

HENDRE LIMITED RETIREMENT BENEFITS SCHEME

CHAIR'S STATEMENT (Scheme year ended - 31st March 2021)

Background

The Scheme is a defined contribution (DC) occupational pension scheme as defined in Part 4 of the Finance act 2004.

This is the Chair's Statement as required by the occupational defined contributions trust based pension scheme code of practice.

The Scheme is closed to new entrants but contributions are still paid monthly to the Scheme in respect of the remaining active members.

The Scheme Investment Strategy

A default investment arrangement is generally provided for members who are automatically enrolled into their employer's pension scheme, or where 80% or more of the scheme members are investing in one particular fund. The latter applies to the Scheme as all active members are investing in the Scottish Widows With-Profits Fund.

The Scheme is not used for auto enrolment as the employer has implemented other workplace pension arrangements in order to satisfy this requirement, and which offer a wide range of investment choice and appropriate default investment funds.

Members have the choice to switch their contributions from the Scheme into their respective workplace pension scheme in order to invest in alternative funds.

The Scheme remains open for existing members who elected to invest in the Scottish Widows With-Profits Fund prior to the 15th February 1999, and who continue to benefit from a Guaranteed Annuity Rate (GAR) equal to 11.11% for men and 9.09% for women, applicable at age 65 and 60 respectively.

The trustees monitor the investment objectives of the Scottish Widows With-Profits Fund and meet with the Scheme Adviser; Origen Financial Services Limited, at least annually.

A full review of the Scottish Widows With-Profits Fund was carried out in February 2020, with the next review due in 2023. Following the review, no changes were deemed necessary and none were made during the scheme year to the 31st March 2020 and no changes were required or made during the scheme year ending on the 31st March 2021.

An Implementation Statement has been prepared and covers how Scottish Widows plans to adapt the With-Profits Fund to accommodate Environmental, Social & Governance (ESG) factors, this is available for members to view together with the Statement of Investment Principles, via the links provided in the last section of this statement; Member Communications.

The scheme rules permit payment of an annuity together with a Tax Free Lump Sum, if required. Whilst the Scheme can accommodate trivial or small pot payments it is not possible to adapt the Scheme to allow flexible access to benefits

under pension freedoms. Where flexible access is required, members can transfer the value of their pension fund to an alternative pension arrangement but in doing so, will lose any GAR entitlement.

The trustees appreciate that whilst the GAR is still considered to provide a valuable benefit, that the Scheme's lack of flexibility and alternative investment strategies may not be appropriate for all members. Therefore, members are free to cease contributing to the Scheme but on the understanding that this will prevent any future entitlement to the GAR.

Financial Transactions

The Scheme has service level agreements in place with the Scheme Administrator and Scottish Widows; which covers the accuracy and timeliness of all core financial transactions.

Payment & Investment of Contributions

The Scheme Administrator sends a contribution schedule for both the employer and employee pension contributions to Scottish Widows prior to the end of each month, in which the contributions were deducted from the member's pay.

This enables Scottish Widows to collect the direct debit as well as reconcile and invest the contributions within the permitted timeframe; by the 22nd of the following month.

Scottish Widows acknowledges receipt of the contributions which is also the date on which they are deemed to be invested, each month by email.

The Finance Manager reconciles the amounts each month for the principle employer against the bank statement, which is checked and signed off by the Finance Director.

Prior to the start of the scheme year, Scottish Widows collected the incorrect contributions resulting in an overpayment of contributions for February and March 2020. Scottish Widows have since rectified this to ensure that the correct values have been paid.

Following this, the direct debit method has been replaced by reverting back to a manual payment method. This gives the administrator greater control and provides the trustees with greater assurance that accurate contribution payments are being and will be made to Scottish Widows.

Contributions were paid on time in October, November and December last year but there was a delay in Scottish Widows allocating these payments. Scottish Widows has confirmed that there was no detriment to members as the contributions were deemed as being allocated on the due dates; 2nd of the month.

Monthly contribution schedules from April to September included a colleague whose contributions should have been paid to a separate scheme administered by Aegon. This error was discovered and corrected in October 2020.

