

Chair Statement 2020

Weatherbys Pension and Assurance Scheme

Annual statement regarding governance

Governance requirements apply to defined contribution (“DC”) pension arrangements, to help members achieve a good outcome from their pension savings. The Trustees of the Weatherbys Pension and Assurance Scheme (the Plan) present their annual Chair’s Statement on governance (the ‘Statement’) as required under legislation to describe how these governance requirements have been met in relation to:

- the investment options in which members’ funds are invested (this means the “default arrangement(s)” and other funds members can select or have assets in, such as self-select or “legacy” funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a ‘value for members’ assessment; and
- Trustee knowledge and understanding.

The Statement covers the period 1 January 2020 to 31 December 2020.

The investment options

The Trustees are responsible for the Scheme’s investment governance, which includes setting and monitoring the investment strategy for the Scheme’s default arrangement.

Details of the objectives and the Trustees’ policies regarding the default arrangement can be found in a document called the ‘Statement of Investment Principles’ (“SIP”) prepared for the Plan. In accordance with the Administration Regulations, the Scheme’s SIP covering the default arrangements is attached to this annual statement regarding governance.

Following the 30 September 2017 investment review and implementation of the changes in 2018, and the subsequent 15 October 2020 investment review there have been no further changes to the Plan investment strategy or options in 2020. The 2017 review took place as part of the Trustees’ governance duties and considered the April 2015 Government introduced pension freedoms and flexibility in retirement, which provided members with more choice in how they take their pension savings from age 55.

We have summarised the outcomes from the October 2020 investment review below:

- the current Scheme membership had a moderate appetite for investment risk; members were neither particularly risk averse nor risk tolerant
- the likelihood of members making investment decisions when further from retirement was low, with engagement increasing as members approach retirement
- following the introduction of pension freedoms after the 2015 Budget, there were likely to be a diverse range of retirement objectives across the membership.
- the “Default Fund” remains appropriate for the membership due to its moderate level of investment risk and objective of delivering long term growth.

The LGIM Multi-Asset Fund, after the 2020 review, remains as the Default option. The strategy recognises that a majority of members are no longer likely to take 25% cash and buy an annuity with the remainder at retirement, but instead provides a solution that does not target one specific method of members accessing their benefits at retirement. The default fund invests 100% in the Multi-Asset Fund during its growth phase, and it does not use a derisking phase as members approach retirement. The objective of the Multi-Asset Fund is to provide long-term investment growth through exposure to a diversified range of asset classes, whilst it also provides a degree of protection for members' holdings.

Member communication is therefore important as when members approach retirement there are a range of optional lifestyle strategies that were also introduced that target specific retirement objectives which they can self-select. These all use the Multi-Asset Fund as their 'growth' fund.

The previous default investment fund – the 100% Lifestyle Matrix – was introduced prior to these changes and, as such, was designed primarily for the purpose of purchasing an annuity in retirement. Following the default investment strategy review in 2017, the Trustees elected to not transition a small number of members who remain invested in the Weatherbys Lifestyling (Global Equity, Over 15 year Gilts, Cash). Although this fund is no longer used as a default option for new joiners, it continues to be considered a default fund. The Trustees believe this fund continues to be appropriate for those that remain invested in it.

The next triennial review is due to be commenced no later than 15 October 2023, or immediately following any significant change in investment policy or the Scheme's member profile.

In addition, performance of the default fund and investment options continue to be regularly monitored by the Trustees. These reviews include an analysis of fund performance and member activity to check that the risk and return levels meet expectations. The Trustees' reviews that took place during the Scheme year concluded that the default arrangements were performing broadly as expected and are consistent with the aims and objectives of the defaults as stated in the SIP.

The beginning of 2020 saw the global outbreak of COVID-19 (Coronavirus) which continues to impact the global investment markets, affecting investors, companies and employees across the world. As Trustees we take a long-term outlook for the performance of investments in the Scheme. Along with our advisors, we carefully monitor the Scheme's investments and have done so on a day-to-day basis whilst the COVID-19 situation developed. We continue to keep our members informed and our priority remains to pay pension benefits as and when they become due both now and in the future to our members.

