

The Sheard Pension Scheme (“the Scheme”)

Chair’s Statement 2020

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 2020. 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 relating to the default arrangement
2. The financial transactions of the Scheme
3. The charges and transaction costs within the Scheme
4. The assessment of value for members
5. The Trustee’s compliance with its knowledge and understanding (TKU) requirements.

1. Investment Strategy relating to the default arrangement

- 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”.
- Prior to the transfer to Utmost Life and Pensions, the Scheme’s investment strategy was focused on the maintenance of members’ investment policies with Equitable Life. During the year members’ funds were transferred from Equitable Life to Utmost Life and Pensions. Equitable Life enhanced with-profits policyholders’ fund values as part of a Court approved transfer of its business to Utmost Life and Pensions. The enhancement was funded using the surplus money Equitable Life had put aside to pay the guarantees which applied to members’ policies. In return for this enhancement to their policy value, policyholders gave up the guarantees that applied to their with-profits policies. In advance of the transfer Members were contacted with details of the proposal and provided with a timetable of events. The transfer was approved via a policyholder vote and court approval process.
- As part of the transfer to Utmost Life and Pensions, members were offered the opportunity to select their own funds with Utmost. If members did not select their own funds their funds were transitioned over time into an “Investment by Age” (or “lifestyle”) strategy. Information can be found at <https://www.utmost.co.uk/investment-funds/fund-information-heritage-equitable-life-joining-utmost-1-january-2020/investing/>

2. Financial Transactions

- Noting that the Scheme does not receive contributions and scheme activity is minimal due to the number of members and their spread of retirement dates, the Trustee monitors the remaining 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.
- The Trustee has received assurance from the Scheme’s administrator Utmost Life and Pensions and has taken steps to try and ensure that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme Year. This includes the processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme (as reflected in member benefit statements), and payments to members/beneficiaries. This has been demonstrated by email enquiries being made as to expected service standards and estimated receipt dates for key member information.
- Prior to the transfer to Utmost Life and Pensions there were no agreed service levels in place and Equitable Life did not publish any. However, during normal business as usual cases across Equitable Life’s Customer Service department, they confirmed that they aimed for, and consistently met, the following:

- Payments – 95% completed in 5 days
- Illustrations – 95% completed in 10 days
- General Servicing – 90% completed in 10 days
- Following the transfer of members’ funds to Utmost Life and Pensions, they have confirmed that in the period 1 January 2019 to 31 December 2019 97% of payments were completed within 5 working days and 98% of illustration and general queries in 10 working days. This information is based on the whole heritage Equitable Life business. In addition, Utmost have provided the confirmations attached titled “Utmost Information Sheet Code of Practice No 13”.

3. Charges and Transaction Costs

- Prior to the transfer to Utmost Life and Pensions, members’ investments were limited to the existing Equitable Life with-profits policies. These investments contained potentially valuable guaranteed investment rates, and so there was minimal scope to change investment options without losing these. Members were informed of their guaranteed rates every year.
- The with-profits fund was relatively opaque in nature in terms of how returns were distributed to members. The policies included guarantees and there was a separate 0.5% charge to cover these guarantees.
- Prior to the transfer, as members’ benefits were in with-profits, assessing value for money was extremely difficult. The Trustee ensured that members got value for money by keeping costs low, using Co-op staff to manage members’ benefits and liaising with Equitable Life at no cost to members.
- Following the transfer to Utmost Life and Pensions, the charges and transaction costs have been supplied by Utmost Life and Pensions who are the Scheme’s platform provider.
- Apart from the website on which the Chair’s Statement can be accessed the Trustee does not currently provide access to a website for members. 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. Information in relation to Utmost Life and Pensions pension fund investment options can be found at: <https://www.utmost.co.uk/pensions/pension-investment-fund-information/>
- 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.
- The following table provides details of the explicit and implicit costs which applied to the Equitable Life With-Profits Fund prior to the transfer to Utmost. This information was sourced from Equitable Life and includes explanatory notes where relevant, and is for historic reference and completeness only.