In this scheme year, the monthly contribution schedules sent to Scottish Widows have been correct and whilst the actual payments collected have varied slightly the past problems experienced with the collection of payments has been resolved.

External auditors audit the Scheme annually.

Transfer of assets into the scheme and transfers out

The Scheme Administrator and Origen monitors the progress of any potential transfers to ensure that any enquiries are answered within 10 working days, and upon receipt of all necessary paperwork and checks that any transfer requests and payments are processed within 2 working days.

The Scheme Administrator will also confirm with the Scheme Adviser, Origen whether the transfer is coming from or is being paid to a legitimate pension arrangement, prior to the trustees authorising any such transactions.

There has been one transfer out of the scheme during the current scheme year with no transfers in. This was paid after ensuring that the member was aware that he was giving up a valuable guarantee and was paid once approved by the trustees within the SLA.

Switching investments

Active members wanting to switch their contributions from the Scottish Widows With-Profits Fund to a different investment will do so by authorising the Scheme Administrator to redirect their contributions to the employer's workplace pension scheme. This provides the member with the opportunity if required, to invest in a wide selection of unit linked investments which are competitively priced against the restricted range of unit linked investment funds available in the Scheme.

Any request to redirect some or all of the Scheme pension contributions to the employer's workplace pension scheme would be processed by the Scheme Administrator to coincide with the next pay run. Only the member can control their investment selection in the employer's workplace pension scheme, and so will be made aware that they must personally make their investment selection either online, or via the pension provider's helpline.

Payments out of the scheme to members/beneficiaries

Retirement

Scottish Widows generates and issues communications leading up to a member's normal retirement age via the Scheme Administrator who in turn checks the information prior to issuing to the member.

The Scheme Administrator reviews the master listing monthly to ensure that members who are approaching their normal retirement age are made aware of their forthcoming entitlement to the GAR and of the necessary documentation that will be required by their normal retirement age, in order to secure the GAR.

Origen also checks the records for up and coming retirements and notifies the Scheme Administrator.

Where necessary Scottish Widows will be reminded of the forthcoming retiree and both the Scheme Administrator and Origen will chase for any for any outstanding retirement communications to ensure that these are received in the appropriate timeframes.

Various communications will be issued in the 12 months leading up to the members retirement age and the retirement illustration, associated forms and Open Market Option reminder are all provided by Scottish Widows 6-8 weeks prior to the member's normal retirement age. This documentation will be checked by the Scheme Administrator and issued to the member immediately, together with a checklist reminding the member of the importance of returning all documentary evidence and forms prior to their normal retirement age; 60th (female) or 65th birthday (male). Members are also reminded to factor in time for the trustees to authorise the claim and for this to be submitted to Scottish Widows.

Origen and the Scheme Administrator will chase the member for their forms and evidence, as required.

The Scheme Administrator will check all of the forms and documentary evidence and where there is any uncertainty will contact the scheme adviser; Origen for advice on any necessary steps to ensure swift resolution.

Where trustee approval is required, the Scheme Administrator will contact the trustees promptly to obtain the necessary signatures.

The Scheme Administrator will ensure that Scottish Widows acknowledges receipt of the claim forms and associated evidence, and processes payment for the member within 10 working days or by their normal retirement age, if later.

Two members secured their Guaranteed Annuities during the scheme year and these were settled within the SLA and allocated timeframes.

Death Claims

Members are reminded at least once year to keep all of their nomination forms up to date.

Notice of a member's death will be made via the Scheme Administrator who will refer to the deceased's Expression of Wish Form.

The Scheme Administrator will request evidence of the member's death and will seek approval from the trustees as to the most appropriate beneficiaries, referring to any Expression of Wish Form.

Upon receipt of the death certificate/evidence of death the Scheme Administrator will gain the necessary trustee's signatures within 2 working days, prior to submitting the claim to Scottish Widows.

It is expected that Scottish Widows will pay any death claim within 2 working days of receipt of the evidence of death and the trustee's authority.

Once payment is received in the trustee's bank account, the Scheme Administrator will endeavour to pay this directly to the beneficiaries identified, again within 2 working days.

There have been no death claims in the scheme year ending the 31st March 2021.

