, or in respect of, members out of the Scheme from the DC assets held with the main Defined Benefit assets.

4.3. Core financial transactions for the DC assets are undertaken by Barnett Waddingham LLP as the Scheme's administrator and LGIM as the Scheme's investment manager. Note that during the period the Scheme fully disinvested from the Pictet Absolute Return Bond Fund and Pictet Asset Management was responsible for this transaction. The Trustees have the responsibility for checking that transfers have been implemented correctly by reviewing reports provided by Barnett Waddingham following the transfer the post transfer documentation provided by the Scheme's investment managers.

Controls and monitoring arrangements

4.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:

) The Trustees have a Service Level Agreement (SLA) in place covering the accuracy and promptness of transactions, under which Barnett Waddingham have defined SLAs for certain tasks. This covers not only payments of AVCs out of the Scheme but also the administrator's other services, such as assisting with member queries and amending member records.

) The Trustees receive quarterly stewardship reports from the Scheme's administrator which provide details of any notifiable events, complaints and upcoming decisions. The administrator's performance against the SLA is tracked on a quarterly basis. Any issues uncovered regarding inaccuracies with core financial transactions are included within the quarterly reporting and considered at each Trustee meeting.

) The Scheme's membership data is periodically reviewed.

) Barnett Waddingham's administration processes are subject to a formal external audit for the annual assurance report on internal controls.

) Daily monitoring of the Trustee's bank account.

) External audit of the annual report and accounts.

Performance during the scheme year

4.5. The Trustee received quarterly reports from the administrator relating to both the DC assets and the main DB Section during the scheme year and was satisfied with the performance against target SLAs. Although the performance against SLAs was lower than expected initially following the administrator's take-on of the Scheme during the reporting period, this has continued to improve over subsequent quarters. For example, the performance of the administrator against the SLA over the scheme year was:

Service	Target number of working days	Overall % of cases within SLA
Telephone enquiries	1	100%
Written enquiries	10	86%
Individual data change	10	98%

4.6. Neither the administrator's quarterly reports nor the audit of the annual report and accounts identified material issues with the accuracy of core financial transactions relating to the DC assets of the Scheme.

Chair's Statement (Cont)

Assessment

- 4.7. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the scheme year, the Trustee believes that core financial transactions have been processed promptly and accurately.

5. Member-borne charges and transaction costs

- 5.1. Members bear charges and transaction costs, which will differ depending on the investment in which their pension savings are invested:
-) Charges: these are expressed as a percentage of the value of an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
 -) Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Charges in relation to the DC assets

- 5.2. The following table provides details of the charges and transaction costs for each of the funds in which the Scheme's DC assets were invested over the scheme year (data has been sourced from the investment manager). Note that charges and transaction costs are not available for the Pictet Absolute Return Bond Fund since the latest available CTI report produced by the investment manager was issued before the start of the scheme year and all investments with Pictet have since been transferred to LGIM. Furthermore, LGIM do not produce bespoke reporting, therefore the charges outlined in the following table are as at 31 December 2020.

Investment option	TER (% p.a.)	Transaction costs (% p.a.)
LGIM Over 15 Year Gilts Index Fund	0.12	0.04
LGIM Over 5 Year Index-Linked Gilts Fund	0.19	0.10
LGIM All Stocks Gilts Index Fund	0.07	-0.01
LGIM Under 15 Year Index-Linked Gilts Fund	0.12	0.03
LGIM Buy and Maintain Credit Fund	0.16	-0.04
LGIM Diversified fund (disinvested on 1 September 2020)	0.32	0.00

Impact of costs and charges

- 5.3. To demonstrate the impact of charges and transaction costs on members' pension savings over time, the Trustee has produced illustrations and these are set out in the appendix.

6. Value for members

- 6.1. Under regulations the Trustees are required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 6.2. Given that the Scheme has entered PPF assessment and the DC assets are soon to be discharged, the Trustees have not formally assessed the extent to which the charges and transaction costs of the current investments represent good value for members, as they believe that their resources and efforts are more appropriately directed to governing the selection and implementation of a solution pending the conclusion of the PPF assessment period. However, the Trustees believe that if a formal assessment was to be

Chair's Statement (Cont)

undertaken, in view of the Scheme's circumstances, the assessment would conclude that the charges and transaction costs would represent good value for members.

7. Trustee knowledge and understanding

The Trustee Board

- 7.1. The Trustee Board comprises two professional Trustees: BESTrustees Limited, represented by Bob Hymas, and Punter Southall Governance Services.
- 7.2. Bob Hymas, representing BESTrustees Limited, is the Chair of the Trustee Board.

Trustee knowledge and understanding requirements

- 7.3. Trustees are required to be conversant with a scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets to enable them to properly exercise their functions.
- 7.4. As professional independent trustee companies, the Trustees bring a high degree of pension experience, knowledge and expertise.

