

The Entwistle Thorpe Pension  
Scheme

## **Chair's Statement**

Annual statement regarding  
Defined Contribution Governance  
Year ended 5 April 2023

## Introduction

I am pleased to provide the Trustees' Governance Statement for the Defined Contribution Section of the Scheme the year ended 5 April 2023.

This Statement reports on how the Trustees comply with the defined contribution ("DC") governance standards that were introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the "Regulations"), The Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended) and the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 "The 2018 Regulations".

It describes how the Trustees have met the statutory governance standards in relation to:

- the Scheme's default fund;
- disclosure of the Scheme's charges and transaction costs for default funds;
- the appropriateness of the default investment strategy;
- net asset returns for the Scheme's default funds;
- provision of examples of the cumulative effect of scheme specific charges and transaction costs on the value of a member's benefits;
- the governance and administration of the scheme assessment including:
  - promptness and accuracy of core financial transactions;
  - quality of record keeping;
  - appropriateness of the default investment strategy;
  - quality of investment governance;
  - the requirement for trustee knowledge and understanding;
  - quality of communication with scheme members;
  - effectiveness of management of conflicts of interest

between 6 April 2022 and 5 April 2023 ("the Scheme Year").

## Pooled Funds

The Scheme invests in a pooled investment vehicle only. The Trustees disclose the name of the funds in which they were directly invested on behalf of the members during the year in this statement.



## Default Fund

The Defined Contribution (“DC”) benefits in the Scheme relate to benefits previously made available to certain Scheme members. This is effectively the Scheme default fund, although it does not qualify as a Default Fund as defined in regulations.

The following is the Scheme’s investment vehicle for the purposes of the Regulations:

Fund Name and Identifier	Type	Asset Management Charge	Platform Charge	Total Expense Ratio
N - UK Equity Index Fund	Pooled fund investing in UK equities on a passively managed basis.	0.029%	0.050%	0.079%

## Statement of Investment Principles

The Scheme is not large enough to warrant a Statement of Investment Principles.

## Review of investment strategy

The Trustees continue to review their long term investment strategy with their Investment Advisers. As an interim step they have replaced the previous Aquila equity fund with a similar fund provided by LGIM.

The Trustees reviewed the performance of the Scheme’s new fund, and noted that the default fund is passively managed and has achieved investment returns that have met the relative indices and exceeded their benchmark over 1, 3 and 5 years.

The actual annual investment returns for the period to 5 April 2023 are as follows:

	1 year	3 years	5 years
Annual Return (% per annum) *	3.0	13.9	5.1

\* These are the fund returns taken from the 2023 accounts. Because of the change of fund during the year, there was insufficient data available to provide longer term investment return histories for the new fund.



## Trustees' assessment of member-borne charges and transaction costs

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

In accordance with regulation 25(1)(a) of the Administration Regulations, and “the 2018 Regulations” the Trustees assessed the “charges” and, so far as it was able to do so, the “transaction costs”, borne by members of the Scheme for the Scheme year to 5 April 2023.

For these purposes,

- “charges” means “administration” charges other than:
  - “transaction costs”
  - where an order of the court provides for the recovery by the trustees or managers of costs incurred in complying with the order, the amount of those costs
  - charges permitted by regulations made under section 24 or 41 (charges in respect of pension sharing costs) of the Welfare Reform and Pensions Act 1999
  - “winding up costs”
  - costs solely associated with the provision of death benefits.
- “transaction costs” means the costs incurred as a result of the buying, selling, (switching), lending or borrowing of investments”
- “winding up costs” means the costs of winding up a pension scheme including (but not limited to) the cost of:
  - legal advice
  - tracing, consulting and communicating with members
  - advice on exiting investments
  - selection of an alternative scheme or investments.



