

# The Sheard Pension Scheme ("the Scheme")

## Chair's Statement 2019

### Trustee Responsibilities

The Trustee is responsible for ensuring that the Scheme is managed appropriately and efficiently, in accordance with its rules and overriding law. The Trustee monitors and reviews the Scheme's processes and controls.

This Chair's statement is made to fulfil the requirements of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, with regard being had where appropriate to the Pensions Regulator's standards and expectations, as set out in its Defined Contribution Code of Practice. This statement covers the period to 31 March 2019. The Scheme is not used for automatic enrolment, which is reflected in this statement.

### Assessment

The Trustee has reviewed the Scheme's key governance functions to establish whether they are consistent with the standards introduced by the Pensions Regulator. The key areas covered are:

1. The investment strategy
2. The financial transactions of the Scheme
3. The charges and transaction costs within the Scheme
4. The Trustee's compliance with its knowledge and understanding (TKU) requirements

## 1. Investment Strategy

- The Scheme does not have a default arrangement, as defined in section 3 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 as it is not a "qualifying scheme"
- The Scheme's investment strategy is currently focused on the maintenance of members' investment policies with Equitable Life. However, Equitable Life has proposed enhancing with-profits policyholders' fund values as part of a proposed transfer of its business to Utmost Life and Pensions. The enhancement would be funded using the surplus money Equitable Life has put aside to pay the guarantees currently applying to members' policies. In return for this enhancement to their policy value, policyholders would give up the guarantees that currently apply to their with-profits policies. Members have been contacted with details of this proposal and along with a timetable of events. This proposal is subject to a policyholder vote and court approval process so is not guaranteed.
- The Trustee may consider taking further investment advice should it be considered appropriate following a decision on the proposed transfer of policies.

## 2. Financial Transactions

- Risks to the Scheme's members are low as the members' benefits are paid up with Equitable Life. This mitigates significant operational, financial and regulatory risks.
- The Trustee regularly monitors the core financial transactions of the Scheme. These include transfers out of the Scheme and payments out, both to and in respect of members. No member complaints were received during the year.
- There are no agreed service levels in place and Equitable Life do not publish any. However during normal business as usual across Customer Service Equitable Life have confirmed that they aim for, and consistently meet, the following:
  - Payments – 95% completed in 5 days
  - Illustrations – 95% completed in 10 days
  - General Servicing – 90% completed in 10 days
- Equitable Life have been asked for information to support their Customer Service achievements; to date, the Trustee has not received the further information.
- Following any transfer of business to Utmost the Trustee will consider agreed service levels for the new company.

### 3. Charges and Transaction Costs

- Members' investments are at present limited to the existing Equitable Life with-profits policies. These investments contain potentially valuable guaranteed investment rates, and so there is minimal scope to change investment options at present without losing these. Members are informed of their guaranteed rates every year.
- The with-profits fund is relatively opaque in nature in terms of how returns are distributed to members. The policies includes guarantees and there is a separate 0.5% charge to cover these guarantees.
- Equitable Life have confirmed that the scheme is invested wholly in the with-profits fund. There is currently no financial adjustment if members transfer their benefits to an arrangement with another provider. For details of Equitable Life's payment terms and other features of the with-profits fund, please refer to their website [www.equitable.co.uk](http://www.equitable.co.uk). There are various sections under the with-profits tab that may be useful. Equitable Life have confirmed that they don't impose early exit charges.
- As members' benefits are in with-profits, assessing value for money is extremely difficult. The Trustee ensures that members get value for money by keeping costs low, using Co-op staff to manage members' benefits and liaise with Equitable Life at no cost to members.
- The Trustee does not currently provide access to a website for members but information in relation to Equitable Life's online with-profits information and AAF can be found at <http://www.equitable.co.uk/media/45805/45m414-supplementary-auditor-information-717doc.pdf>
- The Trustee believes that members are fully informed in relation to their benefits as the Trustee receives copies of members' benefits statements for information and retains copies as required should members have any queries.
- The Trustee has taken account of statutory guidance in the preparation of this section of the statement. As the Scheme is not being used as a qualifying scheme for auto enrolment vehicle it does not offer a default arrangement. As a result information in relation to charges in a default arrangement or Statement of Investment Principles are not applicable.
- Following any transfer of business to Utmost the Trustees will consider any charges and transaction costs within the new arrangements.
- The following table provides details of the explicit and implicit costs applied to the Equitable Life With Profits Fund. This information has been sourced from Equitable Life and includes explanatory notes, where relevant.

Equitable Life Fund (Citi Code)	Fund Annual Management Charge %pa	Annualised Reporting Period	OEIC Net Transaction Cost %pa [1]	Stocklending %pa [2]	Equitable Life Fund Transaction Cost %pa [3]	Equitable Life Fund Total Charges Impact %pa [4]
With-Profits Fund [5]	1.00	31/3/2019	N/A	0.00391	0.035608	1.04

- An illustration for the Equitable Life With Profits Fund has been provided using the policy value and the charges applied by Equitable Life to the policy value. It does not reflect the guaranteed value and the value of any guaranteed increases applicable to the guaranteed value, nor does it take into account any

capital distribution. As such, the 0.50% charge levied by Equitable Life in relation to the guaranteed element of the With-Profits Fund has not been taken into account when deducting charges.

Term	Total Funds		With-Profits	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	1,010	995	1,010	995
3	1,030	984	1,030	984
5	1,050	974	1,050	974
10	1,102	949	1,102	949
15	1,157	924	1,157	924
20	1,214	900	1,214	900
25	1,275	876	1,275	876
30	1,338	858	1,338	858
35	1,405	900	1,405	900
40	1,475	945	1,475	945

**Notes:**

- 1) Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- 2) The starting pot size is assumed to be £1000 for a Male aged 50
- 3) Inflation is assumed to be 2.5% p.a.
- 4) Values shown are estimates and are not guaranteed
- 5) The projected growth rate for each fund are as follows:  
With-Profits 3.5% p.a.
- 6) The Scheme has a guaranteed roll-up rate of 3.5% p.a. for With-Profits

**4. TKU Compliance**

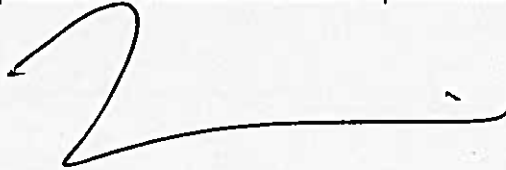
- The Trustee directors are experienced pensions professionals, supported by a team from the Co-op, many of whom have pensions-specific qualifications or equivalent professional qualifications.
- During the year, the Trustee directors have had management oversight of five pension schemes with combined assets of over £11 billion and held strategic roles in relation to pension and employment benefits, and are kept aware of emerging issues by advisers as needed.

## Action Plan

There are a number of areas in which the Trustee has improved, or is planning to improve the Scheme's controls and compliance:

- Greater choice and flexibility for retirement: Members are now offered the ability to take their benefits from the Scheme as a one-off lump sum. This gives members the flexibility to use their benefits from the Scheme in the way which they consider most appropriate
- Current Investment: Members will be kept fully informed of the progress on the proposed transfer of business by Equitable Life.
- Future investments: The Trustee will review the ongoing investments and charges for the scheme following any transfer of these policies. If a transfer occurs, the current guarantees will no longer apply to the scheme.
- Ongoing compliance: the Trustee has drawn up a business plan for the remainder of the year's business.

Signed:

A handwritten signature in black ink, consisting of a large, stylized '2' followed by a horizontal line that tapers to the right.

Position: Chair

Date: 23 October 2019