

## **Introduction**

This statement has been prepared by the Trustees of the Scheme in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended). It describes how the Trustees have met the statutory governance standards in relation to:

- The default arrangements.
- Requirements for processing financial transactions.
- Assessment of charges and transaction costs.
- The requirement for trustee knowledge and understanding.

covering the 2018 scheme year ('the Scheme year').

## **Default arrangements**

The following funds are the Scheme's 'default arrangement' for the purposes of the Administration Regulations:

Scottish Widows Consensus Mixed Fund

Scottish Widows Pension Protection Fund

Scottish Widows Cash Fund

In the absence of specific member instructions the Scheme operates a default life-styling profile to the members investment. This profile gradually moves investments to more cautious funds over the ten year period prior to the members nominated retirement age.

The Scheme's Statement of Investment Principles is reviewed on a regular basis, the most recent being March 2019. As a result of the review no changes were deemed necessary to the investment options offered.

## **Review**

The Trustees undertake an annual review of the performance of the lifestyle arrangements and all the funds available under the wider fund range. Performance of each fund is compared not just against its benchmarks but also more importantly against its objectives. For example:

- Scottish Widows Consensus Mixed Fund is a progressive fund and is compared against its objective of achieving long term growth through a range of index tracking funds. The Trustees feel that the long term performance of this fund has consistently exceeded expectations.
- Scottish Widows Pension Protection Fund is a balanced fund and is compared against its objective of providing a more cautious investment that still retains the potential for capital growth. The Trustees feel that this fund also performs satisfactorily in providing a safer investment.

The Trustees periodically, and on no less than a three yearly cycle, review the appropriateness of the default arrangements. They will undertake an earlier review if there are any significant changes in investment policy or member demographics. The last review was performed in January 2019.

In light of the new pension flexibilities and also the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustees reviewed the appropriateness of the existing investment options offered to Scheme members during early 2017. As a result of the review, no changes were deemed necessary to the investment options offered.

### **Requirements for processing financial transactions**

The core financial transactions of the Scheme are administered by the Trustees directly, using the financial systems of the sponsoring employer.

The Trustees regularly monitor core financial transactions of the Scheme via the monthly reports generated by the financial systems. These include the payment and investment of contributions, fund switches, transfers in and out of the scheme and other payments.

The Trustees, having considered these reports, have concluded that the Scheme's core financial transactions have been processed promptly and accurately during the Scheme year which is covered by this statement.

### **Assessment of member-borne charges and transaction costs**

In accordance with regulation 25(1)(a) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, the Trustees calculated the charges and, so far as they were able to do so, the transaction costs, borne by members of the Scheme between 1 October 2018 and 30 September 2019.

(For these purposes 'charges' means Scheme administration charges excluding transaction costs, costs relating to certain court orders, charges relating to pension sharing under the Welfare Reform and Pensions Act 1999, winding up costs, or costs solely associated with the provision of death benefits. Transaction costs are those incurred as a result of buying, selling, lending or borrowing investments.)

In this period all transaction costs and charges relating to the administration of the scheme were borne by the sponsoring employers, Rickerby Limited and Rickerby Holdings Limited.

### **Level of member-borne charges and transaction costs**

The investment funds used by the scheme currently carry an annual charge of 0.15% and 0.12%. Funds invested with AVC providers currently carry an annual management charge of 1.25%. There are no additional transaction charges incurred by the members.

### **Value assessment**

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustees have assessed the extent to which charges (and transaction costs) borne by members represent good value for members.

The default investment arrangement attracts an annual management charge of 0.153% of assets under management by the members. This is lower than the maximum allowed of 0.75% and the Trustees are satisfied that the members receive a good deal.

The Trustees are committed to ensuring that members receive value for money from the Scheme.

In accordance with The Pensions Regulator's current DC Code of Practice and with relevant legislation available at the time of this statement, the Trustees concluded that the Scheme's overall benefits and options represent value for money.

- Members do not pay for the costs of Scheme administration, professional adviser costs or indeed any costs (other than fund management) associated with running the Scheme;
- The Company offers a competitive contribution structure and encourages pension saving;
- Members are actively advised to seek advice from independent financial advisors in order to access new retirement flexibilities available through recent legislation;
- The quality of communications issued to members on a regular basis provides an understanding of all legislative change.

### **Trustee knowledge and understanding**

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 07. The comments in this section relate to the Trustees as a body in dealing with the whole scheme and are not restricted to the DC section.

The Trustees' approach to meeting the TKU requirements included:

- Receiving training sessions from advisers during the year to ensure the Board maintain an appropriate level of knowledge and understanding of current and general issues affecting DC pensions.
- Recording all training and attendance at appropriate seminars in the trustee training log.
- Circulating to each Trustee hot topics and general updates from advisers about matters relevant to the Scheme on a quarterly basis.
- The Trustees have completed the Pension Regulator's Trustee Toolkit and new Trustees are required to complete this within twelve months of taking up office. Existing Trustees are required to complete the Toolkit every three years.

The knowledge and experience of each Trustee, together with the advice and regular education sessions via their advisors, enables them to properly exercise their duties as trustees of the Scheme.

Signed on behalf of the Trustees

P Rickerby

Chair of the Trustees