## Illustrative examples of the cumulative effect of scheme specific charges and transaction costs on the value of the member's Defined Contribution benefits

In order to comply with "the 2018 Regulations" the Trustees provide below an illustrative example showing of the effect over time of the application of charges and transaction costs borne by the Scheme membership on the value of their accrued rights to defined contribution benefits in the pooled fund:

LGIM UK Equity Index Fund		
Years	Before charges	After all charges and transaction costs
10	43,200	42,900
5	36,000	35,900
3	33,500	33,400
1	31,100	31,100

### Notes:

1	Projected pension fund values are shown in today's terms, and do not need to be further reduced for the effect of future inflation.
2	The illustration is based on the LGIM UK Equity Index as this is the only fund in which members are invested. The projected investment return, before charges, transaction costs and the effects of inflation is 6.3% each year.
3	Inflation is assumed to be 2.5% each year.
4	The current fund value is assumed to be £30,000. No allowance is made for any future contributions to be paid.
5	Values shown are illustrative only and are not guaranteed.
6	Illustrations are provided for the default option only. There are no other funds available for Members at the current time.
7	Members all have less than 10 years to go to their normal retirement date.



## Value for members assessment

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustees have assessed the extent to which the Scheme offers good value for members.

During the course of the year the fund was updated from the Aquila Life UK Equity Index Fund to the LGIM UK Equity Index Fund. This was a straight swap of passive UK equity fund to passive UK equity fund, albeit with lower charges.

The previous fund provided by the Trustees was independently assessed against the following:

- NEST;
- Smart Pension; and
- The People's Pension.

With regards to charges and transactions, we are pleased to confirm that on that measure the fund offers good value to members and indeed better value than the previous Aquila fund.

However, in terms of long-term value for money regarding investment returns net of charges, the fund does not provide such good long term value. Being equity based, it has provided fairly volatile returns and it does not compare favourably with alternative funds over longer terms.

The independent assessment also concluded that whilst we, the Trustees, do provide good Governance, we could do more for you as a member and we will of course be addressing this over the next year. In particular, as a result of these independent findings, the Trustees intend to transfer member's DC rights to an alternative arrangement in the next 12 months.



## GOVERNANCE AND ADMINISTRATION OF THE SCHEME

### Promptness and accuracy of core financial transactions

The Trustees employ an external specialist company of pension administrators, Cartwright Benefit Consultants Ltd, to provide the core financial transactions for the Scheme.

“Core financial transactions” include (but are not limited to):

- Reconciliation of units as part of every settlement;
- transfers of assets relating to members out of the Scheme;
- payments from the Scheme to, or in respect of, members (refunds, PCLS, UFPLS, purchase of annuities).

There is a dedicated pension administration team for the Scheme.

The Scheme’s administration team has internal service level standards (“SLAs”) in place, which cover the accuracy, timeliness and volume of all core financial transactions, which are monitored and reported to the Trustees on an annual basis.

The service level standards cover, for example, when a member retirement quotation is processed within the SLA.

Two administrators are involved in the processing of all financial transactions to ensure each fund holding agrees. Unit reconciliations between the member units held on the member’s record on the administration system and those held by the investment managers are undertaken regularly, although as all members are deferred the number of units held will not generally change.

Ongoing, to verify and satisfy themselves that the administrative services are of a high standard, that the administrator is operating good procedures and controls within the service levels and that all core financial transactions have been processed promptly and accurately during the Scheme year, information is provided to the Trustees during and after every transaction.

The information details:

- Membership movement and statistics – used for Scheme accounts.
- Type of processing activity.
- Whether or not the service level has been met.
- Members’ feedback on their experience of the service they have received, together with any comments.

Additionally, all underlying administrator processes are subject to annual audit by an external independent auditor, based on the framework set out in the technical release AAF 01/20, issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales.

The latest AAF 01/20 report issued to the Trustee covered the period 1 July 2021 to 30 June 2022; the independent auditors tested 123 control activities and identified no exceptions during this period.

During the year to 5 April 2023, 72 service activities were completed with 71 done within the SLA and 1 outside. The latter was due to a 2-day delay in the settlement of a transfer value.



## QUALITY OF RECORD KEEPING

## Security of Data

All Scheme data is processed in accordance with the requirements of the Data Protection Act 2018.

The Trustees have a Data Protection Policy in place for the Scheme and all members receive a Privacy Notice to cover the processing of their data.

The Trustees ensure that the policy and its compliance with the Data Protection Act 2018 are reviewed each time a new third party adviser is appointed to provide services to the Scheme, or in the event that a new system is adopted.

The review of the policy is included in the Trustees risk register and Scheme's Business Plan.

The policy, and processing activities, business plan and risk register are reviewed by the Trustees annually and following any material changes that may impact the processing of the Personal Data for which they are responsible and any material change to legislation or guidance.

