Laurel Pub Pension Scheme

The Chairman’s Statement Regarding DC Governance: 1 March 2022 to 28 February 2023

Introduction

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 standards relate to:

- The operation of a default investment fund for members;
- Processing financial transactions promptly and accurately;
- Details and impact of charges and transaction costs borne by members;
- Assessment of the value for members; and
- Meeting the requirements for trustees' knowledge and understanding

The defined contribution (DC) benefits under the Scheme relate to a small group of members who have historic benefits as a result of individual transfers into the Scheme, and also relate to AVC arrangements provided by the Scheme for members who historically paid AVCs. The DC benefits are through policies with Utmost and Scottish Widows.

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 DC contributions and the existing members who have historic DC 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 Van Lanschot Kempen Capital Management (‘VLK’), WTW, Grant Thornton and Eversheds Sutherland (‘Eversheds’) as required.

The Trustee typically holds three regular meetings a year and VLK and WTW both attend these meetings. The other professional advisors attended these meetings as appropriate to the subject being covered.

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 and trustee knowledge and understanding.

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.

Also set out in Appendix A is the cumulative projection showing the impact of costs and charges on funds at normal retirement age as required by the regulations.

This information is available online at https://www.stonegatepubs.com/laurel-pub-pension-scheme.

Default arrangement

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

The Scheme's DC funds are currently invested either through Scottish Widows or with Utmost Life and Pensions (Utmost).

Historically, the DC 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.

However, 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 (including a Lifestyle strategy) available through Scottish Widows. The Scottish Widows AVC funds have therefore become default arrangements because members' funds have been invested in the funds without the members' specific agreement. Members have a choice to invest in a range of unit-linked funds with Scottish Widows.

The Lifestyle strategy offers a pre-determined investment strategy which targets specific retirement objectives. The Lifestyle Strategy initially invests in the Scottish Widows Consensus Fund with an objective to invest in growth assets. When the member is 5 years from their normal retirement age the fund gradually switches into the Scottish Widows UK Conventional Gilts Over 15 Years Index Fund and is fully invested in this fund at the point of retirement.

Again, whilst there is no specific default strategy for the Scheme, prior to being invested in Utmost those members with DC transferred in benefits were invested in the Equitable Life With Profits Fund (ELWPF), before being ultimately transferred to the Utmost Life Money Market Fund (ULMMF) in 2020. This fund has therefore also become a default arrangement because members' funds have been invested without the members' specific agreement.

The Trustee is required to review the default investment funds at least every three years (or if there has been a significant change in the membership or investment policy). These were last reviewed and completed on 6 September 2023 and the next review is scheduled to be completed by 30 September 2024. No formal investment review was undertaken in the reporting period.

The current Statement of Investment Principles recognises the ULMMF and the Scottish Widows funds as default arrangements. Details of the Lifestyle investment strategy will be included as part of the next round of updates to the Statement of Investment Principles.

Processing Scheme transactions

The Trustee has a specific duty to ensure that core financial transactions (in the Scheme's case being the transfer of member assets out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of DC 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 DC benefits with the DC provider 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.

At the Trustee meetings each year the Trustee reviews the latest half-yearly Mercer Administration Report, which reports on core financial transactions. 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 provide 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 carried out appropriate checks and monitoring of the administration services, that there were no material issues in relation to the Scheme's DC benefits 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.

Statement of Investment Principles (SIP)

The latest SIP for the Scheme as a whole was dated April 2023 and is included as part of this Chairman's Statement in Appendix C.

A copy of the latest SIP is available online at https://www.stonegatepubs.com/laurel-pub-pension-scheme

Ongoing Monitoring

The Trustee reviews performance of the DC funds on an annual basis, and a review was last undertaken in September 2023 as part of the 2023 Value for member's assessment.

The fund performance for the Scheme's DC funds was satisfactory based on the performance against the respective benchmarks.

The Trustee has concerns that holdings invested in cash funds, including the ULMMF and Scottish Widows Cash Pension, will not keep pace with inflation. The Trustee wrote to Utmost members to remind them of the importance of reviewing their investments in 2022. The Trustee will be writing to the Scottish Widows members later this year.

Performance of the funds

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') introduced requirements for trustees of relevant occupational pension schemes. From 1 October 2021 trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges and record this in the Chair's Statement. When preparing this section of the statement, the Trustee has taken account of the DWP's statutory guidance on "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

The Trustee requested the investment performance to the end of the Scheme year, however the providers were not able to provide this information, primarily as the reporting period does not fall within the quarterly reporting cycle. We have therefore provided investment performance to 31 March 2023 and will work with the providers to obtain performance figures that coincide with Scheme year end in next year's statement.

The net performance figures of the funds under the Scheme are set out below.

