



Raleigh Pension Scheme (“the Scheme”) Chair’s Statement

Date: August 2021

1. Introduction

This statement has been prepared by the trustees of the Scheme (the “Trustees”) in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (“the Administration Regulations”) 1996 (as amended). This statement has also been prepared to meet the requirements of DC code of practice No. 13. It describes how the Trustees have met the statutory governance standards in relation to:

- The default arrangement(s);
- Requirements for the processing of core financial transactions;
- Assessment of charges and transaction costs; and
- The requirement for trustee knowledge and understanding,

between 6th April 2020 and 5th April 2021 (“the Scheme Year”).

2. Default arrangement

The following arrangement is the Scheme’s “default arrangement” for the purposes of Administration Regulations:

Standard Life Universal Strategic Lifestyle Profile Active Plus Risk Level III. The default arrangement invests 100% in the Standard Life Active Plus III Pension Fund up until members are 10 years from retirement. This is gradually switched into the Standard Life Pre Retirement (Active Plus Universal) Pension Fund 10 years from retirement, with the Standard Life At Retirement (Active Plus Universal) Pension Fund introduced from 5 years to retirement. The asset allocation at retirement reflects 100% investment in the Standard Life At Retirement (Active Plus Universal) Pension Fund.

2.1 Statement of Investment Principles

A copy of the Scheme’s latest Statement of Investment Principles is included within these accounts and is shown below. The Statement of Investment Principles governs decisions about investment for the purposes of the default arrangement, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the “Statement of Investment Principles”). There were 3 Statements of Investment Principles effective during the year dated March 2020, September 2020 and November 2020.

2.2 Review

The Trustees undertake a review of the strategy and performance of the default arrangement on an annual basis. The default arrangement has been reviewed against the Charge Cap regulation and was confirmed to be within the regulations. However, the Trustees have found that the performance of the default arrangement is inadequate. Scores on Standard Life’s own Value for Money matrix have deteriorated and the Independent Governance Committee (“IGC”) in their 2019 report state *“In general scores have*

deteriorated across the range of available workplace products versus the scores for 2017/18. This is primarily due to the low scores awarded in the assessment of Investment Quality particularly in relation to the performance of the core default funds which are deployed across the product range.”

Standard Life has implemented changes to core default funds in order to redress this issue. These changes were implemented between August and December 2019. In relation to the Scheme’s default, Standard Life Universal Strategic Lifestyle Profile Active Plus Risk Level III, the material changes are as follows:-

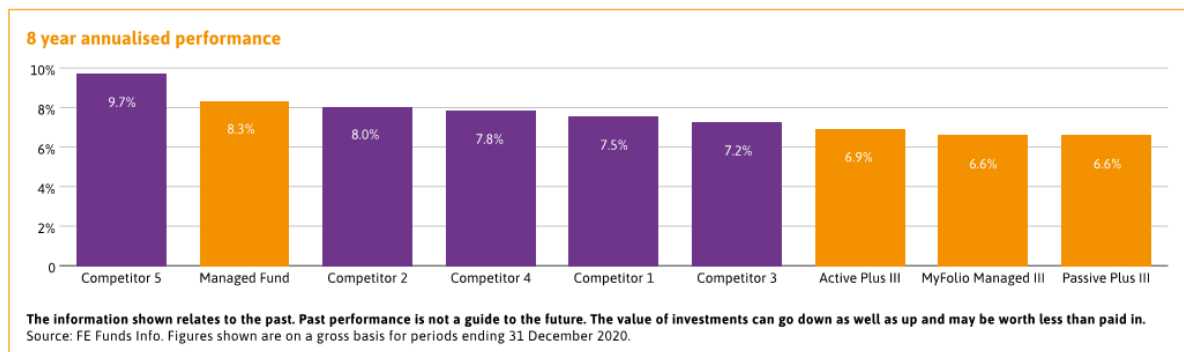
Reductions in investment

Absolute returns	14%
Government Bonds	7%
US Equities	4%

Increases in investment

Emerging Market Debt	7%
UK Equity	6%
Sterling Corporate Bonds	5%
Global Corporate Bonds	4%

Although the outline of the fund remains 68% growth/32% defensive, more risk is being taken to improve the return. Notably, there is no change in the fund managers but the mix between them does change. The Standard Life ICG Report 2020 indicates that Standard Life’s most modern defaults do not compare well against the auto-enrolment defaults of other firms and has provided a comparator shown in the table below.



3. Requirements for processing financial transactions

The Trustees have a Service Level Agreement with Standard Life. This targets that 90% of all non-straight through processing tasks, not all necessarily financial, are completed within 10 days. The Trustees regularly monitor core financial transactions of the Scheme via Standard Life’s (‘the Provider’) administration report. These include the investment of contributions, fund switches, transfers in and out of the scheme and payments out of the Scheme and the Provider’s performance against service level agreements. In the 6 months to 31st December 2020, 100% of all transactions were processed within 10 days.

