

# THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 6 APRIL 2020 – 5 APRIL 2021

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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 Deeside Cereals Pension Scheme is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits. These money purchase benefits relate to 3 members who have historic money purchase benefits in the Scheme, and also relate to AVC arrangements provided by the Scheme for members who have historically paid AVCs to the Scheme.

The Scheme is closed to further contributions. This means that no new members can commence paying money purchase contributions and the existing members who have historic funds (including AVCs) cannot make further contributions.

The Scheme is managed by Deeside Cereals I DB Pension 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 Mercer and held three meetings over the Scheme Year. Mercer attended these meetings.

At the Trustee meetings, the high level operational framework of the Scheme is set, monitored and managed, so that the Scheme continues to be run within relevant codes of practice and best practice, and evolved 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 includes information about costs and charges in relation to members' investments, and a cumulative projection as required by the regulations, which is set out in Appendix 1. The Statement will be made available online, and the 2020 Statement can be found at: [http://www.deesidecereals.co.uk/wp-content/uploads/2020/11/Deeside\\_Chairmans\\_statement\\_2020.pdf](http://www.deesidecereals.co.uk/wp-content/uploads/2020/11/Deeside_Chairmans_statement_2020.pdf).

## Default arrangement

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

The Scheme's money purchase funds are currently invested either through ReAssure Limited (ReAssure) or with Utmost Life and Pensions Limited (Utmost).

Historically, the money purchase 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.

The funds of the 3 members who have money purchase benefits derived from a transfer into the Scheme and were initially invested solely in the Equitable Life With Profits Fund (ELWPF).

On 31st December 2019, the business of Equitable Life was transferred to Utmost, with the ELWPF being disinvested and members' fund values being increased by an "Uplift" of between 87% and 111% (differing by member) in exchange for the capital guarantee and then reinvested with Utmost. The Trustee received advice from Mercer, its investment adviser, and determined that the proceeds should first be invested in the Utmost Secure Cash Fund (USCF) and remain in there in full until 30 June 2020. Investments in this fund were guaranteed not to fall below the amount initially invested.

Utmost wound down the USCF over the second half of 2020 and the available fund options with Utmost did not provide any guarantees. The Trustee received advice from Mercer that due to uncertainty in investment markets resulting from the COVID-19 pandemic, it would be appropriate for the investments in the USCF to transition to the

Utmost Money Market Fund (UMMF) and to review the position once the chance of COVID-19 related market volatility had reduced.

The Trustee wrote to members in July 2020 to inform them of the changes, and that they also have the choice to invest in a range of unit linked funds with Utmost, or to consider other options such as transferring out of the Scheme to consolidate with any other pension arrangements they may have.

There is no specific default strategy for the Scheme, although the funds for all members with money purchase transferred in benefits were invested in the ELWPF, before being transferred to the USCF and then transitioning to the UMMF over the second half of 2020. These funds have therefore become default arrangements because members' funds have been invested in them without the members' specific agreement and the current Statement of Investment Principles recognises the USCF and the UMMF as default arrangements.

We have therefore prepared an illustration for the UMMF and this is set out in Appendix 1.

On 7 September 2020, Legal & General transferred its traditional insurance-based savings, pensions, life and with profits business to ReAssure, following receipt of High Court approval. The Scheme has one member affected, who is invested in 3 unit linked funds, and these were transitioned across from Legal & General to ReAssure with no change.

For avoidance of doubt, the Scheme is not being used as a qualifying scheme for Auto Enrolment purposes.

#### Processing Scheme transactions

The Trustee Directors have a specific duty to ensure that core financial transactions (including 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 money purchase members) are processed promptly and accurately.

The Trustee Directors note that no further contributions can be paid, and that there have been no member instigated transfers between different investments. The Trustee Directors also note that Mercer, the Scheme administrator, would co-ordinate the disinvestment and payment of these money purchase benefits when a member transfers or retires.

The Trustee Directors have a service level agreement (SLA) in place with Mercer's Administration team, which covers the accuracy and timeliness of all core transactions.

The Trustee Directors have also considered the latest internal control report from Mercer which reviews processes and controls implemented, and are satisfied that there were no material issues highlighted.

At each meeting the Trustee Directors review the latest Mercer Administration Report, which reports on core financial transactions. This enables the Trustee Directors to monitor that delivery is in line with the agreed service levels and member expectations.

Members will also approach the Trustee Directors, 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. Feedback from members therefore provides a good independent check that the Scheme is being operated in line with members' expectations.

Taking the above into consideration, the Trustee Directors are satisfied that there were no material issues 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.

#### Charges – default arrangement and additional funds

The law requires the Trustee Directors 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 transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds.

