

Ikon Pension Plan

Chair's DC Governance Statement, covering the 1 April 2018 to 31 March 2019 Plan Year

1. Introduction

The Ikon Pension Plan (the "Plan") is an occupational pension scheme primarily providing defined benefits. A number of members also have additional voluntary contributions ("AVCs") in the Plan and a small number of members have defined contribution ("DC") benefits in the Plan.

Statutory governance requirements apply to defined contribution ("DC") pension arrangements like the DC Section of the Plan and the Additional Voluntary Contributions ("AVCs") in the Plan. The aim of the governance requirements is to help members achieve a good outcome from their pension savings. This statement has been prepared by the trustees of the Plan (the "Trustee") 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:

- default arrangements;
- the requirements for processing financial transactions;
- charges and transaction costs; and
- Trustee knowledge and understanding.

This Statement covers the period from 1 April 2018 to 31 March 2019 (the "Plan Year").

2. Default arrangement

Some pension schemes have a "default arrangement" that members' funds are invested in if they do not tell the trustee how they would like their pension savings to be invested or if certain other conditions are present (as set out in the Administration Regulations). Special governance standards apply to default arrangements.

The Plan does not have a "default arrangement" for the purposes of the Administration Regulations. The Trustee can confirm that Plan was closed to future contributions with effect from 31 March 2013 and has never been used as a qualifying scheme for auto-enrolment purposes. As such, the special governance standards required under regulation 23(1)(a) of the Administration Regulations relating to the preparation and regular review of default arrangements do not apply to the Plan.

All members' assets in the Plan are invested in the Legal & General ("L&G") Multi-Asset Fund ("MAF"). The Trustee is comfortable that the L&G MAF remains appropriate for the Plan's membership.

3. Requirements for processing core financial transactions

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

- investment of contributions in the Plan;
- transfers of assets relating to members into and out of the Plan;
- transfers of assets relating to members between different investments within the Plan; and
- payments from the Plan to, or in respect of, members.

As the Plan is no longer open to further contributions, the number of core financial transactions is reduced compared to a scheme that is still receiving new contributions.

Processing of core financial transactions is carried out by the Plan's administrator, Capita. On behalf of the Trustee, Capita operates internal controls to ensure that core financial transactions relating to the Plan are processed promptly and accurately. In particular:

- There are service level agreements ("SLAs") in place with Capita in relation to Plan processes that includes a 5-working day SLA to process transactions. The SLAs are controlled by Capita's electronic workflow system to ensure these are adhered to and the processing is automatically routed to the appropriate work tray; and
- There are agreed checking and review procedures in place for payments from the Plan to, or in respect of, members and transactions to ensure the accuracy of processing. The agreed checking and review procedures include two individuals checking the accuracy of core financial transactions, one of which will be a senior administrator, and these checks are electronically recorded via the workflow system.

The Trustee monitors Capita's performance against agreed SLAs by reviewing and discussing quarterly administration reports at Trustee meetings. Any material or systematic inaccuracies discovered by Capita in their checking and review procedures are reported to the Trustee as they occur and in these quarterly administration reports on an exceptions basis.

Based on regular reporting information provided by Capita is satisfied that, during the Plan Year:

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed within a reasonable timeframe.

4. Member-borne charges and transaction costs

The Trustee is required to calculate set out the ongoing charges incurred by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs); this is also known as the total expense ratio ("TER"). The stated charges have been supplied by the Plan's investment managers L&G and Santander and exclude administration costs (except for the AVCs) since these are not met by the members of the Plan.

The Trustee is also required to separately disclose details of the transaction costs. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds.

The charges and transaction costs during the Plan Year, which are set out in sections 4.1 and 4.2 of this statement, have been supplied by the Plan's investment providers. There was no relevant charges and transaction costs information that the Trustee was unable to obtain.

When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance.

4.1. L&G Multi-Asset Fund

Manager – Fund name	Annual management charge (%) pa	Transaction Costs (%) pa to 31 March 2019
L&G Multi-Asset Fund	0.25	0.01

4.2. AVC funds

Manager – Fund name	Annual management charge (%) pa	Transaction Costs (%) pa to 31 March 2019
*Santander Deposit Account	Not applicable	Not applicable

**As this is a simple deposit account, there are no explicit charges. Members are invested in cash and receive interest daily equivalent to 0.25% pa.*

4.3 Illustration of charges and disclosure costs

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne fees (ie the TER) and an allowance for transaction costs.
- As noted above, L&G confirmed that the transaction costs for the MAF was 0.01% between 1 January 2018 to 31 December 2018. The figures provided below are, therefore estimated figures for the full Plan year.

Projected pension pot in today's money

L&G Multi Asset Fund		
Years invested	Before costs	After costs
1	£53,400	£53,300
3	£54,500	£54,100
5	£55,600	£54,900
10	£58,400	£56,900
15	£61,400	£59,100
20	£64,500	£61,300
25	£67,800	£63,600
30	£71,300	£66,000
35	£74,900	£68,500
40	£78,800	£71,000

Notes

- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from the fund.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% pa.
- The starting pot size used is £52,900 as this is the average member pot size in the Plan.
- The projected annual returns for the L&G Multi Asset Fund is 1.0% above inflation.
- No allowance for active management has been made.
- As the Plan is closed to future contributions the illustration assumes that no further contributions are being paid.

