

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 MARCH 2020 – 28 FEBRUARY 2021

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Laurel Pub Pension Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits. These benefits relate to a small group of members who have historic money purchase benefits as a result of individual transfers into the Scheme, and also relate to AVC arrangements with Utmost Life and Pensions ("Utmost", formerly Equitable Life) and Scottish Widows provided by the Scheme for members who historically paid AVCs.

The Scheme is closed to further contributions and is not used as a qualifying scheme for automatic enrolment purposes. This means that no new members can pay money purchase contributions and the existing members who have historic funds (including AVCs) cannot make further contributions or transfer in additional benefits.

The Scheme is managed by the Laurel Pension Trustee Company Ltd ("the Trustee"), which ensures that the Scheme is run in the best interests of the members, and in accordance with the Scheme's rules and the law.

The Trustee receives professional advice from Mercer Limited ("Mercer"), Willis Towers Watson ("WTW"), Grant Thornton and Eversheds Sutherland ("Eversheds") as required. The Trustee typically holds three regular meetings a year and Mercer and WTW both attend these meetings. Due to changes in working patterns resulting from the COVID-19 pandemic, in the year to 28 February 2021 the three regular Trustee meetings were held virtually. In addition, given the emerging issues raised by the pandemic the Trustee held a further 8 virtual meetings in the year to 28 February 2021, with the advisers appropriate to the subjects being covered attending.

At the regular Trustee meetings, the high level operational framework of the Scheme is set, monitored and managed, so that the Scheme continues to be run in accordance with the relevant codes of practice and best practice. The framework evolves over time as appropriate.

Oversight and monitoring of the day to day activity and performance of the Scheme is also undertaken at these Trustee meetings to check that the Scheme is operating effectively.

This Statement sets out the actions the Trustee has undertaken over the Scheme Year in addressing key areas of Governance; including investment, charges, administration, communications, as well as in relation to Additional Voluntary Contributions (AVCs).

This provides a framework for the Trustee to satisfy itself that the Scheme continues to provide value for members, as concluded later within this Statement.

It also sets out in Appendix 1 a cumulative projection as required by the regulations.

This information is available online at <https://www.stonegategroup.co.uk/laurel-pub-pension-scheme/>.

Default arrangement

Under the current regulations, trustees need to provide background on a scheme's default investment arrangement.

The Scheme's money purchase funds are currently invested either through the Scottish Widows platform or with Utmost.

Historically, the money purchase funds related to funds that members had selected, and the Trustee's preferred approach has been that members should make a positive choice about the investment of their funds.

Utmost wound down the Utmost Secure Cash Fund ("USCF") over the second half of 2020 and the available fund options with Utmost did not provide any guarantees. The Trustee received advice from Mercer that due to uncertainty in investment markets resulting from the COVID-19 pandemic, it would be appropriate for the investments in the USCF to

transition to the Utmost Money Market Fund (“UMMF”) and to review the position once the chance of COVID-19 related market volatility had reduced.

The Trustee wrote to members in September 2020 to inform them of the changes, and that they also have the choice to invest in a range of unit linked funds with Utmost, or to switch these funds into the range of options available on the Scottish Widows investment platform.

There is no specific default strategy for the Scheme, although the funds for all members with money purchase transferred in benefits were initially invested in the Equitable Life With Profits Fund (“ELWPF”), before being transferred to the USCF, and then transitioning to the UMMF over the second half of 2020. These funds have therefore become default arrangements because members’ funds have been invested in them without the members’ specific agreement. We have therefore prepared an illustration for the UMMF, shown in Appendix 1.

Prior to the Scottish Widows AVC policy, the relevant funds had previously been invested through the Invesco Pension Saver Platform, until this closed. The Trustee took investment advice and transferred the Invesco AVC holdings to Scottish Widows, undertaking a fund mapping exercise to transfer members’ funds to those most closely matching from the range of funds available through Scottish Widows. Again, the Scottish Widows AVC funds have therefore become default arrangements because members’ funds have been invested in them without the members’ specific agreement.

The current Statement of Investment Principles recognises the USCF (before it was would down), the UMMF and the Scottish Widows funds as default arrangements.

Processing Scheme transactions

The Trustee has a specific duty to ensure that core financial transactions (including the transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of money purchase members) are processed promptly and accurately.

The Trustee notes that no further contributions can be paid. The Trustee also notes that Mercer, the Scheme Administrator, would co-ordinate the disinvestment and payment of these money purchase benefits when a member transfers or retires.

The Trustee has a service level agreement (SLA) in place with Mercer’s Administration Team, which covers the accuracy and timeliness of all core transactions.

The Trustee has also considered the latest internal control report from Mercer, which reviews processes and controls implemented and is satisfied that there were no material issues highlighted.

The Trustee reviews the latest half-yearly Mercer Administration Report, which reports on core financial transactions, at its meetings during the year. This enables the Trustee to monitor that delivery is in line with the agreed service levels and member expectations.

