Chair’s Annual Governance Statement 2022
(1 January 2022 – 31 December 2022)

This Statement has been prepared by the Trustees of the CMR Limited Pension and Life Assurance Scheme (the Trustees and the Scheme) in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended) (the 'Scheme Administration Regulations').

It sets out how the Trustees have met the statutory defined contribution (DC) governance standards during the Scheme year ended 31 December 2022. It has been prepared by the Chair of Trustees, Chris Rose.

The Trustees continually review and assess systems, processes and controls across key governance functions to determine whether these are consistent with those set out in the Pensions Regulator’s:

- Code of Practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits.
- Regulatory guidance for defined contribution schemes.

Governance of the DC Investments

The Scheme was set up as a DC arrangement. However, it was decided to contract out of the State Earnings Related Pension Scheme (SERPS) on a defined benefit basis. This meant that the Scheme was required to provide a minimum Guaranteed Minimum Pension (GMP) for each member.

In return, both members and the employer would have benefitted from reductions in their National Insurance (NI) contributions.

At outset, the expectation will have been that a member’s DC fund would be more than sufficient to provide this GMP benefit. However, over time, the relative value of this guarantee has significantly increased, such that in most cases, the ultimate benefit provided to members will be determined by reference to their GMP, rather than their DC pension pot – at least for that part of their benefit built up prior to 6 April 1997 (“pre ‘97” - when GMP was abolished).

The result is that the Scheme is a hybrid (DB and DC) arrangement. This means, for example that:

- the Scheme must comply with DB rules on funding and accounting;
- the Scheme must also apply with DC governance rules;
- members’ benefits are based on a “better of” their DB and DC benefits at retirement.

The Scheme is now closed to both future contributions and accrual.

This Chair’s statement relates to the DC Section of the Scheme.

As at 31 December 2022, the DC funds under management were:

Provider	Fund	Value
Scottish Widows	Unitised With-Profits	£2,435,231*
Prudential	Discretionary	£80,947
Total		**£2,516,178**

*includes terminal bonuses of £1,136,475.

Default arrangement

As the Scheme is not being used as a qualifying scheme for automatic enrolment purposes, it does not have, nor does it need to have, a default investment strategy.

Due to the size of the scheme, there is no Statement of Investment Principles in place. The investment funds offered have not been reviewed during the period covered by this statement.

Value for members

Under the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021, trustees of schemes providing DC benefits are required to carry out an assessment of their scheme's value for members from their first scheme year end after 30 December 2021.

Following The Pensions Regulator's ('TPR's) guidance, an assessment of value for members has been carried out for the DC Section which considered the following aspects.

- Costs and charges
- Net investment performance
- Governance and administration

The assessment concluded that the DC Section of the Scheme did not provide good value for members, and outlined a number of improvements that could be made to the Section.

However, as the DC Section includes GMP elements, we do not believe there are any options available to transition the assets out of the Scheme. This being the case, the Regulator would still expect to see noted improvements acted upon.

As required by the Regulations, we have commissioned our advisors, First Actuarial, to undertake an assessment of the value for members. This assessment concluded that the DC Section of the Scheme does not provide good value for members. There are a number of areas that need addressing, which the Trustees intend to focus on, however it is not possible to wind up the DC Section of the Scheme due to the presence of the GMP benefits.

Costs and charges borne by members

In accordance with Regulation 25(1)(a) of the Scheme Administration Regulations, the Trustees have calculated the charges and transaction costs paid by members throughout the Scheme year. The Trustees are also required to assess the extent to which these charges paid by members represent good value for money.

The investment charges are paid by the members through the investment fund's annual management charge ('AMC') which are as follows:

Investment Manager	Fund Name	AMC (%)	Transaction costs
Scottish Widows	Unitised With-Profits	0.875%	0.16%*
Prudential	Discretionary S3	0.750%	0.03%

*calculated as at 30/09/2022

"Transaction costs" are not charged directly to the investor (member), and are usually as a result of buying, selling, lending or borrowing investments. However, these charges are taken from the fund and are therefore reflected in the performance of the fund and in the overall return received by the investor (member).

