

HENDRE LIMITED RETIREMENT BENEFITS SCHEME

CHAIR'S STATEMENT (Scheme year ended - 31st March 2019)

Background

The Hendre Limited Retirement Benefits 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.

Default Investment Arrangement

A default investment arrangement is generally provided for members who are automatically enrolled into their employer's pension scheme.

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 have in place appropriate default investment funds. Members in these schemes can if required, switch their investments into any of the funds available in these schemes.

The Scheme remains open only for members who invested in the Scottish Widows Conventional With-Profits Fund who continue to benefit from a Guaranteed Annuity Rate (GAR).

The GAR was withdrawn for new contributions and increments from the 15th February 1999, and it was only after careful consideration that the Trustee Board closed the Scheme to new entrants on the 30th January 2010.

Active members, who had invested fully or partially in the Scottish Widows Conventional With-Profits Fund prior to the 15th February 1999, were allowed to maintain their pension contributions at the level prior to the 15th February 1999 in order to maintain the GAR provided by the Scottish Widows Conventional With-Profits Fund. The pension contributions payable to the Scheme are in addition to the minimum levels required for auto enrolment purposes, payable to the employer's workplace pension arrangements.

Members who had not invested in the Scottish Widows Conventional With-Profits Fund prior to the 15th February 1999 and who had not benefited from the GAR, were given the option to have their pension fund switched to an individual pension plan with Scottish Widows, or to have this transferred to the employer's new group pension plan, or to a pension arrangement of their choice.

As pension contributions ceased to be paid to the Unit Linked Funds from 1st February 2010, the Trustee Board for the purpose of this report will treat the

Scottish Widows Conventional With-Profits Fund as the default investment arrangement for this scheme.

Scottish Widows confirmed that the contributions paid to the Scottish Widows Conventional With-Profits Fund are pooled with the contributions of other policy holders who invest in with- profits. This fund is then used to pay benefits earmarked for any with-profits policy holders.

The Scheme is wholly insured and as such, there is no requirement to produce a statement of investment principles.

The Trustees review the investment objectives and the performance of the Scottish Widows Conventional With-Profits Fund at least once a year with the Scheme Adviser: Origen Financial Services Limited.

The Trustees having reviewed the default investment arrangement can report that:-

- The Scottish Widows Conventional With-Profits Fund continues to adopt a diversified investment approach with an emphasis on lower risk investments. This together with the smoothing of investment returns is considered to provide an appropriate investment solution for the current scheme membership.
- The GARs equal to 9.09% at age 60 for women and 11.11% for men at age 65, represent value for money compared to the current annuity rates on the open market.
- Benefits contracted for and any increases made on or after the 15th February 1999, attract a reversionary bonus rate of 1%.
- The reversionary bonus rate for benefits contracted for and increases made before 15th February 1999, is 0%.
- Scottish Widows cannot provide information on Terminal Bonuses as this is considered to be commercially sensitive information.

The value of the guarantees and scheme benefits will continue to be reviewed annually.

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 still not possible to adapt the Scheme to allow flexible access to benefits under pension freedoms. Where flexible access is required, members must transfer the value of their pension fund to an alternative pension arrangement which will permit this method of pension fund withdrawal. In doing so, the member will give up any GAR entitlement.

The Trustee Board also recognised that whilst the guarantees are considered valuable, 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 for the Pension Provider, and all professional advisers to the scheme.

Administration is monitored at the Annual Trustee Meeting and by the Trustees who also meet throughout the year, as and when required. The Scheme Administrator provides regular updates for the Trustees.

The in-house Scheme Administrator is Phil Thomas, who is supported by the Scheme Adviser; Origen Financial Services.

The Scheme Administrator provides regular updates for the Scheme Trustees and there have not been any issues regarding the processing of core financial transactions.

The Scheme Administrator has confirmed that all pension contributions have been calculated accurately.

However, Scottish Widows omitted to collect the pension contributions via direct debit from May through to September 2018. As a result, these payments were not paid within the permitted time frame. Scottish Widows has apologised for the error and confirmed that all payments will be treated as being received when due and therefore, members should not suffer any loss or detriment as a result of the late payments.

The scheme's annual Trustee Report & Accounts provide an overview of the financial transactions over the scheme year and the failure of Scottish Widows to collect the monthly direct debits from May to September 2018, has been noted. The Trustees are seeking to resolve the outstanding contributions with Scottish Widows as a matter of urgency.

The administration report covers such matters 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 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.

With regard to the disinvestment and payment, or transfer of benefits, the anticipated time frame is 7 working days from the date that all relevant documents are received by Scottish Widows, which is deemed as reasonable.

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 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.

Scottish Widows is currently unable to provide the costs and charges applicable to the Scottish Widows Conventional With-Profits Fund and this means that the Trustee Board is unable to comply with the legislative requirement to provide the sample costs and charges illustrations. This matter has been raised with the Pension Regulator and the Trustee Board will endeavour to provide all members with this information as soon as possible.

Meanwhile, the information from Scottish Widows in respect of charges remains that:-

'All of the With-Profits policies are pooled together, so that they share in the performance of the With Profits Fund. Charges for administration costs are therefore, applied to pooled groups of policies rather than to individual policies and so it is not possible to specify the individual impact of these charges.'

a) Direct transaction charges:

- There are no direct transaction costs incurred by policyholders when transacting in the Scottish Widows Conventional With-Profits Fund.

b) Indirect transaction charges:

- As the premiums are treated as pooled investments, indirect costs such as bid-offer spread costs and costs charged within pooled investment vehicles, cannot and do not need to be disclosed.'

The industry standard for a modern workplace pension scheme is that the default fund charges should not exceed the Charge Cap of 0.75% per annum. The Scheme is not used for auto enrolment purposes and is in any event exempt from the Charge Cap due to the third party promise provided by the GAR.

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

The Trustees with the help of the Scheme Adviser; Origen Financial Services have compared the level of annuity income available from the Scheme with that

available on the open market and have concluded that the Guaranteed Annuity Rate continues to be higher than that available on the open market. In view of this, the Scheme is considered to offer certainty and security for members from the Scheme Retirement Age (65 for men and 60 for women).

Trustee requirements for knowledge and understanding

Trustees must possess sufficient knowledge and understanding and as such take training and development seriously. A record of the training completed by each Trustee is logged and recorded by the Scheme Administrator.

The training record is reviewed annually to identify any gaps in the Trustees knowledge and understanding and this permits any gaps in knowledge to be fulfilled by:-

- Attending any relevant training courses
- Engaging with Professional advisers

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 meetings are typically held at the business premises of the Company, with a typical duration for the annual Trustee Meeting being at least 3 hours.

Newly appointed Trustees have a formal introduction to the Scheme and are provided with a full complement of relevant scheme documents and information. A new Trustee is expected to complete all of the relevant modules of the Trustee Toolkit within 6 months of their appointment.

The Trustees engagement with their professional advisers makes it clear that their combined knowledge and understanding together with suitable advice, enables them to exercise their functions and as such, the Trustees are confident that they have sufficient knowledge and understanding to administer the scheme.

Member Communications

An Annual Statement is produced for all members which provides members with an individual 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 they can transfer to a more flexible arrangement but that in doing so that they will give up the Guaranteed Annuity Rates available at age 60 for women and 65 for men.

Links to useful documents:-

Fund Fact Sheet Scottish Widows With-Profits Fund
<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>

Signature: *N. Davies*

Name of Chair:Neil Davies.....

Appointed by the Trustees on:3rd October 2019.....