Members will also approach the Trustee, the Company, or the Scheme Administrator from time to time if they have questions about their benefits, or concerns or issues with the Scheme’s administration. The opportunities for members to give feedback therefore provides a good independent check that the Scheme is being operated in line with members’ expectations.

Taking the above into consideration, the Trustee is satisfied that it has carried out appropriate checks and monitoring of the administration services, that there were no material issues during the Scheme year and therefore that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges – default arrangement and additional funds

The law requires the Trustee to disclose the charges and transaction costs borne by DC members and to assess the extent to which those charges and costs represent good value for money for members. These costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds.

The fund charges for the Scheme’s members in relation to the Scottish Widows funds are 0.52% p.a. for all the funds in which members are invested, which is a discount on Scottish Widows’ standard charge of 1% p.a..

Scottish Widows have confirmed that the only additional charges in relation to the funds in which members are invested are 0.001% p.a. for the Scottish Widows SSgA International Equity Index Pension and the Scottish Widows SSgA Europe ex-UK Equity Index Pension fund.

The charge for the USCF (before it was wound down) was 0.5% p.a., provided this did not reduce the fund value below the initial value transferred. This investment was therefore fully protected against the major falls in the investment markets in Q1 2020.

Within the Utmost policy, the investment charges are 0.75% p.a., except for the UK FTSE All-Share Tracker, the UK Government Bond and Money Market Funds, all of which are 0.5% p.a.

All the above charges relate to the cost of the money purchase provider.

The cost of Mercer's administration is met by the Company and the Trustee and is therefore not borne by the members.

The Trustee notes that it is a requirement of pensions legislation that charges for the default arrangement of a scheme, that is used to comply with Auto Enrolment, cannot be greater than 0.75% p.a. and the charges for the funds in which members are invested on a money purchase basis are lower than this. However, as the Scheme is not used as a vehicle to comply with the Auto Enrolment requirements it is not required to comply with the charge cap.

The Trustee also notes that the maximum investment charge for the funds available to members with Utmost is 0.75% p.a..

With this in mind, the Trustee is satisfied that members receive value for money in relation to the money purchase and AVC benefits provided by the Scheme.

As noted earlier in this Statement, Appendix 1 includes an illustration of the impact that costs and charges might have on the value of members' savings over time.

It is a requirement to show such an illustration for the default investment strategy as well as an appropriate range of options.

We have also provided a projection for the SW SSgA Europe ex-UK Equity Index Pension Fund, in which the highest value of assets is invested. Whilst most members are invested in the Scottish Widows Cash Fund, the expected return for this fund would be the same as the UMMF, and the charges are very similar. The projections for the Scottish Widows Cash Fund would therefore be very similar to the UMMF.

Assessment of transaction costs over the period

As mentioned above, the Scheme is closed to further money purchase transfers-in and AVC contributions. Therefore, no new funds have been added to the Scheme's money purchase or AVC funds over the year.

Scottish Widows have confirmed that there were no transaction costs in relation to their funds.

The UMMF experienced transaction costs of 0.0010% over the 12 months to the last quarter end, 31 December 2020, which is the latest information available for the period under review.

Based on the information available, the Trustee is satisfied that there are no material dealing costs to note in this year's report.

The Trustee will include information in relation to dealing costs in future statements to the extent that this information is available from their money purchase providers. At the time of writing this statement, this information has not been made available.

Statement of Investment Principles (SIP)

The latest SIP for the Scheme as a whole was dated 4 September 2020 and replaced the September 2019 SIP. It is included as part of this Chairman's Statement in Appendix 1 to the financial statements.

A copy of the latest SIP is available on request and is also available online at <https://www.stonegategroup.co.uk/laurel-pub-pension-scheme/>.

Ongoing Monitoring

The Trustee reviews performance of the AVC funds on an annual basis, and the review undertaken for the 12 months to 31 March 2021* showed that the performance for the funds was satisfactory.

The Trustee does however have concerns that funds invested in the UMMF will not keep pace with inflation, and in the current low yield environment members may see charges exceed returns. The Trustee will therefore write to members to remind them of the importance of reviewing their investments.

**Data to 31 March is due to information being provided quarterly.*

Communications

Over the year ending 28 February 2021, the communications issued to members included:

- Annual benefit statement incorporating the Statutory Money Purchase Illustration
- Retirement warm up letters for members reaching age 50 including signposting to relevant information and guidance
- A letter to the Utmost members to inform them of the changes as noted earlier in this Statement
- As part of their retirement communications, members are provided with communications to help them understand their choices at retirement together with the option to take paid for advice at retirement through an independent financial adviser, Wren Sterling.
- An 'at retirement' "Pensions Decision Service" provided by Mercer and offered to members as part of their retirement communications. This provides personalised support to members to help them navigate their choices at retirement including written guidance and a recommendation to seek independent financial advice where appropriate.
- Members also have the option to take paid for advice at retirement through Wren Sterling.

As noted above, a copy of this Chair's Statement and the SIP are available on the website

<https://www.stonegroup.co.uk/laurel-pub-pension-scheme/>.