Utmost Life and Pensions

Fund	Net Performance to 31/03/2023		
	1 year (%)	3 years (% pa)	5 years (% pa)
Money Market Fund	1.81	0.36	0.29

Scottish Widows

The tables below show the investment returns net of Fund specific fees ('net investment returns') to 31 March 2023 for the Lifestyle strategy and self-select funds identified as default arrangements. The Lifestyle strategy performance figures are based on the lifestyle allocations for a member aged 45 and 55 at the start of the reporting year. We have not included younger ages as these do not form part of the Scheme's demographics.

Lifestyle strategy	Net performance to 31 March 2023		
	1 year (%)	3 years (%)	5 years (%)
Age 45	-5.15	7.02	0.20
Age 55	-5.15	7.02	0.20

Self-select Fund	Net Performance to 31/03/2023		
	1 year (%)	3 years (% pa)	5 years (% pa)
Scottish Widows Cash Pension Fund	1.76	-0.13	0.06
Scottish Widows Consensus Pension Fund	-1.93	7.02	0.0
Scottish Widows SSgA Europe (ex UK) Equity Index Pension Fund	5.79	7.66	0.46
Scottish Widows SSgA International Equity Index Pension Fund	-4.05	7.62	1.17
Scottish Widows SSgA UK Conventional Gilts Over 15 Years Index Fund	-29.19	-0.23	3.56

Notes

1. Scottish Widows has provided net performance figures for the nearest quarterly reporting period (31/03/2023) to the Scheme year-end (28/02/2023).
2. Utmost Life and Pensions figures are based on performance to 31/03/2023
3. Performance data is net of charges including the annual management charge.

The Trustee is satisfied that investment performance remains consistent with the aims and objectives stated in the SIP.

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 and should also include trading costs incurred within such funds.

Charges are expressed by what is referred to as the total expense ratio (TER). This is a measure of the costs associated with managing and operating an investment fund. These costs consist primarily of annual management charges (AMC) and variable additional expenses incurred by the investment manager, such as legal and auditor fees and other operational expenses

The AMC charge for the Scheme's members in relation to the Scottish Widows funds is 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 confirmed that the only additional charge (TER) in relation to the funds in which members are invested in is 0.001% p.a. for the Scottish Widows SSgA International Equity Index Pension Fund and the Scottish Widows SSgA Europe ex-UK Equity Index Pension Fund.

For the Utmost policy, the investment charge is 0.50% for the Money Market Fund in which members are invested.

All the above charges relate to the costs of the DC provider and are met by the member.

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. The Scheme is not used as a vehicle to comply with the Auto Enrolment requirements and therefore is not required to comply with the charge cap. However, the Trustee notes that none of the charges for funds available to members through Scottish Widows or Utmost exceed 0.75% p.a.

Assessment of charges and transaction costs

Transaction costs are those incurred by the investment manager as a result of buying, selling, lending or borrowing investments.

Scottish Widows and Utmost have provided transaction cost information for each of the Scheme's funds with investments over the 12 month period to 31 March 2023 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 DC providers.

Fund	Annual Management Charge (%)	Additional charge (%)	Total Expense Ratio (%)	Transaction costs (%)
Utmost Life Money Market Fund	0.50	0.0	0.50	0.01
Scottish Widows Cash Pension Fund	0.52	0.00	0.52	0.02
Scottish Widows Consensus Pension Fund	0.52	0.00	0.52	0.30
Scottish Widows SSgA Europe (ex UK) Equity Index Pension Fund	0.52	0.001	0.521	-0.01
Scottish Widows SSgA International Equity Index Pension Fund	0.52	0.001	0.521	0.00
Scottish Widows SSgA UK Conventional Gilts Over 15 Years Index Fund	0.52	0.00	0.52	0.02

Notes

1. All data has been taken directly from information provided by the relevant manager/provider.
2. Transaction costs shown are to 31st March 2023.
3. Transaction costs for the funds have been calculated using the ‘slippage’ methodology. This is impacted by market moves between instructing and executing a trade so can result in negative costs if the price of the stock moves in the fund’s favour before the trade is completed.

Costs and charges illustration

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to produce an illustration showing the compounding effect of costs and charges on DC funds and to include this in the annual Chair’s Statement. The Trustee has set out an illustration in appendix A which shows the projected values based on an example member of the Scheme (this is not an actual member). The projections compare what the investments could potentially increase to at age 65 before and after charges have been deducted. The Trustee has taken into account the statutory guidance from the Department for Work & Pensions in producing the illustrations.

Communications

Over the year ending 28 February 2023, 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.
- As part of their retirement communications, members were provided with communications to help them understand their choices at retirement together with the option to take paid advice at retirement through an independent financial adviser, Wren Sterling. As noted above, a copy of this Chair’s Statement and the SIP are available on the website at https://www.stonegatepubs.com/laurel-pub-pension-scheme.