5. Value for members assessment

5.1 Member-borne costs value assessment

Most of the services provided to the Plan, including Plan administration, communications and Trustee advice, are paid for by the Trustee. This means that members bear the cost of investment management services only.

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustee is required to assess the extent to which the charges and transaction costs set out in sections 4.1 and 4.2 of this statement represent good value for members.

The Trustee's investment consultants compared member-borne costs in the L&G Multi-Asset Fund (0.25%pa +0.01% transaction costs) with those members pay for in the default investment funds available in some of the major master trust pensions schemes. This showed that member-borne costs in the L&G Multi-Asset Fund in the Plan Year were lower than the average costs of circa 0.42%pa in those master trust pensions schemes.

Taking into account the fact that members bear the cost of investment management services only and that these costs are low by comparison to the market benchmarks assessed by the Trustee's investment consultants, the Trustee is satisfied that the member-borne charges and transaction costs in the Plan represent good value for members.

5.2 Wider value assessment

The Trustee considered the other benefits members receive from the Plan, which include:

- Many members who have DC savings in the Plan also have and defined benefit pensions in the Plan. The ability to use their DC savings to provide the first part of their overall tax-free cash lump sum at retirement provides value that could not be easily replicated if their DC benefits were in another scheme;
- Bearing none of the running costs for the Plan;
- Trustee oversight and governance, including ensuring the Plan is compliant with relevant legislation and holding regular meetings to monitor the Plan and address any material issues that may impact members; and
- Receiving quality communications including member newsletters, annual DC SMPI statements, retirement letters and pre-retirement 'wake up packs'.

Taking these considerations into account, the Trustee believes that members of the Plan are receiving good value for money.

6. Trustee knowledge and understanding

The Plan's Trustee Directors are required to maintain appropriate levels of knowledge and understanding to enable them, together with the advice which is available to them, to properly exercise their functions as trustee of the Plan.

The Trustee Directors have measures in place to comply with the knowledge and understanding requirements. These measures include:

- Providing each new Trustee Director with a bespoke induction programme – this includes a meeting with the Chair of the Trustee, an introduction to ongoing matters and Trustee business by the Plan Secretary, a day's induction training with an external provider and support with completing the Pensions Regulator's ("TPR") trustee training toolkit.

- Carrying out a Trustee evaluation process each year – this involves each Trustee Director meeting with the Chair of the Trustee to assess performance and identify any knowledge or skills gaps. These meetings inform the Plan's development and training programme for the following Plan year.
- Maintaining a Trustee training log – this sets out the training undertaken by each Trustee Director and is updated every quarter.

During the Plan Year, their working knowledge of the Plan's governing documentation (including the trust deed and rules, the current SIP and all the documents setting out the Trustee's current policies) and relevant pensions and trusts law and investment principles has been supported and developed, including by taking the following steps:

- All Trustee Directors in office during the Plan Year have completed TPR's trustee training toolkit.
- The training log shows that during the Plan Year:
 - all existing Trustee Directors recorded at least six training sessions covering a wide range of pension related topics including DC governance, buy-ins, lessons from the Carillion collapse /pension obligations, TPR annual funding statements, GDPR, Integrated Risk Management, actuarial valuations, statements of investment principles and environmental, social and governance considerations relating to Plan investments;
 - three of the Trustee Directors attended a half day pension conference run by the Trustee's actuarial and investment consultant, LCP, covering several topics including climate change and pension schemes; and
 - the Chair of the Trustee recorded a further 8 pension conference (or similar) event attendances, which included attendance at the sessions under the DC stream at the 2018 Pensions and Lifetime Savings Association's conference.
- Receiving ongoing training in Trustee meetings provided by their professional advisers at such times as it is relevant to decisions being taken in those Trustee meetings.
- Taking regular advice on matters as they arise from their professional advisers.
- Carrying out the wind up of a DC pension scheme to which the Trustee was the scheme trustee.
- Receiving regular briefings from their actuarial and legal advisers on developments in the pensions industry and legal and regulatory frameworks for pension schemes.
- Carrying out the annual performance review and assessment with the Chair of the Trustee.

In addition to the training and development activities carried out during the Plan Year, the Trustee Directors used their combined skills and experience in exercising their functions as trustee of the Plan. There were six Trustee Directors in place during the Plan Year each with many years' experience of acting as trustee of the Plan (four of the Trustee Directors were appointed in 2010, one appointed in 2011 and one appointed in 2014). This means that each of the Trustee Directors has been through valuation processes, investment reviews and updates to statements of investment principles, legal changes and changes to the Plan's trust deed and rules a number of time during their terms of office. Consequently, all of the Trustee Directors are familiar with the Plan's governing documentation. The skills of these Trustee Directors included many areas relevant to pension scheme trusteeship, including legal, finance and investment, governance, management and strategy.

The Trustee is supported by a team of professional advisers and service providers. These include Capita as administration, LCP as actuarial and investment consultant, RSM as auditor and Sackers as legal advisers.

Taking these factors into account, the Trustee's own knowledge and understanding of the Plan's governing documentation and relevant pensions and trust law and investment principles, together with the advice which is available to it, enables it to properly exercise its function as Trustee of the Plan.



Date: 10 October 2019

Signed by the Chair of Trustee of the Ikon Pension Plan