Different funds have different levels of transaction costs depending on the number of assets that are bought or sold within the fund. It is generally expected that the more actively a fund buys and sells assets the higher the transaction fees will be.

The charge for the Prudential Discretionary fund is in line with the auto enrolment charge cap of 0.75%, while the Scottish Widows With-Profits fund has an assumed AMC of 0.875%. While this is higher than the auto enrolment charge cap, the Trustees note the implicit nature of the charge, and how this links to the structure of With-Profits funds and the allocation of returns through annual and terminal bonuses.

The illustrative example of the cumulative effect over time of the costs and charges on a member's benefits shown below has been provided based on an example member invested in the relevant funds, as detailed above the chart. We have taken account of statutory guidance when preparing this illustration.

Projected pension pot in today's money				
	Fund choice			
	Scottish Widows Unitised With-Profits		**Prudential Discretionary S3**	
Years	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£63,451	£62,816	£63,661	£63,182
3	£67,827	£65,811	£68,503	£66,969
5	£72,505	£68,948	£73,713	£70,983
10	£85,661	£77,462	£88,539	£82,102
15	£101,204	£87,027	£106,346	£94,963
20	£119,567	£97,774	£127,735	£109,838
25	£141,262	£109,847	£153,426	£127,043
30	£166,893	£123,411	£184,284	£146,943
35	£197,175	£138,651	£221,349	£169,961
40	£232,952	£155,772	£265,868	£196,584

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 £61,370.
3. Inflation is assumed to be 2.5% each year.
4. No contributions assumed to be paid.
5. Values shown are estimates and are not guaranteed.

6. The projected growth rate for each fund is as follows:

Scottish Widows Unitised With-Profits	3.39% above inflation
Prudential Discretionary	3.73% above inflation

Net investment returns for the DC Section

The following table reflects the performance of each fund over varying periods based on investment after charges have been deducted and has taken account the statutory guidance when preparing this section of the statement. The returns have been calculated on a geometric basis and are up to 31 December 2022.

Prudential have been unable to provide annualised investment returns calculated on a geometric mean basis in line with statutory guidance. We have therefore used their published gross performance figures.

Investment Manager	Fund Name	1 year	3 years	5 years	10 years	15 years	20 years
Scottish Widows	Unitised With-Profits	1.75%	2.96%	3.58%	5.77%	4.67%	5.82%
Prudential	Discretionary S3	-8.60%	2.10%	2.90%	7.20%	n/a	n/a

The current bonus rate for the Scottish Widows Unitised With-Profits fund is 2.25%. The returns shown in the table above include both the regular and terminal bonuses.

Sufficient Knowledge and Understanding

The Trustees have a Trustee Knowledge and Understanding (TKU) process in place which enables them to exercise their functions as a group of Trustees, however it is noted that the current Trustees have only been in place for a very short period. As such their approach to meeting the TKU requirements includes:

- The new Trustees received training on the background of the scheme and attended the introduction to trusteeship webinar.
- They have also received updates on current issues, including DC matters, at Trustee meetings.All of the Trustees have completed or are in the process of completing the online Trustee Toolkit.
- The Trustees maintain a training register to keep a log of all training undertaken and the log is reviewed at the annual meeting.
- The Trustees are conversant with and have a working knowledge of the Trust Deed and Rules and the powers granted to them. If there are any ambiguities over the interpretation of the rules, legal advice is sought from the Scheme's Lawyers, Squire Patton Boggs.
- The Trustees keep up to date with developments in the DC landscape and new guidance issued by the Pensions Regulator.

The Trustees, together with assistance from their professional advisers, use their combined knowledge and understanding of the law relating to pensions and trusts, specific Scheme documentation, legal requirements and the Pensions Regulator’s guidance to ensure that the Scheme is run effectively, and members’ benefits are paid in accordance with the Scheme rules.

