



DC governance

In accordance with the requirements of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 ('the Regulations'), the Trustee is required to provide a statement relating to the governance of the DC section of the Scheme. This statement takes into account relevant statutory guidance and has been prepared on behalf of the current Trustee, BPE Pension Trustees Limited.

This statement covers the period from 6 April 2018 to 5 April 2019.

In accordance with the requirements of the Regulations, Robin Hickson has been appointed as Chairman.

Background to the Scheme's DC benefits

The DC section of the Scheme is closed to new members and no further contributions are being paid. It has 4 members.

Governance of the DC investments

The Trustee is keen to ensure that assets are invested in the best interests of all members and beneficiaries. The Trustee has adopted a Statement of Investment Principles which sets out the Trustee's aims and objectives relating to the investment options. This includes the Trustee's policy on risk, return and ethical investing. The Statement of Investment Principles was last reviewed in September 2019 and is attached to this statement.

As at 5 April 2019 the defined contribution funds under management were invested in the following funds:

- LGIM Multi-Asset
- LGIM Over 5 Year Index-Linked Gilts Index
- LGIM Global Equity 70:30 Index
- LGIM Cash

The Scheme is not designated as a qualifying scheme for the purposes of auto-enrolment and contributions are no longer paid into the Scheme. However, the Trustee has determined that the Lifestyle Strategy should be regarded as the Scheme's default fund for the purposes of the Regulations. The Lifestyle Strategy invests in the LGIM Multi-Asset Fund up to 6 years before Normal Retirement Age (NRA). Unless a member chooses otherwise, members' funds are gradually moved to the LGIM Over 5 Year Index-Linked Gilts Index Fund and the LGIM Cash Fund, commencing on 6 April preceding age 60.

The default investment strategy automatically reduces risk exposure as members approach their normal retirement date. Whilst the current default strategy is to target annuity purchase, members are free to change their chosen investment fund in the run-up to retirement to target an alternative retirement strategy.

The Trustee Directors review the suitability of the Scheme's investment strategy in conjunction with the investment strategy for the defined benefit section run for the members and other former employees of Beck & Pollitzer on an annual basis, the last one taking place on 13 June 2019.

Following our review during the past year, on balance the Trustee Directors continue to be satisfied that the investment performance (net of fees) remains in line with the stated objectives for the fund and that the investment strategy remains appropriate for the majority of our members.

Charges and transaction costs

Costs and annual charges borne by members' funds may have a significant impact on their accumulated pension funds so it is important to keep these to a minimum.

The annual ongoing charges levied by the investment manager and deducted from members' investment depends on the funds used and the table below shows these charges.

Members are able to self-select investment funds within the DC section of the Scheme. LGIM has confirmed that the policies are invested in net of fee funds so the annual management charge ("AMC") is taken into account in the unit price. In addition to these explicit member charges, members also incur transaction costs (incurred as a result of buying, selling, lending or borrowing investments). The annual management charges and transaction costs for each of the funds currently in use by our members, is set out below.

Fund	Annual Management Charge*	Indirect fees*	Transaction Costs*
LGIM Multi-Asset ex-Consensus	0.250%	–	0.01%
LGIM Over 5 Year Index-Linked Gilts Index	0.100%	–	0.03%
LGIM Global Equity 70:30 Index	0.160%	0.02%	(0.01%)
LGIM Cash	0.125%	–	0.00%

* Source: LGIM. Transaction costs stated as at 31 March 2019.

Notes:

- **LGIM Multi-Asset:** Transaction cost data was not available for 6.9% of this fund. This represents the portion of the fund (by AUM as at 31 March 2019) made up of externally managed funds for which transaction cost data was not available
- **Global Equity 70:30 Index:** Transaction cost data was not available for 3.9% of this fund. This represents the portion of the fund (by AUM as at 31 March 2019) made up of externally managed funds for which transaction cost data was not available

Source: LGIM

Transaction costs are defined in the Regulations as the costs incurred as a result of buying, selling, lending or borrowing investments and they can have a significant impact on members' fund values.

Transaction costs are typically categorised as explicit costs or implicit costs. Explicit costs are directly observable e.g. taxes such as stamp duty. Implicit costs cannot be observed in the same way but will result in a reduction in the total amount of money invested e.g. buying and selling spreads and can have a significant impact on net returns.

The costs and charges made available to us are reviewed on an annual basis by our advisers, First Actuarial. This review covers both the default arrangement and the self-selection options chosen by members.

In assessing value-for-money (as assessed below), the Trustee has only considered the costs and charges met by members.

Cumulative impact of costs and charges

The Trustees have conducted an analysis of the cumulative impact of the member-borne costs and charges within the various investment funds for typical members of our Scheme, which is as follows:

Projected Pension Pot in today's money								
Years	Multi-Assets		Cash Fund		Global Equity		Index-Linked Gilts	
	Before charges	After all costs & charges	Before charges	After all costs & charges	Before charges	After all costs & charges	Before charges	After all costs & charges
1	£53,565	£53,430	£51,636	£51,571	£53,815	£53,726	£51,652	£51,584
3	£56,838	£56,409	£50,916	£50,724	£57,637	£57,353	£50,962	£50,762
5	£60,312	£59,554	£50,205	£49,890	£61,730	£61,225	£50,281	£49,953
10	£69,952	£68,206	£48,473	£47,866	£73,280	£72,085	£48,619	£47,987
15	£81,132	£78,114	£46,800	£45,924	£86,992	£84,873	£47,012	£46,098
20	£94,100	£89,462	£45,184	£44,060	£103,269	£99,929	£45,458	£44,283
25	£109,141	£102,459	£43,625	£42,273	£122,592	£117,656	£43,956	£42,540
30	£126,586	£117,343	£42,119	£40,557	£145,531	£138,527	£42,503	£40,865
35	£146,819	£134,390	£40,666	£38,912	£172,761	£163,101	£41,098	£39,257
40	£170,286	£153,913	£39,262	£37,333	£205,087	£192,034	£39,739	£37,711