The Trustees’ annual Report and Accounts (including financial transactions) are independently audited by the Scheme auditor, Cooper Parry, annually.

Based upon the above, the Trustees are satisfied that the Scheme’s core financial transactions have been processed promptly and accurately during the Scheme Year.

4. Assessment of member-borne charges and transaction costs

4.1 Level of member-borne charges and transaction costs

The effective total charge applied to the Scheme's default arrangement and self-select asset class fund range as at 5th April 2021 is as follows:

Fund	Fund Management Charge	Additional Expenses	Scheme Rebate	Effective Total Charge
SL M&G Global Select Pension Fund	1.72%	0.17%	0.35%	1.54%
SL Newton UK Equity Pension Fund	1.00%		0.35%	1.06%
Standard Life Index Linked Bond Pension Fund	1.00%	0.01%	0.35%	0.66%
Standard Life Money Market Pension Fund	1.00%	0.01%	0.35%	0.66%
Standard Life Annuity Targeting Pension Fund	1.00%	0.00%	0.30%	0.70%
Standard Life Stock Exchange Pension Fund	1.00%	0.03%	0.35%	0.68%
Standard Life UK Equity Pension Fund	1.00%	0.01%	0.35%	0.66%
Standard Life UK Equity Select Pension Fund	1.40%	0.01%	0.35%	1.06%
Standard Life Annuity Purchase Fund	1.00%	0.01%	0.35%	0.66%
Standard Life Managed Pension Fund	1.00%	0.02%	0.35%	0.67%
Standard Life Mixed Bond Pension Fund	1.00%	0.01%	0.30%	0.66%
Standard Life Multi Asset Managed (20-60% Shares) Pension Fund	1.00%	0.02%	0.35%	0.67%
Standard Life At Retirement (Multi Asset Universal) Pension Fund	1.00%	0.04%	0.35%	0.69%
Standard Life Passive Plus II Pension Fund	1.00%	0.04%	0.35%	0.69%
Standard Life Active Plus III Pension Fund (Default)	1.10%	0.03%	0.35%	0.78%
Standard Life Passive Plus IV Pension Fund	1.00%	0.03%	0.35%	0.68%
Standard Life Active Plus IV Pension Fund	1.15%	0.03%	0.35%	0.83%
Standard Life At Retirement (Active Plus Active Retirement) Pension Fund	1.00%	0.26%	0.35%	0.91%
Standard Life At Retirement (Active Plus Universal) Pension Fund	1.08%	0.03%	0.35%	0.76%
Standard Life Pre Retirement (Active Plus Active Retirement) Pension Fund	1.00%	0.40%	0.35%	1.05%
Standard Life Pre Retirement (Active Plus Universal) Pension Fund	1.10%	0.03%	0.35%	0.78%
Standard Life Pre Retirement (Passive Plus Active Retirement) Pension Fund	1.00%	0.26%	0.35%	0.91%
Standard Life Pension With Profits One 2006 Fund			0.35%	See Note
Standard Life Pension With Profits One Fund			0.35%	See Note
Standard Life Pension 2 With Profits 2 Fund			0.30%	See Note

Note:- for investment in with profits there is no explicit fund management charge or additional expenses, but when Standard Life calculate a plan's with profits value they take account of deductions for their costs. These deductions are broadly the same as the management charges and additional expenses for investment linked funds with similar assets. In addition, when Standard Life make deductions, which may vary, for the cost of guarantees provided by with profits business; these deductions may affect what the member gets back, although they will not reduce the guaranteed benefits.

4.2 Transaction costs

Transaction cost Information is available for the various funds managed by the Provider and have been published in the Annual Report for Standard Life Workplace Personal Pensions 2020-21 prepared by the IGC. This information is complete insofar as data has been provided by external fund managers. The data relates to the year to 31st December 2020. As the Trustees see it, until there is some standardized methodology relating to this data, the use of transaction costs for VfM purposes is limited.

4.3 Illustrative Example

Below is an illustrative example of the cumulative effect over time of the relevant costs and charges on the value of a member's benefits.

Projected Pension Pot in today's money

Years	After all	
	Before charges	charges + costs deducted
1	£1,456	£1,445
5	£7,304	£7,142
10	£15,126	£14,528
15	£23,485	£22,165
20	£32,398	£30,062
25	£41,885	£38,229
30	£51,964	£46,673
35	£62,657	£55,405
40	£73,984	£64,434
46	£88,444	£75,676

Assumptions

- Starting salary at age 22, £20,000, retiring at 68 years.
- Member contribution 3.5%, matched by company
- Inflation 2.5% applied to salary and rate for net present value (NPV)
- Return on assets 1.5% above inflation flat (realistically this would be higher in the early years and lower in the later years)
- Annual charge including expenses 0.78%
- After charges amount equals NPV at 2.5% on end pot
- Before charges amount is after charge amount plus NPV at 2.5% of the charges each year. This is not the same amount if the assumption is for no charges as some charges must apply however small.