The extent to which the Scheme represents good value to members

The Trustee is committed to ensuring that members receive good value from the Scheme (i.e. the costs and charges deducted from members' DC funds provide good value in relation to the benefits and services provided by or on behalf of the Scheme).

The Trustee has undertaken an annual assessment of the value provided by the Scheme (for members) taking into account regulatory guidance and best practice with support from its DC advisors. For the purpose of the latest assessment carried out in September 2023, the Trustee considered the following three areas which are equally weighted in importance:

- The net investment performance of the funds against their respective benchmarks
- The costs and charges of the funds and whether these represent good value for members
- How the Scheme compares to other DC arrangements in the areas of governance, risk management, core financial transactions and record keeping, investment governance, communication and engagement, at retirement options and support and broader financial support.

The Trustee's assessment considered the following value contributors:

- The funds generally performed in line with their respective benchmarks and where this was not the case the Trustee investigated the reasons to better understand any deviation against expected performance. The Trustee took into account investment performance net of Scheme specific fees.
- The Trustee undertook a benchmarking exercise of the costs and charges paid by the members which included the Total Expense Ratio and transaction costs and concluded that the costs are competitive compared against other similar types of DC arrangements taking into account the size of the DC assets and number of members.
- When considering the Scheme against other similar DC arrangements the Scheme scored well. Taking into account the key features of well-run DC arrangements that focus on relatively small DC assets (which covers governance, risk management, core financial transactions and record keeping, investment governance, communication and engagement, at retirement options and support and broader financial support), the Scheme provided evidence that it meets many of these key features.

The Trustee has concluded that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options in the market. When taking into account the three areas that were assessed, the Trustee can report that the Scheme has overall provided value for members over the reporting period.

Requirements for sub £100m schemes

In October 2021, the Department for Work and Pensions (DWP) published updated guidance for trustees of occupational defined contribution schemes setting out new Value for Member requirements for trust-based schemes with total assets of less than £100 million. The Scheme's DC assets at the Scheme's year end were c£167k.

These new requirements mean the Trustee needs to directly compare the Scheme's costs and charges and net investment returns with three comparable schemes of assets greater than £100m - one of which should be willing to accept the funds assets on a bulk transfer. To meet this objective, we have selected two Master Trust arrangements comparing the equivalent member borne fees and charges and net fund performance in Appendix B.

It should be noted that the Regulator's published guidance acknowledges that direct 'like for like' comparisons are unlikely to be possible given different arrangements favour different investment and charging structures but encourages trustees to draw broad conclusions. Due to the size of the DC assets a third provider declined to offer indicative terms and therefore has not been considered further. However, to supplement this WTW have provided a comparison against market average charges.

The Trustee Directors' compliance with the statutory knowledge and understanding (TKU) requirements

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.

Trustee Knowledge and Understanding (TKU)

The Trustee has put in place arrangements for ensuring that its Directors 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.

The Trustee is a very experienced body, with three of the five Trustee Directors being in their roles for 10 years or more, and with a professional pension trustee as Chair.

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

The experience of the Trustee Directors and the assistance of the advisors, 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 Statement of Investment Principles.

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 can therefore be satisfied it is kept up to date with relevant developments.

In 2021, the Trustee Directors completed an analysis of their trustee knowledge and understanding and as result they arranged the following specific training during the 2022-23 Scheme year:

- 3rd May 2022 – Training from WTW on actuarial factors and the government's new Single Code of Practice
- 22nd September 2022 - Training from Kempen on Environmental and Social Governance (ESG) investing
- 24th January 2023 - Training from WTW on The Pensions Regulator's New DB Funding Code

The Trustee maintains a detailed list of the training the Trustee Directors have received jointly and in an individual capacity. Over the Scheme year the individual Trustee Directors undertook nearly 40 hours of training in an individual capacity by attending seminars, webinars and presentations from providers including Mercer, WTW, Aon, Eversheds, Grant Thornton, XPS and the APPT. 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.

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 6 September 2023 and signed on their behalf by:

A C Campbell

Signed by Mr A C Campbell FIA APPT on behalf of BESTrustees Limited

Appendix A – Cost and charges illustration

The following tables give a summary of the projected fund and the impact of costs and charges up to a normal retirement age of 65. The figures are presented using two-member examples: the average Utmost member and the average Scottish Widows member. Additionally, the tables include the performance of the funds over different time periods depending on the age of the member.