The Trustees' combined knowledge together with input from professional advisers where appropriate, allow them to properly exercise their functions and carry out the fiduciary duties required of them. This assists the Trustees to ensure that good Scheme governance is a priority and to identify where any improvements can be made to existing procedures and processes.

Ensuring good governance helps the Trustees determine whether beneficiaries are being treated fairly and seeks to safeguard the interests of all members and beneficiaries.

Administration Standards & Core Financial Transactions

The Trustees have appointed professional advisers and have delegated the day to day running of the Scheme. However, the Trustees are aware that the responsibility of running the Scheme remains with them and they have implemented adequate internal controls, which are reviewed periodically. The Trustees have appropriate service agreements in place with their advisers and are aware of their key contacts.

First Actuarial are the administrators for the defined benefit (DB) Section and oversee the DC Section, which is administered by Prudential and Scottish Widows.

The Trustees have service level agreements ('SLAs') in place with the Scheme's administrators, First Actuarial, which cover the accuracy and timeliness of all core financial transactions. Examples of the SLAs in place are:

- Changes to member records - 3 working days.
- Retirement/Trivial Commutation settlements - 10 working days (from receipt of completed Discharge Forms and funds).
- Transfer out settlements - 5 working days (from receipt of completed Discharge Forms and funds).

SLA with professional advisers First Actuarial – Key Terms:

- To provide retirement benefits to our members in accordance with the rules of the Scheme and relevant legislation for all employees.
- To report any breaches or maladministration to the trustees once identified. The Trustees received regular reports during the Scheme year to help them monitor SLAs.
- To meet the agreed service level standards.
- Daily monitoring and monthly reconciliation of the Scheme bank account.
- Multi-level payment authorisation process with two to three individuals checking banking transactions, dependant on valuation.
- Provision of twice- yearly reports to the Trustees confirming the transactions that have taken place within the reporting period to monitor compliance with SLAs.

Reporting to the Trustees

- To ensure that no issues arose, the Trustee received and reviewed reports from First Actuarial twice in the Scheme year.
- The Trustees considered all areas of risk and specifically risks of significant impact such as, fraud (including pension liberation), investment, management of costs, administration, regulatory requirements, operational procedures, communications and member understanding, corporate activity relevant to the Scheme (including employer covenant) and options at retirement.

- Any errors are resolved immediately.
- All data is backed up on a nightly basis and copies are stored off site and can be fully restored in any eventuality.
- All financial transactions are subject to annual audit requirements as part the Trustees' Annual Report and Accounts.

In accordance with Regulation 24 of the Scheme Administration Regulations, the Trustees have reviewed their core financial transactions to ensure that they continue to be processed promptly and accurately. This includes but is not limited to:

- investment on contributions to the Scheme;
- transfers of assets out of the Scheme relating to members;
- transfers of assets relating to members between different investments within the Scheme; and
- payments from the Scheme to, or in respect of, members.

There have been no notifiable events arising during the Scheme year, with very few transactions due to scheme being closed to contributions and future accrual. Scottish Widows are often difficult to deal with and can be unresponsive.

Communicating with members

- The Trustees endeavour to provide Scheme communication that is accurate, clear, understandable and engaging.
- The Trustees, with their advisers, carefully consider all member communications.
- Extensive retirement packages are sent to members which cover all disclosure requirements, including clear details of the retirement choices available to them, how they work and details of the Government's Pension Wise service.
- Ad hoc announcements are sent periodically as the Trustees deem necessary.
- No DC communications were issued to members during the scheme year, other than the annual SMPI benefit statements.
- As part of the DB statutory requirements, members are issued with summary funding statements which covers generic pension updates and pension scams.
- The chair statement is made available on a publicly accessible website. It can be found at https://www.tradebe.co.uk/chairs-annual-governance-statement

Signed by the Chair on behalf of the Trustees of the Scheme:

……Chris Rose……………………………….. **Date** ………20 July 2023……………