Assumptions:

- Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
- The starting pot size is assumed to be £52,000
- Inflation is assumed to be 2.5% each year
- No further contributions are assumed
- Values shown are estimates and are not guaranteed
- The projected growth rate for each fund are as follows:
 - Multi-Asset 3.01% above inflation
 - Cash Fund -0.70% above inflation
 - Global Equity 3.49% above inflation
 - Index-Linked Gilts -0.67% above inflation

Core financial transactions

The Scheme Administrator has standard service level requirements covering the accuracy and timeliness of all core transactions. The Trustee receives and reviews reports from our administrators, First Actuarial, at each Trustee meeting in order to monitor and ensure that core financial transactions are processed promptly and are informed of any errors in administration if applicable.

The service level reporting information provided by First Actuarial regarding the processing of core financial transactions includes reporting on:

- Transfers of members' assets between different investments within the Scheme (if applicable)
- Transfers of members' assets into and out of the Scheme
- Payments from the Scheme to, or in respect of, members

The Administrator has adopted a number of processes in order to ensure the quality and accuracy of the administration of members' benefits. These include:

- Maintaining a computerised administration system with records for all members;
- Reconciling investment units held on record against investment manager statements; and
- All work completed is subject to checking and authorisation by a senior member of the team

The Trustee is satisfied that, during the Scheme year, there have been no delays in processing these transactions.

Value for Money

The Trustee is committed to ensuring that the Scheme provides good value for members. Within its latest Code of Practice for schemes providing defined contribution benefits and value for members guide, The Pensions Regulator has set out its expectations of trustee boards in a number of areas including the assessment of value for members. The Trustee has taken these expectations into account, when reviewing value for members of the Scheme.

The Trustee has assessed good value for our members against the following criteria:

- Quality of administration service
- Scheme governance
- Investment options, suitability and performance
- Charges
- Quality and clarity of communications and support to members

While an independent value for money review has not been commissioned, annual reviews are undertaken by the Trustee Directors to consider each of the above areas and form our own assessment as to whether the Scheme continues to offer good value for our members. The above criteria were set by the Trustees in order to assess value for money. To develop a Scheme-specific understanding of our members' priorities and views of what constitutes value for money, a greater level of engagement with the membership would be required. Previous communications issued to members (invitations to participate as a Member-Nominated Trustee; communications regarding the options available to members and invitations to contact the Trustee with any questions regarding benefits) have not yielded any response.

Following the most recent review in 2019, the Trustee Directors have concluded that the Scheme provides reasonable value for our members, for the following reasons:

- The Scheme Administrator continues to administer the Scheme in accordance with agreed SLA requirements and has not reported any errors, complaints or delays in processing of administration tasks
- The investment performance of the underlying components of the default fund continues to be in line with its stated objectives for different groups of members. Alternative options are available for members to select from, should they wish

- The ongoing management charges are low, falling significantly below the charge cap. Other Scheme expenses are met by the Company rather than our members
- The communications issued by to members have been reviewed by the Trustee and we are satisfied these are sufficiently clear

Trustee Knowledge & Understanding

It is important that the Trustee Directors continue to have sufficient knowledge and understanding to fulfil their duties. All new Trustee Directors are expected to undertake training following their appointment; this would normally be achieved by the new Trustee Director completing the Trustee Toolkit and attending additional professional training courses. The Trustee Directors also maintain a training log in order to record their training and to facilitate personalised training plans.

The current Trustee Directors have a range of experience and periodically carry out self assessment to identify any knowledge gaps and then seek to undertake training sessions in respect of content that they deem would improve or help maintain their level of knowledge and understanding. This self-assessment exercise is carried out twice a year, in conjunction with each Trustee meeting.

The Trustee Directors continue to use the Toolkit to deepen their knowledge and understanding of the role of Trustees.

Trustee knowledge and understanding is also supplemented by review of ongoing specialist technical briefings and consideration of their application to the Scheme, as well as delivery of technical updates at each Trustee meeting.

Each Trustee Director maintains ongoing knowledge of, and is conversant with, the documentation governing the Scheme. This includes, but is not limited to, the Trust Deed and Scheme Rules, the Statement of Investment Principles, and all other policies relating to the administration of the Scheme.

The Trustee Directors are also supported by independent and professional advisers who ensure that they are kept abreast of the latest legislative, regulatory and market developments that apply to the Scheme. These advisory appointments are also periodically reviewed.

How to contact the Trustee

If you have any further queries regarding the Scheme, please contact: Jane Boorman, Scheme Administrator

Beck & Pollitzer Engineering Pension Scheme
c/o First Actuarial LLP
Fosse House, 182 High Street
Tonbridge, Kent
TN91BE

Chair's signature



Robin Hickson

Chairman, BPE Pension Trustees Limited

Date: 24th October 2019