

# Chair's DC Governance Statement for the Year Ended 31 March 2021

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## 1 Introduction

This statement has been prepared by the Trustee of the Scheme in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended) and it describes how the Trustee has met the statutory defined contribution (DC) governance standards during the Scheme Year ended 31 March 2021 in relation to:

- the default investment arrangement
- requirements for processing financial transactions
- assessment of charges and transaction costs
- the requirement for trustee knowledge and understanding.

There is a group of 50 members who are entitled to additional benefits which are invested on a Defined Contribution basis. These are historical awards granted in 1991 under a previous pension arrangement with which the Scheme was merged. All such members also have accrued benefits within the defined benefit element of the Scheme. No contributions have been paid to the arrangement since it was first established. All members have now left service and are deferred pensioners.

This is not the arrangement by which the Employer satisfies its auto-enrolment obligations.

## 2 Default Investment Arrangement

The total DC fund is valued at some £90,886 and, on advice, is wholly invested by the Trustee in an interest-bearing account held with Santander Bank. There are limited investment options available to the Trustee in relation to these funds.

The arrangement with Santander was established in 2015. Prior to that time the DC money was held in notional units with a London & Manchester fund. Following a review in early 2015 it was decided that this was not appropriate and it was also identified that there were few options available for investing the member accounts with a provider because of the closed nature of the accounts with no scope for future contributions and the small amounts invested in each account (circa £2,000 on average). Santander was the only provider identified who was willing to take such small amounts. It also had the advantage that the capital value of members accounts would be preserved. Given the average age of the members this was considered to be an advantage. The Trustee has sought to protect the value of the DC Fund and minimise charges and fees which could erode the value.

Because of the limited investment options the Trustee has not carried out a review of the investment arrangements since 2015. However, since the year-end, the Trustee has sought advice to consider suitable arrangements for the DC benefits in order to facilitate the buy-out of Existing Section members' benefits during 2021.

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The Trustee has not sought to formalise its approach in a separate Statement of Investment Principles for the DC Funds but has incorporated the DC arrangement within the main Statement of Investment Principles (which is appended at the end of this statement). It has taken a proportionate approach to the management of these assets.

The most recent Statement of Investment Principles, dated 17 September 2020, and which is attached to this statement, contains the following paragraph:

## **Defined Contribution Section**

The Scheme holds a small amount of defined contribution assets in respect of certain members' special pension bonus assets, arising from a scheme merger in 1991. These assets are held in a cash-based deposit account. The Trustee considered a number of factors in selecting this allocation, including the availability of providers, the need to segregate the assets from the Scheme's Defined Benefit assets and options available to members upon retirement.

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

No new contributions can be made by either members or the Employer. Core financial transactions are limited to payments to or in respect of members. There was 1 such payment in the Scheme year ending 31 March 2021.

Whilst no formal Service Level Agreement ("SLA") benchmark has been agreed with the Trustee for the processing of DC transactions due to their infrequency, confirmation was received quarterly by the Trustee that all transactions were processed promptly and accurately on their behalf by the Scheme Administrator, Paymaster (1836) Limited during the Scheme Year.

The Scheme is subject to an external audit by PricewaterhouseCoopers LLP.

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

There are no charges or transaction costs applied to the cash-based deposit fund with Santander. Therefore, we have not included an illustration of costs and charges.

### **5 Good Value for Members**

As stated above, the options for investment of the assets of the DC Section are limited. Santander was the only provider identified which was able to provide an arrangement for these funds. The majority of members are close to retirement and will take their DC benefits as cash. There are no member-borne charges or transaction costs applicable to the Santander policy. We believe that the arrangement offers capital security which is appropriate for the group of members and therefore good value for these members. However, since the year-end, the Trustee has sought advice to consider suitable arrangements for the DC benefits in order to facilitate the buy-out of Existing Section members' benefits during 2021.

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## **6 Trustee knowledge and understanding**

During the Scheme's reporting period, the Trustee Board was made up of former Finance Heads and two independent professional trustees. The latter have a wide range of skills to complement the knowledge and understanding of the Member-nominated Trustee Directors.

All the Trustee Directors in office during the Scheme Year have completed the Pensions Regulator's Trustee Toolkit and undertake both generic and bespoke training and are encouraged to attend industry training events. During the Scheme year, the Directors received training on GMP Equalisation and GMP conversion historic transfers, legal issues surrounding mergers and sectionalised schemes, the buying-out of pension schemes, taxation issues surrounding fixed and enhanced protections.

Additionally, each of our professional trustee directors is fully accredited by the Association of Professional Pension Trustees (APPT) and each has completed the Pensions Management Institute's (PMI) Certificate in Pension Trusteeship.

The independent trustees also undertook training and continual professional development throughout the Scheme Year on a variety of areas covering DC, DB, general pensions and financial matters appropriate to their roles. During the Scheme Year, the Trustee sought advice from all its appointed advisers to enable it to exercise its functions and duties over the Scheme Year. This included adviser briefings and industry updates to the Trustee Directors as well as Scheme-specific matters for the Trustee Directors to stay up-to-date with pensions knowledge and conversant with the Scheme documents (including updating the SIP and consideration of the Scheme Deed and Rules) over the Year.

The Trustee Directors met the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding) during the Scheme Year enabling them to properly exercise their functions as Trustee of the Scheme.

The Trustee Directors have been given specific legal advice in the past as to how the Rules operate in relation to these benefits.

The Chairman of the Trustee considers that the assets concerned are invested and managed in line with accepted best practice for the members concerned and the key requirements of the DC Code have been applied in a proportionate way given the nature of the DC assets and transactions.

**Chair of the Trustee Directors  
15 September 2021**