Equitable Life Fund (Citi Code)	Fund Annual Management Charge %pa	Annualised Reporting Period	OEIC Net Transaction Cost %pa {1}	Stocklending %pa	Equitable Life Fund Transaction Cost %pa	Equitable Life Fund Total Charges Impact %pa
With-Profits Fund	1.00	30/09/2019	N/A	0.00391	1.035577	2.04

- An illustration for the Equitable Life With Profits Fund (in relation to the period prior to the transfer to Utmost) has been provided using the policy value and the charges which were 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 which would have been 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

- Following the transfer to Utmost details of costs and charges can be found at <https://www.utmost.co.uk/investment-funds/fund-information-heritage-equitable-life-joining-utmost-1-january-2020/fund-information-heritage-equitable-life/>
- An illustration of Utmost's costs and charges is attached.

4. Assessment of value for members

- The Trustee is required to assess the extent to which member-borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee considers that it broadly means 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 available in the market.
- The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The last review was completed on 16 October 2020. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee will consider methods of benchmarking if required as part of future value for money assessments.
- The business transfer to Utmost Life and Pensions crystallised an uplift of at least 76% for with-profits policyholders and improved the economies of scale for unit holders. At this stage the Trustee Directors see no obvious disadvantage from the transaction as policyholders' views have been considered throughout the process. As the Utmost regime settles next year the Trustee will investigate this further.

5. 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 support services for five pension schemes with combined assets of over £12 billion and held strategic roles in relation to pension and employment benefits, and are kept aware of emerging pensions market issues by advisers as needed. The Trustee Directors have received training sessions from professional advisers in their wider pensions roles, have attended external seminars (such as those run by the Pensions and Lifetime Savings Association) and in-meeting training (such as training given to the Defined Contribution Committee of Pace Trustees Limited and the Co-operative Pensions Department's DC Hub) on technical pensions matters to keep up to date with developments in the pensions industry.
- The Trustee Directors ensure they are conversant with Scheme's governing documents (including their powers under the Scheme rules) and have knowledge and understanding of applicable pensions/trust law and investment principles.

Signed: Gary Dewin

Position: Chair

Date: 23rd October 2020

Information sheet

Code of practice no: 13 - Governance and administration of occupational trust-based schemes providing money purchase benefits

Independent voluntary accreditation	We do not hold accreditation such as that offered by the Pension Administration Standards Association.
Account manager or team leader for direct contact	We do not have named contacts for our group schemes, but if you call us on 0330 159 1531 we will be able to help.
Attendance at Trustee meetings	We are rarely asked to attend Trustee meetings, but if there are specific administration topics which the Trustees wish to raise, please contact us and we will do our best to help.
Administration reporting including Service Level Agreements (SLA)	We have a set of service level standards, rather than targets at product or scheme level. Generally, we aim to reply to most requests within 10 days, with payments completed within 5 where possible.
Administrator training and experience	We have internal standards which ensure that staff are properly trained, qualified, supervised and monitored. Staff are encouraged to enhance their skills and knowledge by also attending external training courses where appropriate.
Quality assurance and continuity	Our administration procedure manuals are regularly reviewed and updated. Both automated and manual processes are subject to checking and/or regular quality sampling.
Disaster recovery and business continuity planning	Our Business Continuity and Disaster Recovery arrangements meet the regulatory requirements set out by the FCA Principles for Business (PRIN), PRA Fundamental Rules (FR), Senior Management Arrangements Systems and Controls (SYSC) and EIOPA Guidelines on Systems of Governance. These plans are tested annually, or more frequently if required.
Accuracy - data and record-keeping	We carry out regular data integrity exercises covering both core and conditional data, across all the schemes we administer. Any errors identified are investigated and corrected.
Data security	<p>Data protection</p> <p>We are a Data Controller registered with the Information Commissioner's Office in accordance with the Data Protection Act 2018 (the "DPA").</p> <p>We have appointed a Privacy Compliance Officer who is responsible for ensuring we comply with the DPA.</p> <p>We have a published Data Protection Policy and all staff, including contractors and temporary staff, are required to comply. This is reviewed annually.</p>