## Accuracy and scope of records/data kept

The accuracy of member data is regularly reviewed and the Trustees are holding all the data necessary required by law and in order to process the member investments under the Scheme and pay benefits.

Records of all financial transaction are recorded and Trustees meeting minutes maintained.

Unit reconciliations take place between the Scheme member records and the investment managers holdings on a monthly basis.

The Trustees report common and conditional data scores to the Pensions Regulator via the Scheme return.

## Review of data

The accuracy and quality of member data is reviewed regularly in accordance with the Pension Regulator's requirements.

## Appropriateness of the default investment strategy

The Trustees are responsible for the Scheme's investment governance which includes setting and monitoring the investment strategy for the Scheme's default funds/arrangements.

The Trustees, with the assistance of their professional advisers, designed the default investment strategy and selected asset allocation and investment funds to meet the needs of the members and the demographic member profile.

The Trustees have taken into account the pension flexibilities introduced by the government in 2015 which provide members with a wider range of options at retirement than in the past, and have looked at how members make use of the options available to them, as well as fund performance and broader industry experience. The strategy also takes into account of finance industry regulators' expectations of Trustees in these matters.

The fund allows for continued investment growth at and beyond retirement. However, it does not provide stability against fluctuations in the value of the equities in which it is invested.

The Trustees regularly review the performance of the default strategy arrangement and will formally review this strategy at least every 3 years. The next review is intended to take place prior to 5 April 2024.

## Quality of investment governance



The Trustees are responsible for securing the proper management of the scheme's assets, and understand that expert and robust investment governance is crucial.

The Trustees employ investment managers who invest the assets of the scheme, and also a dedicated team of investment consultants and other professional pension advisers. These individuals have the required knowledge and expertise to perform their roles competently in accordance with sections 34 and 36 of the Pensions Act 1995.

The Trustees regularly meet with their advisers and monitor their performance and the performance of the funds which have been selected for the Scheme's default and self-select investment strategies.

The Trustees have documented and robust investment governance procedures in place to which they adhere and a clear investment strategy which has been based on their knowledge of the investment markets and the Scheme's membership demographic and requirements.

Any investment decisions are made by the whole Trustee Board after taking the appropriate advice and recommendations from the investment professionals they employ, and are minuted accordingly.

The Scheme's investment strategy is reviewed at least every 3 years; the last review taking place in 2022.

The Trustees have oversight of all member communications. They keep members informed about their investments and options by providing annual benefit statements.

## Trustees' knowledge and understanding

The Trustees' own knowledge and understanding, together with the advice which is available to them, enables them to properly exercise their functions as Trustees of the Scheme. In addition, the Trustees receive advice and recommendations on investment and legal and other issues from their professional advisers.

In particular, during the Scheme Year, the Trustees met the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding) by receiving training from its advisers as part of the normal course of business of Trustee meetings as recorded in the Trustee Training Log. The Trustees also kept up to date with developments in pensions through briefings from their professional advisers.

The Trustees believe they have met the Pension Regulator's trustee knowledge and understanding requirements (as set out under Code of Practice No 7) during the Scheme Year.

## Management of conflicts of interest

The Trustees have a legal obligation to ensure the Scheme is run properly, fairly and impartially and to exercise their powers in the best interests of the Scheme members and other beneficiaries in accordance with the Scheme's legal documentation.

The Trustees have a robust, fully documented Conflicts of Interest & Bribery and Corruption policy and procedures in place that identifies, manages and monitors any conflicts of interest, and any inducements gifts or entertainments should they occur.

Each member of the Trustee Board has completed a Declaration of Trustee Interests form declaring any personal or business interest which may impact or conflict with their responsibility as a Trustee and undertakes to advise their fellow Trustee/s of any significant new interest that may arise.

The Secretary to the Trustees keeps a conflicts of interest register to record and declare any interests that is discussed at every Trustee Board meeting and any conflicts arising are minuted. Any conflicted person would be asked to leave the meeting whilst a particular issue, where there is conflict, is dealt with.



Upon appointment of any new Trustees or other service providers this procedure is followed. The policy is reviewed no less frequently than every 3 years and forms part of the Scheme's Business Plan.

Rosemary Kennell

**Chair,**.....  
The Trustees of the Entwistle Thorpe Pension Scheme

Date: 3 November 2023