Requirements for processing financial transactions

The Scheme has a service level agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions. 94.8% of cases were completed within the SLA for the period 1 Jan 20 – 31 Dec 20. This is slightly down on the previous year but it is noted that this was due to Covid19 and the need for the administrator to invoke Disaster Recovery Processes (to an unprecedented level) to commence working from home at the end of March 2020. Covid also prevented the issue of member questionnaires in 2020 (a sample of member questionnaires returned a 100% satisfaction rating with XPS in 2019). There are plans by the administrator to introduce an online form for members to complete, so that these questionnaires can be issued once again in 2021.

As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately.

This includes:

- Investment of contributions paid to the Plan;
- Transfer of members' assets into and out of the Plan;
- Transfers of members' assets between different investment options available in the Plan; and
- Payment from the Plan to, or in respect of, members.

This information is detailed within the transaction summaries produced by the administrator, XPS, which are reviewed by the Trustee on a quarterly basis. The Trustees hold regular meetings and in the normal course of events meet four times a year and review the accuracy and timeliness of financial transactions during each meeting. The Trustees' review has, through the monitoring of reporting and engagement with the administrator, confirmed that the administrator is operating appropriate processes and no material errors have occurred.

The Plan's risk register details the risks to the members and it is monitored at each Trustees meeting and is reviewed on at least an annual basis.

The deduction and payment of contributions is reviewed by the Company. The Company ensures that contributions are remitted each month in a prompt and accurate manner and within legislative deadlines and provides a report to the Trustees at each Trustee meeting.

Members can switch their contributions to one or more of the funds available under the Plan by writing to the Plan's administrator, telephoning the administrator or online via MyPensions.com.

Members that wish to change their contributions are required to contact the Company to make the required change.

The Trustees are keeping the wider implications of the Covid-19 pandemic under review with their advisers and, on an operational level, are working with XPS, as the Scheme's administrator, to minimise any disruption to service delivery (for example, any delays to responding to member enquiries and processing transactions at this time). As referenced, XPS has informed the Trustees that it has successfully implemented its business continuity plan and that the impact on service delivery has been minimal. We continue to communicate to members to keep them informed of any impact on their investments.

Member borne charges and transaction costs

As required by the regulations, the Trustees report on the charges and transaction costs for the investments used in the default arrangements and their assessment on the extent to which the charges and costs represent good value for members⁷.

The Total Expense Ratio (TER) shown below is made up of the following costs:

Management charges – These are the charges taken by the fund manager to cover their costs and expenses. They are deducted from the fund every day before unit prices are calculated.

Additional expenses - These are deducted from the funds before the unit prices are calculated. They are additional expenses incurred in the day to day management of the funds' activities and include expenses, taxes, duties and other charges incurred in the purchase, sale and valuation and maintenance of the investments and auditors and custodian fees. Additional expenses are not fixed and can change on a daily basis.

In accordance with FCA & DWP regulations, Governance bodies of workplace pension schemes must perform a value for money assessment for their scheme which includes looking at the costs involved in managing pension funds. This table shows the transaction costs for each fund, where available, and is provided to assist with value for member assessments.

The Trustees are also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds. The Trustee continue to liaise with the fund managers to improve the availability and frequency of transaction cost reporting.

The FCA has prescribed the 'slippage cost' methodology for calculating transaction costs. The slippage cost methodology calculates the transaction cost of buying or selling an investment as the difference between the price at which an asset is valued immediately before an order is placed into the market and the price at which it is actually traded.

Fund Name	Total Expense Ratio	Annual impact of charges on £1,000	Total Transaction Costs*
LGIM Cash	0.125%	£1.25	-0.0007%
LGIM Over 15-year Gilt Index	0.10%	£1.00	0.0381%
LGIM Global Equity 60:40 Index	0.16%	£1.60	0.0001%
LGIM Retirement Income Multi Asset Fund	0.35%	£3.50	0.0414%

LGIM Pre-retirement Fund	0.15%	£1.50	0.0255%
LGIM UK Equity Linked	0.10%	£1.00	-0.0344%
LGIM Multi Asset Fund	0.25%	£2.50	0.0443%
Baillie Gifford Investment Grade Long Bond	0.25%	£2.50	0.001%
Baillie Gifford Managed Pension Fund	0.45%	£4.50	0.001%
Baillie Gifford UK Equity Core	0.55%	£5.50	0.000%
Baillie Gifford Diversified Growth Fund	0.65%	£6.50	0.005%
Baillie Gifford Pacific Equity	0.60%	£6.00	0.001%
LGIM Managed Property Fund**	1.03%	£10.03	N/A%
LGIM UK Smaller Companies Index Fund**	0.63%	£6.30	N/A%

* Supplied by LGIM and Baillie Gifford..