All members with Utmost funds are currently invested in the UMMF, although as noted earlier, those members that were previously invested in the ELWPF had investments in the USCF over the Scheme year until it was wound down.

The charge for the USCF was 0.5% p.a provided this did not reduce the fund value below the initial value transferred. The charge for the UMMF is also 0.5% p.a but offers no capital guarantee and so a member's fund can reduce over time should investment returns be less than 0.5% p.a.

The member invested with ReAssure is invested in a range of index tracking equity index funds, and the funds the member is invested in are set out below, as well as their administration and investment charge:

- US Equity Index 6 Pension Accumulator Series 06 0.55% p.a.
- European Equity Index 6 Pension Accumulator Series 06 0.58% p.a.
- UK Equity Index 6 Pension Accumulator Series 06 0.51% p.a.

All the above charges relate to the cost of the money purchase provider.

The cost of Mercer's administration is met directly by the Company and is therefore not borne by the members.

The Trustee Directors note 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. Nevertheless, all the members' current funds have charges below the cap.

As noted earlier in this Statement, Appendix 1 includes an illustration of the impact of costs and charges.

It is a requirement to show such an illustration for the default investment strategy as well as an appropriate range of options.

As noted earlier, we have prepared an illustration for the UMMF as it has become a default fund.

We have also provided a projection for the L&G US Equity Fund, which is the ReAssure fund with the most money invested.

#### Assessment of transaction costs over the period

As mentioned above, the Scheme is closed to further money purchase transfers-in and AVC contributions. Therefore, no new funds have been added to the Scheme's money purchase or AVC funds over the year.

The UMMF experienced transaction costs of 0.0010% over the 12 months to 31 December 2020, which is the latest information available.

ReAssure has been asked to confirm the fund level transaction costs, but at the time of producing this statement, these have not been provided. The ReAssure funds invested in are index tracking funds, and it is therefore expected that transaction costs will be low. We will include the information in next year's statement if received.

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 further information in relation to dealing costs in future statements to the extent that this information is available.

#### Statement of Investment Principles (SIP)

The latest SIP for the Scheme as a whole was dated 11 September 2020 and replaced the September 2019 SIP. It is included as part of this Chairman's Statement in Appendix 1 to the financial statements. As noted within this Chairman's Statement, the 3 members with historic money purchase benefits were invested in the USCF and currently the UMMF. These funds were determined to be additional 'default' arrangements and the 2020 SIP sets out the Trustee's objectives and principles in relation to these funds.

The 2020 SIP is available on request, and is available online at:

[http://www.deesidcereals.co.uk/wp-content/uploads/2020/09/Deeside-SIP-September-2020\\_Approved.pdf](http://www.deesidcereals.co.uk/wp-content/uploads/2020/09/Deeside-SIP-September-2020_Approved.pdf).

#### Ongoing Monitoring

The Trustee Directors review performance of the Scheme's money purchase funds on an annual basis, and are satisfied that the performance over the year ending 5 April 2021 was satisfactory.

## Communications

Over the year ending 5 April 2021, 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
- An 'at retirement' "Pensions Decision Service" provided by Mercer and offered to members as part of their retirement communications. This provides personalised support to members to help them navigate their choices at retirement including written guidance and a recommendation to seek independent financial advice where appropriate
- Summary funding statement and annual newsletter
- A letter to the Utmost members to inform them of the changes as noted earlier in this Statement

As noted above, a copy of the latest Chair's Statement and the SIP are available on the on the website:

[http://www.deesidecereals.co.uk/wp-content/uploads/2020/11/Deeside\\_Chairmans\\_statement\\_2020.pdf](http://www.deesidecereals.co.uk/wp-content/uploads/2020/11/Deeside_Chairmans_statement_2020.pdf)

[http://www.deesidecereals.co.uk/wp-content/uploads/2020/09/Deeside-SIP-September-2020\\_Aproved.pdf](http://www.deesidecereals.co.uk/wp-content/uploads/2020/09/Deeside-SIP-September-2020_Aproved.pdf)

## Trustees' knowledge and understanding

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 Pension Regulator's Code of Practice 07 and 13.

The Trustee Directors have put in place arrangements for ensuring that they 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 Directors are all experienced in their roles. The Trustee board includes a professional, independent Trustee, 3 of the 4 Trustee Directors have been in their role for more than 10 years, whilst the fourth Trustee Director has been in place for more than 5 years.

The Trustee Directors receive advice from professional advisers, who attend all meetings and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers. The Trustee Directors will seek advice, if appropriate, between meetings as and when questions or issues arise to ensure that the Scheme is administered in accordance with its governing documents as well as the overriding pensions legislation.

