

BMS HARRIS & DIXON INSURANCE BROKERS LIMITED PENSION AND LIFE ASSURANCE SCHEME

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE:

1 JANUARY 2018 – 31 DECEMBER 2018

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 **BMS Harris & Dixon Insurance Brokers Ltd Pension & Life Assurance Scheme ("the Scheme")** is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC). This is in relation to the Retirement Account Plan (RAP), being part of the Scheme and operated on a Defined Contribution basis.

Default arrangement

There is no default arrangement in place for the RAP. There are only a very small number of members with RAP assets, and each made an explicit choice regarding the investment of their funds, based on guidance provided at the time of investment. The RAP is neither used for auto-enrolment purposes nor receives any current employer or employee contributions; it relates to legacy assets only.

Processing Scheme transactions

The Trustee (Minova Pension Trustee Ltd) has a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members.

These transactions are undertaken on the Trustee's behalf by the Scheme administrator, Barnett Waddingham, and its investment manager, Standard Life. The Trustee periodically reviews the processes and controls implemented by those organisations, and considers them to be suitably designed to achieve these objectives. The Trustee has a service level agreement (SLA) in place with the Scheme administrator which covers the accuracy and timeliness of all core transactions and receives regular reports to monitor the performance against those service levels. The processes adopted by the Scheme administrator to help meet the SLA include dynamics checklists and four eyes checking of investment and banking transaction. During the period covered by this statement, 91% of work was completed within the agreed service levels. There were no issues relating to the processing of Scheme transactions. We continue to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Barnett Waddingham.

We will also perform periodic assessments of methods and efficiency of the Scheme's administrators and will challenge them in terms of efficiency using available facilities including technological functionality.

In light of the above, the Trustee considers 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 and transaction costs – default arrangement and additional funds

The law requires the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member

funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

The Trustee has made available a range of funds which may be chosen by members. These funds allow members to take a more tailored approach to managing their own pension investments and attract annual charges and transaction costs as follows:

Fund	TER (%)	Transaction Cost (%)
Standard Life Money Market Pension Fund	1.01	0.00
Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	1.02	0.01

Source: Standard Life

The 0.75% fee cap only applies to default arrangements, hence the funds may exceed this amount.

We have shown only those funds currently invested by members, a number of additional funds are available for members to select through Standard Life; more information can be found on their adviser zone website: <https://www.adviserzone.com/adviser/public/adviserzone/home>

We are comfortable that the costs for the self-select funds are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies.

Cumulative effect of charges

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

Illustrations for an "Average" member				
	Standard Life Money Market Pension Fund (most popular, lowest expected return and cheapest)		Standard Life Multi Asset Managed (20-60% Shares) Pension Fund (highest expected return and most expensive fund)	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£3,040	£3,010	£3,160	£3,128
3	£2,981	£2,892	£3,348	£3,248
5	£2,923	£2,780	£3,546	£3,372
7 (retirement)	£2,866	£2,671	£3,757	£3,501
Total Fees	£201		£235	

If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" pots at retirement would be £2,583 in today's money.

Assumptions

The above illustrations have been produced for an “average” member based on the Scheme’s membership data. The individual fund illustrations assume 100% of the member’s assets are invested in that fund up to the Scheme 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.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Age	
<ul style="list-style-type: none"> • “Average” member 	52 (<i>the average age of the Scheme’s membership</i>)
Scheme Retirement Age	60
Starting Pot Size	
<ul style="list-style-type: none"> • “Average” member 	£3,070 (<i>the median pot size of the Scheme’s membership</i>)
Starting Salary	
<ul style="list-style-type: none"> • “Average” member 	n/a*
Inflation	2.5% p.a.
Rate of Salary Growth	n/a*
Employer annual contributions	0% p.a.*
Employee annual contributions	0% p.a.*
Expected future nominal returns on investment:	
<ul style="list-style-type: none"> • Standard Life Multi Asset Managed (20-60%) Pension Fund 	3% above inflation
Standard Life Money Market Pension Fund	1% below inflation

*Members and the employer do not make contributions to the plan, hence contributions rates are 0% and therefore salary information is not required in producing projections of future investment amounts.

Value for members

Albeit no formal value for money assessment has been carried out over the reporting period, the Trustee has a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme's members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds. With this in mind, the Trustee has assessed the fees disclosed above and we are satisfied that we have negotiated a good deal for members and that the stated explicit charges for the Scheme's funds represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

The Trustee has set up processes to publish relevant information on the costs and charges of the arrangement online and will notify members about this in their annual benefit statements.

Trustee's knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for Trustee Directors 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 Trustee Directors properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

The Trustee has put in place arrangements for ensuring that we take personal responsibility for keeping ourselves up-to-date with relevant developments and carry out a self-assessment of training needs to help identify any knowledge gaps. The Secretary to the Trustee reviews the self-assessments and arranges for training to be made available to individual Trustee Directors or to the Trustee body as appropriate.

Over the last year, the Trustee Directors have received training on current pension issues (including, The Pension Regulator Consultations, Environmental and Social Governance, Investment, Funding, General Data Protection Regulation, Contingency Planning & Integrated Risk Management and GMPs/Administration). In addition, the Trustee receives advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. The Trustee also includes legislative updates and Trustee Knowledge and Understanding on the agenda for each of its meetings as required.

A number of the existing Trustee Directors have completed the Pension Regulator's Trustee Toolkit and new Trustee Directors are required to complete this in its entirety within six months of taking up office. All the Trustee Directors are also required to familiarise themselves with the Scheme's trust deed, rules and Statement of Investment Principles.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustee considers that it is enabled properly to exercise its functions as Trustee of the Scheme.

In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour otherwise the Trustee cannot be certain that a scheme remains fit for purpose.

Given the extent of the training above, the Trustee is comfortable that we have demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating

to the funding and investment of pension schemes. I am also satisfied that the Trustee has demonstrated a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustee's current policies.

The Scheme encourages feedback from members by asking for their views annually in the members' newsletter.

The Chairman's statement regarding DC governance was approved by the Trustees and signed on their behalf by:

Mr D Larsen

Chairman of the Trustee

Date: 23rd July, 2019