4.4 Value assessment

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustees assess the extent to which charges and transaction costs set out in 4.1 above represent good value for members.

The Trustees are committed to ensuring that members receive value for money from the Scheme. The Trustees undertook a value for money assessment. The assessment has taken place that gauges whether the total costs of and offerings to the scheme membership represent value for money. In accordance with the

Pensions Regulator's DC Code of Practice and with relevant legislation available at the time of this statement, the Trustees concluded, following their meeting on 22nd November 2019, that the Scheme's default option does not represent value for money. Factors taken into account in reaching this assessment are:-

- The default option charge at 0.75% is only just within the charge cap and is higher than most other comparable providers.
- Performance of the default option is poor against other comparable providers.

Discussions have been taken up with the provider, Standard Life, that has offered an increase in the rebate of 15 bps as from February 2021, that is, in the opinion of the Trustees, insufficient to make the current offering represent value for money. The Trustees have therefore decided to move the DC section of the Scheme into a Master Trust. This was implemented on 1st June 2021. By way of comparison the illustrative example for the new default is

Projected Pension Pot in today's money		
Years	After all	
	Before charges	charges + costs deducted
1	£1,456	£1,452
5	£7,310	£7,247
10	£15,158	£14,924
15	£23,576	£23,057
20	£32,598	£31,671
25	£42,261	£40,797
30	£52,601	£50,464
35	£63,659	£60,704
40	£75,479	£71,551
46	£90,729	£85,421

Assumptions

- Starting salary at age 22, £20,000, retiring at 68 years.
- Member contribution 3.5%, matched by company
- Inflation 2.5% applied to salary and rate for net present value (NPV)
- Return on assets 1.5% above inflation flat (realistically this would be higher in the early years and lower in the later years)
- Annual charge including expenses 0.30%
- After charges amount equals NPV at 2.5% on end pot
- Before charges amount is after charge amount plus NPV at 2.5% of the charges each year. This is not the same amount if the assumption is for no charges as some charges must apply however small.

5. Trustee knowledge and understanding

The Trustees' own knowledge and understanding, together with the advice which is available to them through their advisers, enables them to properly exercise their functions as Trustees of the Scheme.

The Trustees themselves (listed below) have the following experience:

- Mervyn Jones (Chairman) appointed 9th February 2007. A company appointed trustee, a Chartered Accountant with 14 years' experience as Chairman to the Trustees and a Scheme pensioner, steering the Scheme through its first scheme specific funding and various investment reviews. Has completed tPR trustee toolkit.
- Trevor Fisher appointed 21st June 2007. Member nominated trustee and Scheme pensioner with 14 years' experience as a Scheme trustee. Has completed tPR trustee toolkit.
- Steve Wigley appointed 21st June 2007. Member nominated trustee and a Scheme pensioner with 14 years' experience as a Scheme trustee. Has part completed the tPR trustee toolkit.
- Jane Tomkinson appointed 16th July 2013. Member nominated trustee and previous Deputy Managing Director of the sponsor, now deferred member. Has part completed the tPR trustee toolkit.
- Chris Weedon appointed 16th July 2013. Member nominated trustee and Scheme pensioner. Has completed the tPR trustee toolkit.
- Stuart Atkins appointed 20th October 2016. Company appointment and Head of Finance of the sponsor. Has part completed the tPR trustee toolkit.

As a result of the training activities which have been completed by the Trustees individually and collectively, and taking into account the professional advice available to the Trustees, I am confident that the combined knowledge and understanding of the Trustees enables us to exercise properly our functions as trustees of the Scheme. However further external training provided by Capita was undertaken by all Trustees on 23rd and 24th November 2016.

The Trustees have managed, since April 2009, on the DB section, to turn a £22.1 million deficit into a surplus of £5.9 million at April 2021, with a weak covenant employer, whilst the single equivalent discount rate used for the Technical Provisions has reduced to 0.98% from 4.40% over that time. They have a good knowledge of funding and investment principles.

The Trustees have reasonable understanding of pension law supported by external advisers. The original trust deeds dating from 1993 were subject to many amendments. These amendments have now been consolidated giving a clearer understanding of the Scheme in one place.

The whole of this Statement, as well the Scheme's accounts in total, are available to view on the Scheme's web-site, www.raleighpension.co.uk, immediately after filing. Members are also notified in the annual benefit statements.

Signed on behalf of the Trustees

Mervyn Jones