

The Entwistle Thorpe Pension  
Scheme

## **Chairman's Statement**

Annual statement regarding  
Defined Contribution Governance  
Year ended 5 April 2020

## Introduction

I am pleased to provide the Trustees' Governance Statement for the Defined Contribution Section of the Scheme the year ended 5 April 2020.

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 default fund
- requirements for processing financial transactions
- assessment of charges and transaction costs
- disclosure of charges and transaction costs for default funds
- disclosure of charges and transaction costs for funds selected by individual members
- the requirement for trustee knowledge and understanding
- value for money for members

between 6 April 2019 and 5 April 2020 ("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. All contributions are invested in a single fund which is effectively the Scheme default fund.

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

Fund Name and ISIN	Type	Asset Management Charge	Administration Charge	Total Expense Ratio
Aquila Life UK Equity Index Fund S1 GB00B00C4038	Pooled fund investing in UK equities on a passively managed basis.	0%	0.15%	0.15%

The Scheme has not received new contributions since April 2008 and is not used as a qualifying scheme for auto-enrolment purposes.

## Statement of Investment Principles

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



## Review of investment strategy

The Trustees are currently reviewing their long-term investment strategy with their Investment Advisers. In due course they may be able to offer alternative funds to consider.

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

## Requirements for processing financial transactions

The principal employer provides services to undertake the core financial transactions for the Scheme. The transactions are very limited given there are no new contributions into the Scheme.

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

- investment of employee/employer contributions in the Scheme
- transfers of assets relating to members into and out of the Scheme
- payments from the Scheme to, or in respect of, members (refunds, Pension Commencement Lump Sums, Uncrystallised Funds Pension Lump Sums, purchase of annuities)

During the Scheme Year, the Trustees confirmed that "core financial transactions" were processed promptly and accurately by reviewing each transaction.

## 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 2020.

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, as there are no investments in any of the self-select funds:

Aquila Life UK Equity Index Fund		
Years	Before charges	After all charges and transaction costs
15	23,800	23,300
10	22,500	22,100
5	21,200	21,000
3	20,700	20,600
1	20,200	20,200

### 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 Aquila Life 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 3.7% each year.
3	Inflation is assumed to be 2.5% each year.
4	The current fund value is assumed to be £20,000. 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.



## Value assessment

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

The Trustees' assessment included reviewing the Scheme's investment funds in the context of their investment charges, a review of the non-financial benefits of the Scheme and a comparison of the level of charges with the benefits delivered to members. On the basis of its assessment, the Trustees concluded that the charges and transaction costs remain good value for members.

## 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. The Trustees have a working knowledge of the Scheme's Trust Deed and Rules and other Scheme documents and policies, as well as pensions law.

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:

- making decisions on specific member benefits taking into account the Trust Deed and Rules and wider requirements.
- assessing the scheme against TPR's DC Code of Practice, helping to maintain knowledge of the law in relation to DC pensions
- commissioning a review of the Scheme's investments from the investment adviser
- having input into the Scheme's annual report and accounts

The Trustees also kept up to date with developments in pensions through briefings from their professional advisers. The Chair of Trustees is a professional trustee and is seeking professional trustee accreditation. Professional CPD requirements are met.

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.

### **Chairman: *Katherine Ball***

The Trustees of the Entwistle Thorpe Pension Scheme

Date: 8 September 2020