The experience of the Trustee Directors and the assistance of the advisers, 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.

The Trustee demonstrated a knowledge of the SIP when it was updated to provide additional information about its stewardship policy and its arrangements with its asset managers to meet the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019, with the new version reviewed by the Trustee Directors and approved on 11 September 2020.

The Trustee has demonstrated a knowledge of the Scheme's Trust Deed and Rules in their decision that it should be updated, but that is appropriate to do so once the ongoing GMP Equalisation Exercise has been completed.

They have also carried out a self-assessment of training needs to help identify any knowledge gaps and this has been reviewed so that training needs can be addressed.

Over the Scheme year, the Trustee Directors have received updates on legislative developments in the course of their regular meetings with a Current Pensions Issues document from Mercer being included on the agenda at each Trustee meeting, so that the Trustee Directors can satisfy themselves that they are kept up to date with relevant developments. The Trustees had training in their meetings relation to:

- Actuarial factors

- The new Implementation Statement requirements
- The new requirements for the Statement of Investment Principles
- The Regulator's checklist relating to Covid-19
- The Regulator's consultation on DB funding
- Mercer's Pension Decision Services and regulatory changes in the current financial advice market
- GMP Equalisation

The Independent Trustee Chair also undertook over 35 hours of training over the Scheme year, of which over 10 hours was on DC related matters, whilst one of the Trustee Directors attended Eversheds Webinars in relation to the continuing rise of pension scams and also Covid-19 – Pensions and Employment what happens next.

All of the existing Trustee Directors have completed the Pension Regulator's Trustee Toolkit and new Trustee Directors are expected to complete this within six months of taking up office.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustee Directors consider that they can properly exercise their functions as Trustee Directors of the Scheme.

#### Value for Members

In making its assessment of whether the Scheme has provided Value for Members over the Scheme year, the Trustee has taken into consideration:

- The Scheme's overall governance framework, competency of administration, default investment strategy and range of investment options, investment performance, investment charges including transaction costs, member communications, , as well as their own knowledge and understanding;
- Advice from Mercer, in relation to these factors and the costs of comparable arrangements;
- The fact that the Scheme has a small number of members with money purchase benefits, and it is unlikely that beneficial terms could be obtained from alternative providers.

The Trustee reviewed these factors at its meeting of 21 October 2021 and concluded that it is satisfied that over the year ending 5 April 2021, the Scheme provided Value for Members.

#### 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 these 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 21 October 2021 and signed on their behalf by Mr W Ashburner, Chairman of the Deeside Cereals I DB Pension Ltd, Trustee of the Deeside Cereals Pension Scheme.

## APPENDIX 1 - CUMULATIVE EFFECT OF CHARGES

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

| Illustrations for an "Average" member  |  |                                  |                          |                                  |
|--|--|----------------------------------|--------------------------|----------------------------------|
|  | L&G US Equity Index Fund   |                                  | Utmost Money Market Fund |                                  |
| Years from now   | Before Charges   | After Charges and costs deducted | Before Charges           | After Charges and costs deducted |
| 0  | £900   | £900                             | £16,700                  | £16,700                          |
| 1  | £926   | £921                             | £16,415                  | £16,333                          |
| 3  | £981   | £966                             | £15,859                  | £15,623                          |
| 5  | £1,040   | £1,012                           | £15,322                  | £14,944                          |
| 10   | £1,201   | £1,138                           | £14,058                  | £13,372                          |
| Total Fees   | £55  |                                  | £743                     |                                  |
| <p><i>It could be helpful to provide the context for the investment returns and charges presented above. 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" members' pots at retirement would be £703 and £13,046 in today's money for the respective pots above.</i></p>  |  |                                  |                          |                                  |
| <p><b>Assumptions</b></p> <p>The above illustrations have been produced for an "average" member of the Scheme based on the Scheme's membership data. The 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.</p> <p>The total fee reflects what would actually be 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 the lost investment returns on the fees charged.</p> |  |                                  |                          |                                  |
| Age  | 55 (the average age of the Plan's unit linked AVC members)                                       |                                  |                          |                                  |
| Plan Retirement Age  | 65   |                                  |                          |                                  |
| Starting Pot Size  | Fund dependent, shown above  |                                  |                          |                                  |
| Inflation  | 2.5% p.a.  |                                  |                          |                                  |
| Annual contributions   | n/a  |                                  |                          |                                  |
| Expected future returns on investment:   | 5.5%p.a. : US Equity Index 6 Pension Accumulator Series 6<br>0.75%p.a.: Utmost Money Market Fund |                                  |                          |                                  |