General Administration

The SLA's and scheme administration are monitored regularly with any issues arising being brought to the trustees attention immediately. A formal scheme administration report is produced and reviewed at the annual Trustee Meeting.

There have been no issues regarding the processing of core financial transactions other than those mentioned previously in the report which were discovered quickly and resolved at no detriment to the members.

The administration report covers matters such as member complaints, transfer enquiries and monitors whether these proceed. Information is also provided in respect of any benefits claimed by members or their beneficiaries and this is report is reviewed at the annual Trustee Meeting.

- Transfer payments are handled by the Scheme Administrator, supported by the Scheme Adviser.
- Death benefits are handled by the Scheme Administrator, supported by the Scheme Adviser.
- Retirement Benefits are handled by the Scheme Administrator, supported by the Scheme Adviser.
- All transactions mentioned above, require the Trustee approval.

Scheme Charges

From the 6th April 2018, the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 ("the 2018 Regulations") introduced requirements relating to the disclosure and publication of the level of charges and transaction costs which requires the trustees and managers of a relevant scheme to provide illustrative examples of the compounding effect of costs and charges on a member's pension savings.

The Scheme is not used for auto enrolment and is exempt from the legislative Charge Cap of 0.75% due to the third party promise of the GAR provided by Scottish Widows.

The trustees have received information on the transaction costs and charges from Scottish Widows associated with the Scottish Widows With-Profits Fund, which are as follows:-

- 0.3% Capital fee
- 0.07% Investment Management fee
- 0.65% Administration fee
- 0.20% Transaction fee

These costs and charges have been used for the purpose of calculating the effect of charges on a member's fund over the following terms to retirement:-

Term to Retirement (years)	Starting Fund Value (£)	Annual Charge (%)	Further Contributions Paid (£)	Total Charges (£)	Fund Value at Retirement (£)
1 (shortest)	182,434.00	1.22	0.00	2,225.69	180,208.31
6 (average)	182,434.00	1.22	0.00	12,953.42	169,480.58
17 (longest)	182,434.00	1.22	0.00	34,359.88	148,074.12

Assumptions:

- No further contributions paid (plan paid up)
- Nil growth
- Nil inflation

Term to Retirement (years)	Starting Fund Value (£)	Annual Charge (%)	Further Contributions Paid (£)	Total Charges (£)	Fund Value at Retirement (£)
1 (shortest)	182,434.00	1.22	2,673.96	2,258.32	182,849.64
6 (average)	182,434.00	1.22	16,043.76	13,624.74	184,853.02
17 (longest)	182,434.00	1.22	45,457.32	39,040.70	188,850.62

Assumptions:

- Contributions of £222.83 paid per month (not increasing)
- Nil growth
- Nil inflation

The disclosed costs show that these are unlikely to have a negative impact on a member's investment where contributions are continuing. However, deferred members are likely to experience a negative impact on their investment unless of course, the reversionary and terminal bonuses awarded exceed the charges. A reduction in value due may be negated in full or in part by the return gained from the GAR.

For completeness the Unit Linked Funds and associated costs and charges are as follows:-

Unit Linked Fund – Series 1	Scottish Widows Annual Management Charge	Additional Expenses	Total Annual Fund Charge
Scottish Widows Cash	0.875%	0.020%	0.895%
Scottish Widows Fixed Interest	0.875%	0.000%	0.875%
Scottish Widows Indexed Stock	0.875%	0.000%	0.875%
Scottish Widows International	0.875%	0.046%	0.921%
Scottish Widows Mixed	0.875%	0.045%	0.920%
Scottish Widows Property	0.875%	0.250%	1.125%
Scottish Widows UK Equity	0.875%	0.000%	0.875%

Plus, Bid/Offer Spread of 0.5% on buying/selling units

The employer pays fees in respect of any professional services associated with the Scheme, including auditing annual accounts, administrative support and financial advice.

Trustee requirements for knowledge and understanding

A bespoke approach to trustee training has been adopted and a record of the training completed by each trustee is logged and is recorded by the Scheme Administrator.