Example Member	Projection period (years)	Utmost Money Market	
		Before charges	After charges
Utmost Average Member	1	£10,100	£10,000
	3	£10,200	£10,000
	5	£10,300	£10,000
	10	£10,500	£10,000
	15	£10,800	£10,000

Example Member	Projection period (years)	Scottish Widows Cash Pension		Scottish Widows SSgA Europe (ex UK) Equity Index Pension	
		Before charges	After charges	Before charges	After charges
Scottish Widows Average Member	1	£8,000	£8,000	£8,400	£8,300
	3	£8,100	£8,000	£9,100	£9,000
	5	£8,200	£8,000	£10,000	£9,700
	10	£8,400	£8,000	£12,400	£11,800
	15	£8,600	£8,000	£15,500	£14,400

Projected fund values are rounded to the nearest hundred.

Assumptions and notes

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
2. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
3. Charges and costs are deducted before applying investment returns.
4. Switching costs are not considered in the lifestyle strategy.
5. Inflation is assumed to be 2.5% each year.
6. Values shown are estimates and are not guaranteed.
7. The real gross projected growth rates for each fund are as follows:
    a. Utmost Cash Fund – 0.50%
    b. Scottish Widows Cash Pension Fund – 0.50%
    c. Scottish Widows SSqa Europe (ex UK) Equity Index Pension Fund - 4.5%
8. Pension scheme's normal retirement age is 65.
9. Example member:
    - Utmost average member: age 50, total initial contribution: £0, starting fund value: £10,000.
    - Scottish Widows average member: age 50, total initial contribution: £0, starting fund value: £8,000.

Appendix B – Specified schemes comparison

In line with the requirements of the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 the Trustee needs to directly compare the Scheme's costs and charges and net investment returns with comparator schemes.

The below table shows the comparator fund and charges for each of the funds in which members are invested under the Scheme.

Fund sector	Scheme's DC fund		Comparator Scheme A	Comparator Scheme B
Cash	**Scottish Widows Cash Fund**	**Utmost Life Money Market Cash Fund**	Cash Fund	N/A
TERs	**0.52%**	**0.50%**	0.50%	N/A
Transaction costs	***0.02%***	***0.01%***	*0.01%*	*N/A*
Equity	**Scottish Widows SSgA Europe (ex UK) Equity Index Fund**		Global Investments Fund (up to 100% shares)	Higher risk Fund
TERs	**0.521%**		0.50%	0.30%
Transaction costs	***-0.01%***		*0.06%*	*0.078%*
Equity	**Scottish Widows SSgA International Equity Index Fund**		Global Investments Fund (up to 100% shares)	Higher risk Fund
TERs	**0.521%**		0.50%	0.30%
Transaction costs	***0.00%***		*0.06%*	*0.078%*
Multi Asset	**Scottish Widows Consensus Pension Fund**		Global Investments (up to 85% shares)	2040 Target date fund
TERs	**0.52%**		0.50%	0.30%
Transaction costs	***0.30%***		*0.05%*	*0.064%*
Mixed Bond	**Scottish Widows SSgA UK Conventional Gilts Over 15 Years Index Fund**		Annuity Fund	Lower Growth Fund
TERs	**0.52%**		0.50%	0.30%
Transaction costs	***0.02%***		*0%*	*0%*

Survey data

DC vehicle	*Average AMC for growth phase of default arrangement*
Contract-based	*0.35%*
Master Trust	*0.27%*
Own trust	*0.30%*

Source: WTW

Notes

1. Comparator A has a sliding fee scale starting at 0.5% reducing to 0.3% for funds over £50,000 (reductions are paid by monthly rebate). An additional £2.50 p.a. annual management charge also applies
2. 'WTW Benchmark' takes an average client annual management charge for defined contribution schemes. This data is taken from a survey of Willis Towers Watson's clients, published in August 2023.
3. Transaction costs are for periods to 31 March 2022.

Value comparison - net fund performance

Comparator A

The table below provides a summary of the annualised net investment returns for Comparator A for periods to 31 December 2022.

Provider fund	3 years (% pa)	5 years (% pa)
Cash Fund	0.37	0.33
Global Investments Fund (up to 100% shares)	12.95	6.66
Global Investments Fund (up to 85% shares)	9.39	5.21
Annuity Fund	-10.82	-3.94

Comparator B

The table below provides a summary of the annualised net investment returns for Comparator B for periods to 31 March 2023.

Provider fund	3 years (% pa)	5 years (% pa)
2040 Target date Fund	9.8	6.1
Lower Growth Fund	0.3	0.5
Higher Risk Fund	11.5	6.7

Notes

- Comparator A operates a sliding fee scale starting at 0.5% reducing to 0.3% for funds over £50,000. An additional £2.50 p.a. annual management charge also applies (pots of £102.50 and over)
- Comparator B also has a contribution charge of 1.8%. In its own illustration it calculates that this equates to approximately 0.50% of the total value of retirement pot.

Appendix C – Statement of Investment Principles