** Funds invested but no longer available to members for new monies.

The Trustees consider the investment funds in bold in the table above to be default investments. The Trustee can confirm that the member borne charges for the default arrangements have complied with the charge cap.

Value for Members

The Trustees are required to undertake a review of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for money. It is difficult to give a precise legal definition of “good value”, but the Trustees consider that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

The Trustees appointed a specialist defined contribution consultancy – Punter Southall Aspire to undertake a value for money assessment. The assessment was undertaken taking account of the Pensions Regulator’s Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits). The date of the last assessment was 16 June 2020.

The Trustees concluded that the Plan’s overall benefits and options represent good value for members. The reasons underpinning this conclusion include:

The oversight and governance of the Trustees, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members

Charges on funds have been assessed by our advisors as good for this type of arrangement. The charge cap for this type of scheme is 0.75% of funds under management.

The performance of the Plan’s funds over the 3-month, 1 year and 3 years to 31 December 2020 have been within the parameters outlined in the Fund’s objectives.

The overall view, in light of the management services provided, the charges and investment performance above, is that members receive value for money.

Below is an illustration of the likely impact of charges for a member invested for short medium and long term in the default funds compared to the charge cap requirements of a qualifying workplace pension scheme.

	Total expense ratio (TER)	Short term fund value (5 years)	Medium term fund value (15 years)	Long term fund value (25 years)
The L&G Multi-Asset Fund If no charges were to apply	0.00%	£15,932	£55,053	£106,424
The L&G Multi-Asset Fund Actual charges	0.25%	£15,828	£53,955	£102,769
Legacy default – Weatherbys Lifestyling Actual charges	0.106% - 0.16%	£15,885	£54,466	£104,317
If the charge cap for qualifying workplace pension scheme applies	0.75%	£15,624	£51,840	£95,922

Starting assumptions:

- Starting salary: £25,000
- Contributions: £250 per month
- Salary increase: 2% p.a.
- Nominal fund growth: 5% p.a.

Source: Punter Southall Aspire Pension Calculator

The Trustees have identified that there may be more efficient and modern vehicles for providing members' benefits going forward that may add further value to members. The Trustees have actively engaged with the Company to explore these options further. Following this engagement, the Company is moving towards establishing a master trust to provide future benefits to its employees and house existing members' benefits in the coming Scheme year. Subject to the Trustees' review of any proposed transfer and the Company undertaking an effective consultation with staff, the Trustees believe this will improve the value members receive from their pension savings.

Trustee knowledge and understanding

The Trustees are required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

This requirement has been met during the course of the scheme year as follows:

- All the Trustees are familiar with and have access to copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.
- The Trustees with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this statement, the Trustees received training on the following topics:
 - Suspension of DRC's – covered tPr's guidance. This also included some training on the deed as to what constituted pensionable pay under the Rules (in relation to furlough pay etc)
 - Understanding of business continuity – what the admin team were doing to continue to deliver the service to members and other considerations
 - Training on XPS "Radar" system and how the Trustees can use this to monitor the funding level
 - Training on current factors and why need to review

- Trustee effectiveness – survey of Trustees done and results evaluated
- Training session on “govern or consolidate” – to understand the new DC legislative requirements and possible impact on DC Section.
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- The Trustees have regularly reviewed their training needs and a training log is maintained.
- All Trustees are in the process of completing the pension scams toolkit module and also completing all of the Pension Regulator’s Trustee Toolkit modules.
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Taking into account the knowledge and experience of the Trustees with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustees believe they are well placed to exercise their functions as Trustees of the Scheme properly and effectively.

I confirm that the above statement has been produced by the Trustees to the best of our knowledge.

Chair of the Weatherbys Pension and Assurance Scheme