Approach

- 7.5. PSGS Trustee Corporation Limited is one of the largest professional trustee firms in the UK which provides staff with its bespoke training involving external experts who present on a periodic basis on subjects including defined contribution arrangements. Individuals are required to attend 5 or more technical training sessions per year
- 7.6. Individuals at BESTrustees are required to meet minimum Continuing Professional Development (CPD) requirements to maintain accreditation by the Association of Professional Pension Trustees and their own professional organisations as relevant. BESTrustees ensures that there is ample opportunity for them to fulfil these requirements.
- 7.7. The Trustees, therefore, have a high level of TKU which they are able to use when exercising discretion and setting the Scheme's strategic direction.
- 7.8. The Trustees' professional advisers also provide support in relation to understanding and application of the Scheme's documents, and the Trustees consult with professional advisers as and when required. These professional advisers alert the Trustees and where appropriate provide training on relevant changes to the pension and trust law.

Activities over the scheme year

- 7.9. The Trustees reviewed the Scheme's Statement of Investment Principles to take account of investment changes and this was updated in September 2020. Since this date the SIP has been further updated in July 2021 to include reference to the DC benefits.
- 7.10. Over the scheme year, Punter Southall Governance Services were appointed on 15 June 2020 and three Trustees (one appointed by the Employer and two nominated by the members) resigned on 1 April 2020. Punter Southall Governance Services was appointed as a PPF panel firm and completed the familiarisation procedures associated with a scheme entering PPF assessment.
- 7.11. BESTrustees Limited and Punter Southall Governance Services maintained accreditation for the professional trustee standards, including fitness and propriety, governance skills, ongoing professional development and managing conflicts of interest. The Chair maintained the additional standards required for professional trustees who act as chair.

Chair's Statement (Cont)

7.12. During the scheme year, the Trustees took professional advice on:

- reviewing the investment arrangement, with subsequent changes to the SIP
- the admissible rules and the benefit specification
- disclosure of costs, charges and investments

Assessment

7.13. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their Trustee functions.

18 August 2021
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Date

Chair's Statement (Cont)

Appendix – Illustrations on the impact of cost and charges

A1.1. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership and investment options.

Parameters used for the illustrations

A1.2. The membership of the Scheme and the funds in which the DC assets are invested were analysed in determining the parameters to be used.

A1.3. DC pot sizes of £7,000, £13,500 and £27,500 have been used; these represent the 25th percentile, the median and the 75th percentile of pot values (rounded to the nearest £500) of members with DC assets as at 19 January 2021.

A1.4. Since the Scheme is in PPF assessment, illustrations have been provided assuming no future contributions.

A1.5. Timeframe: the illustrations are shown over a 20 year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.

A1.6. The assumed return above inflation for each fund in which the Scheme's DC assets are invested is outlined in the following table:

Fund	Strategic Target Allocation (%)	Assumed return* (%)
LGIM Over 15 Year Gilts Index Fund	12.5	1.25
LGIM Over 5 Year Index-Linked Gilts Fund	12.5	1.25
LGIM All Stocks Gilts Index Fund	30	1.25
LGIM Under 15 Year Index-Linked Gilts Fund	15	1.25
LGIM Buy and Maintain Credit Fund	30	2.00

* The projected growth rates, gross of costs and charges, for each investment option are in line with the Statutory Money Purchase Illustrations (SMPIs) Assumptions Guidance Version 4.2 as at 5 April 2021, as accepted by the Trustees for the purpose of the 2021 SMPI statements issued to members.

Guidance to the illustrations

A1.7. For each illustration, the savings pot has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.

A1.8. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.

A1.9. The current investment strategy was put into place with the purpose of the DB benefits in mind and the PPF assessment period. It is not designed to provide capital growth over the medium to long term. However, during the PPF assessment period the DC benefit liability will be discharged and the assets invested outside of the Scheme with the members' best interests in mind.

Chair's Statement (Cont)

A1.10. Values shown are estimates and not guaranteed.

A1.11. The starting date for the illustrations is 19 January 2021.

A1.12. Note on how to read this table: If a member had £7,000 invested in this option on 19 January 2021, when they came to retire in 20 years, the savings pot could reduce to £5,725 (in today's terms as reduced for the effects of inflation) if no charges are applied but to £5,583 with charges applied.

Years from taking benefits	Starting pot size £7,000		Starting pot size £13,500		Starting pot size £27,500	
	Before charges	After charges	Before charges	After charges	Before charges	After charges
0	£7,000	£7,000	£13,500	£13,500	£27,500	£27,500
2	£6,861	£6,843	£13,231	£13,198	£26,953	£26,885
4	£6,724	£6,690	£12,968	£12,903	£26,416	£26,284
6	£6,590	£6,541	£12,710	£12,615	£25,891	£25,696
8	£6,459	£6,395	£12,457	£12,332	£25,375	£25,122
10	£6,331	£6,252	£12,209	£12,057	£24,871	£24,560
12	£6,205	£6,112	£11,966	£11,787	£24,376	£24,011
14	£6,081	£5,975	£11,728	£11,524	£23,891	£23,474
16	£5,960	£5,842	£11,495	£11,266	£23,415	£22,949
18	£5,842	£5,711	£11,266	£11,014	£22,949	£22,436
20	£5,725	£5,583	£11,042	£10,768	£22,492	£21,934