	<p>All staff, including contractors and temporary staff, receive regular Data Protection training.</p> <p>There is a full Governance and escalation process in place to deal with any data protection issues. All data protection breaches and actions taken are escalated internally on a monthly basis.</p> <p>Information security</p> <p>We have reviewed our approaches to Information Security against ISO 27001, the International Standard for Information Security and Cyber Security against the Government's 10-Steps to Cyber guidelines.</p> <p>We have a published Information Security Policy and supporting Framework with which all staff, including contractors and temporary staff, are required to comply. This is reviewed annually.</p> <p>All staff, including contractors and temporary staff, receive regular Information Security training.</p> <p>Our IT Architect has responsibility for monitoring compliance with our Information Security Policy and Framework and for cyber related matters.</p> <p>There is a full Governance and escalation process in place to deal with any information security or cyber-related issues. Issues are escalated internally on a monthly basis.</p> <p>Access control</p> <p>We enforce strict perimeter security protocols with swipe card access to our premises and a third party security presence at our office in Aylesbury.</p> <p>CCTV surveillance is in operation at points of entry.</p> <p>System access is robustly controlled with strict segregation of duties, protocols and the adherence to a complex password policy (We do not utilise a single sign-on policy).</p> <p>The network</p> <p>Our network is protected by perimeter, hardware and software firewalls, with a demilitarised zone for appropriate servers and applications.</p> <p>Updated anti-virus and anti-malware software is used continuously.</p> <p>A patching programme is maintained with an appropriate change control procedure in place.</p> <p>Full electronic backups are taken and data securely stored off site.</p> <p>An annual penetration test of our network is undertaken by an independent 3rd party.</p>
<p>Data destruction</p>	<p>All paperwork is treated as confidential. It is securely disposed of by a contracted third party company which holds BS EN 15713 Secure Destruction of Confidential Material Certification.</p>

	<p>All electronic or mobile equipment is securely wiped before internal reissue.</p> <p>Decommissioned equipment is securely disposed of having undergone appropriate secure data erasure and a certificate of secure destruction obtained.</p>
Data transfer	<p>Electronic communications with attachments are password protected and WinZip encrypted to 256 bit AES (Advanced Encryption Standard).</p> <p>TLS protocols are in place for designated domains.</p> <p>Information burnt to disk or removable media is strictly controlled and monitored. Data is password protected and encrypted to 256 bit AES as required.</p>
Third parties	<p>We always ensure that appropriate agreements are in place where it is necessary to provide data (including personal data) to a third party. Due diligence is also undertaken where necessary.</p>
Assurance activity	<p>The adequacy and effectiveness of Governance and control over Data Protection, Information Security and Cyber Security is periodically reviewed by our Internal Audit function.</p>
Restrictions on costs and charges - Charge controls	<p>'Charge controls' are not applicable as our schemes are not suitable for auto-enrolment purposes.</p>
Investment fund transaction costs	<p>We publish a table detailing the overall transaction costs and charges for all our investment funds. These are prepared in compliance with FCA requirements to disclose transaction costs and administration charges in workplace pension schemes. Please refer to our website (the charges are updated quarterly)</p>

Cost and Charges Reporting

The following table shows the impact of charges for each fund invested. Each fund is projected over several years and shown before and after cost and charges have been deducted. The first column shows the total funds.

Term	Total Funds		MULTI-ASSET MODERATE		MULTI-ASSET CAUTIOUS		INVESTING BY AGE	
	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted	Before Charges	After Costs and Charges Deducted
1	3,006	2,979	1,007	998	997	986	1,002	994
3	3,027	2,946	1,021	995	991	959	1,016	991
5	3,050	2,913	1,035	992	985	933	1,030	988
10	3,094	2,822	1,070	985	971	871	1,053	966
15	3,115	2,706	1,107	977	957	812	1,051	916
20	3,125	2,583	1,146	970	943	758	1,036	855
25	3,135	2,467	1,185	962	929	707	1,021	798
30	3,128	2,350	1,227	955	916	660	986	735
35	3,085	2,222	1,269	947	902	616	914	659
40	3,030	2,097	1,313	940	889	575	828	582

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 £3000 for a Female 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:
 - Unit-Linked Equity 4.5% p.a. (FTSE Tracker, Managed, UK Equity, Asia Pacific Equity, European Equity, US Equity, Fund of Investment Trusts, Global Equity, Property)
 - Multi-Asset Growth 3.7% p.a.
 - Multi-Asset Moderate 3.2% p.a.
 - Multi-Asset Cautious 2.2% p.a.
 - Sterling Corporate Bond 1.7% p.a.
 - UK Government Bond 1% p.a.
 - Unit-Linked Cash 0.5% p.a. (Money, UK Secure Cash)