The training record is reviewed annually to identify any gaps in the trustees knowledge and understanding along with each trustee carrying out a self-evaluation during the scheme year, this in turn permits any gaps in knowledge to be fulfilled by:-

- Attending any relevant training courses
- Engaging with Professional advisers such as:-
 - Pension Consultants & Advisers
 - Legal Advisers
 - Auditors

The trustees engage regularly with their professional advisers and hold a formal Trustee Meeting each year, as well as ad hoc meetings when necessary.

The formal annual meeting is normally held at the business premises of the Company, and typically lasts most of the day. As part of the meeting an annual update/training session is usually provided by the scheme adviser to ensure that the trustees knowledge is up to date and to test, fill in any gaps identified in the trustees knowledge and understanding.

No gaps in knowledge or understanding were identified in the scheme year.

The An induction process for new trustees is followed.

- The Scheme Administrator provides all new trustees with a full complement of relevant scheme documents.
- A new trustee will also receive a separate induction with the scheme adviser to ensure that they are familiar with the trust deed and rules and any other associated documentation setting out the current policies in running the Scheme.
- The induction will provide the new trustee with information to support their understanding of investments, their responsibilities and how the Scheme provides benefits.
- A new trustee is notified that they must complete all of the relevant modules of the Trustee Toolkit within 6 months of their appointment.

To ensure that the ongoing knowledge and understanding of the trustees is managed throughout the scheme year and is kept up to date, the trustees are encouraged to register for the 'news by email service' provided by the Pension Regulator and to revisit the trustee toolkit modules.

The trustee's commitment to keeping their knowledge up to date by registering for the 'news by email service' and other relevant reading, along with their engagement with their professional advisers will ensure that their combined knowledge and understanding together with suitable advice, enables the trustees to properly exercise their functions.

Member Communications

An Annual Statement is produced by Scottish Widows for all deferred and active scheme members, providing them with a personalised fund value, a projection of their pension funds and estimated retirement benefits. The annual statements comply with statutory guidance and are produced by the pension scheme provider; Scottish Widows.

All members receive a communication when approaching retirement which explains the pension options provided by the Scheme, and sign posts the member to the free services provided by Pension Wise and The Pensions Advisory Service. Members are made aware that to secure the GAR, all of the necessary paperwork and evidence required must be submitted to Scottish Widows prior to their 60th birthday for women, and 65th birthday for men.

Members are also made aware that if they transfer their With-Profits pension fund to a more flexible arrangement, they will give up their entitlement to any GAR.

The Scheme Administrator and the trustees have taken the following steps to trace members:-

- Searched through all documentation held in the scheme folders
- Requested any additional information from Scottish Widows
- Reviewed the list with trustee Allan Jones who was able to identify some of the names and possible contact points
- Explored various social media channels e.g. LinkedIn
- Managed to find 6 deferred member contact details

Regrettably, there are still 11 deferred members for whom there is no known address or contact telephone number. It is hoped that these members will come forward when the employer advertises the need for former employees to get in touch via a posting on the company website.

This Chairs Statement and the documents listed below are available to view online at the following web address:

Links to useful documents:-

Asset mix of Scottish Widows With-Profits Funds (latest data – 31st December 2020)

<https://adviser.scottishwidows.co.uk/assets/literature/docs/43982B.pdf>

Fund Fact Sheet Scottish Widows With-Profits Fund (latest data - 31st December 2020)

<https://adviser.scottishwidows.co.uk/assets/literature/docs/47199.pdf>

Scottish Widows With-Profits - Your Guide

<https://adviser.scottishwidows.co.uk/assets/literature/docs/44620.pdf>

Scottish Widows With-Profits Fund Principles and Practices of Financial Management (PPFM)

<https://reference.scottishwidows.co.uk/docs/ppfm.pdf>

Statement of Investment Principles (SIP) - March 2020 – 2023

<https://www.hafod.org.uk/about/corporate-publications/>

Implementation Statement – ESG

<https://www.hafod.org.uk/about/corporate-publications/>

Scottish Widows With-Profits Review – February 2020 – 2023

<https://www.hafod.org.uk/about/corporate-publications/>

Signature: *N. Davies*

Name of Chair: Neil Davies

Appointed by the trustees on: 27/09/2021