Trustees' 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 Pensions Regulator's Code of Practice 07 and 13.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments. They are also required to familiarise themselves with the Scheme's Trust Deed, Rules and Statement of Investment Principles ("SIP").

The Trustee is a very experienced body, with two of the five Trustee Directors being in their roles for 10 years or more, and the Chairman being a professional trustee accredited by the Association of Professional Pension Trustees.

The Trustee receives advice from its professional advisers, who attend all meetings and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisers.

The experience of the Trustee Directors and the assistance of the advisers, both at meetings, and outside meetings as required, helps the Trustee to make sure that the Scheme is administered in accordance with its governing documents and policies, overriding pensions legislation, as well as the SIP.

The Trustee demonstrated a knowledge of the SIP when it was updated to provide additional information about its stewardship policy and its arrangements with its asset managers to meet the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019. The new version of the SIP was reviewed by the Trustee and signed off at the September 2020 meeting.

Over the Scheme year, the Trustee has received updates on legislative developments in the course of its regular meetings with a Current Pensions Issues document from WTW being included on the agenda at each Trustee meeting. The Trustee

Directors can therefore be satisfied it is kept up to date with relevant developments. They also received the following specific training:

- 7 December 2020 – Workshop about investment governance models and fiduciary management facilitated by Isio (3 hours)

The Trustee maintains a detailed list of the training the Trustee Directors have received jointly and in an individual capacity. During the Scheme year, the Trustee Directors completed an analysis of their trustee knowledge and understanding in order to ensure that the training they undertook in the 2021-22 Scheme Year was focussed on their individual needs.

Over the Scheme year the individual Trustee Directors undertook nearly 60 hours of training in total in an individual capacity by attending seminars, webinars and presentations from providers including Mercer, WTW, Aon, Sackers, Eversheds Sutherland, Grant Thornton, Professional Pensions and the PLSA. Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustee Directors consider that they have properly exercised their functions as Trustee Directors of the Scheme over the Scheme year.

Value for Members

In making its assessment of whether the Scheme has provided Value for Members over the Scheme year, the Trustee has taken into consideration:

- The Scheme's overall governance framework, competency of administration, default investment strategy and range of investment options, investment performance, investment charges including transaction costs, member communications, as well as their own knowledge and understanding;
- Advice from Mercer, in relation to these factors and the costs of comparable arrangements;
- Given that the Scheme has a small number of members with money purchase benefits, it is unlikely that beneficial terms could be obtained from alternative providers.

The Trustee reviewed these factors at its meeting of 4 May 2021 and concluded that it is satisfied that over the year ending 28 February 2021, the Scheme provided Value for Members.

Governance statement

As Trustee Directors of the Scheme, we have reviewed and assessed our systems, processes and controls across key governance functions and we are satisfied that the actions taken by the Trustee over the year are consistent with those expected by the Pensions Regulator so far as they apply to the circumstances of the Scheme.

The Chairman's statement regarding DC governance was approved by the Trustee Directors on 23 September 2021 and signed on their behalf by:

A C Campbell

Mr A C Campbell

On behalf of Alban Actuarial Solutions Ltd

Chairman of Laurel Pension Trustee Company Limited, Trustee of the Laurel Pub Pension Scheme

APPENDIX 1 - CUMULATIVE EFFECT OF CHARGES

The compounding effect of costs and charges on a member's fund can be illustrated as follows:

Illustrations for an "Average" member				
	Scottish Widows SSgA Europe ex-UK Equity Index Pension fund (Most funds invested)		Utmost Money Market Fund	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£10,601	£10,548	£13,859	£13,790
3	£11,231	£11,061	£13,390	£13,191
5	£11,898	£11,599	£12,937	£12,617
10	£13,744	£13,063	£11,869	£11,290
Total Fees	£600		£627	
Assumptions				
<p>The above illustrations have been produced for an "average" member of the Scheme based on the data for those members with Scottish Widows AVCs and Utmost money purchase funds. The illustrations assume 100% of the member's assets are invested in that fund up to the assumed retirement age. The results are presented in real terms, i.e. in today's money to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.</p> <p>You will note that for the SW SSgA Europe ex-UK Equity Index Pension fund, the Total Fees figure is lower than the difference between the pot size before and after charges. The Total Fees reflect what would actually be taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after charges pot values reflects the effect of the lost investment returns on the fees charged.</p>				
Age	55 (the average age of the members with AVC and money purchase funds)			
Assumed Retirement Age	65			
Starting Pot Size	£10,300 (SW SSgA Europe ex-UK Equity Index Pension fund average) £14,100 (Utmost Money Market Fund average)			
Rate of salary growth	N/A			
Inflation	2.5% p.a.			
Employer annual contributions	n/a			
Employee annual contributions	n/a			
Expected future returns on investment:	<ul style="list-style-type: none"> • SW SSgA Europe ex-UK Equity Index Pension fund 5.5%p.a. • Utmost Money Market Fund 0.75%p.a. 			