

Forester Group Employee Pension Scheme

Chairman's Annual Statement Regarding Governance

This statement is produced in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations.

1. Default Arrangement

A default arrangement is the investment fund or funds into which pension contributions are paid when members have not made their own choice as to where they want to invest their pension savings. Members may also elect to contribute to the default fund if they wish.

Our default arrangement is called the Standard Life Passive III Universal Strategic Lifestyle Profile. This is designed to be appropriate for members who would like the flexibility to take their money the way they want when they retire using their entire pot to generate an income or take their full tax-free lump sum and use the rest of their pot to generate an income in a way appropriate to their needs. It consists of three funds and, depending on the period until a member's expected retirement date, the member will be invested in one or more of these three funds – a **Growth Fund**, a **Pre Retirement Fund** and an **At Retirement Fund**.

Growth Fund - members who are more than 10 years from retirement are invested in the Growth Fund, designed to increase the value of the member's fund over time. This is a risk-based fund; it can go up and down in value and investment growth is not guaranteed.

Pre Retirement Fund – when a member is around 10 years from retirement, their money gradually starts to move into a fund that begins to prepare the investments for retirement.

At Retirement Fund – when a member is around five years from retirement, their money gradually starts to move into a fund that aims to make sure that the member is in a more appropriate mix of investments to enable the member to take their money the way they want.

The default investment strategy is designed to be appropriate for the 'Pension Freedoms'. The previous default strategy introduced in February 2014 was replaced by the current default strategy in March 2015. The strategy was reviewed by the trustees during the 2020/21 scheme year and was considered to still be suitable. In particular, the risk-based approach used in selecting the underlying assets and the regular reviews of performance and adherence to the investment objectives by Standard Life were considered to be valuable aspects of the default strategy.

2. Core financial transactions

Core financial transactions are processed promptly and accurately in accordance with the agreement the Trustees have in place with Standard Life, who act as the administrator and as the investment manager.

- Investment of contributions into the scheme – are made within three days of receipt by the investment manager. Regular contributions are made on a monthly cycle with the investments normally completed before the end of the month in which the contributions are deducted. Members can make single contributions at any time and these are normally completed within five days.

- The transfer of assets relating to members in and out of the scheme - are normally completed within ten working days of receiving correctly completed transfer documentation. This time may be longer if the administrator or the Trustees need to conduct additional due diligence because they suspect fraudulent activity.
- The transfer of assets between different funds within the scheme – is normally completed within three days following the receipt of the request from the member. Members may make switches at any time online.
- Payments from the scheme to, or in respect of, members – is normally completed within ten days of receiving the member’s written confirmation. In the event of a death, the dependents are normally notified of their options within three days of receipt of notification of the death, the payment being made within ten days of receiving instructions regarding the payment of death benefits, subject to receipt of all necessary evidence.

The Trustees are provided annually with the Standard Life Pensions Internal Control Statement, which describes the activities undertaken by Standard Life to ensure the administration of its pension business is carried out in accordance with the Scheme rules, the requirements of the law and good standards of governance and internal controls. Further, the Trustees regularly monitor adherence to these standards and the requirements of the Scheme through quarterly management information reports from Standard Life. The Trustees are satisfied with the administration during the year.

Charges and transaction costs

Default Fund

The Standard Life Passive III Universal Strategic Lifestyle Profile consists of three funds, as described above. The Fund Management Charge (FMC) and the additional expenses (the charges paid by the member) are shown in the table below:

Fund	FMC	Additional expenses	Total annual fund charge
Growth Fund	0.18%	0.02%	0.20%
Pre Retirement Fund	0.18%	0.03%	0.21%
At Retirement Fund	0.18%	0.02%	0.20%

Funds available to members under the self-select option

Fund	FMC	Additional expenses	Total annual fund charge
Standard Life Managed Pension Fund	0.20%	0.02%	0.22%
SL Vanguard FTSE UK All Share Index Fund	0.20%	0.02%	0.22%
SL Mixed Bond Fund	0.20%	0.01%	0.21%
SL Money Market Fund (*)	0.20%	0.01%	0.21%
SL Deposit and Treasury Fund	0.20%	0.01%	0.21%

Fund	FMC	Additional expenses	Total annual fund charge
SL Nordea Global Climate and Environment Fund	0.95%	0.00%	0.95%
SL Schroder Sustainable Multi-Factor Equity Fund	0.42%	0.00%	0.42%

(*) Only available for existing holdings and future investments under existing investment instructions

The Trustees are not aware of any other information regarding the FMC or additional expenses that needs to be obtained. Regulations state that the FMC for the default fund must not exceed 0.75%. The Trustees have negotiated charges that result in nearly all funds being well within this charge cap, thereby minimising the influence of charges on fund selection. The same charges and expenses apply to active and deferred members.

Value for money

The Trustees have carried out a value for members assessment and believe that the Scheme represents good value for members.

In arriving at this decision, the Trustees have considered three factors:

- 1) Costs and charges.
- 2) Net investment returns.
- 3) Administration and governance.

For items 1 and 2, the Trustees have compared the costs and charges and investment returns against three comparison schemes, as defined in regulation 25 (1D) of The Occupational Pension Schemes (Scheme Administration) Regulations 1996. For item 3, the Trustees have considered seven key metrics:

- 1) Promptness and accuracy of core financial transactions.
- 2) Quality of record keeping.
- 3) Appropriateness of the default investment strategy.
- 4) Quality of investment governance.
- 5) Level of trustee knowledge, understanding and skills to operate the pension scheme effectively.
- 6) Quality of communication with scheme members.
- 7) Effectiveness of management of conflicts of interest.

Overall, the Trustees consider that they have met all three factors and, in particular, have successfully achieved a good standard in the seven metrics. Hence, the Trustees believe that the Scheme represents good value for members.

Effects of charges

In preparing this section, regulatory guidance has been taken into account.

The tables below show the effects of charges. Two scenarios are considered: a fund of £40,000 with no future contributions and no fund with contributions of £250 a month. The funds at retirement both before and after charges are applied are shown. The figures assume an investment growth of 5% a year (before charges) and contributions are assumed to increase at a rate of 2.5% a year. The first table has charges of 0.21% a year, while the second has a charge of 0.95% a year.

Charges of 0.21% a year

Years to retirement	Fund of £40,000 and no future contributions		No fund and future contributions of £250 a month	
	Fund at retirement before charges	Fund at retirement after charges	Fund at retirement before charges	Fund at retirement after charges
1	£42,000	£41,900	£3,080	£3,070
3	£46,300	£46,000	£9,940	£9,910
5	£51,000	£50,500	£17,800	£17,700
10	£65,100	£63,800	£42,900	£42,500
15	£83,100	£80,500	£77,700	£76,400
20	£106,000	£101,000	£125,000	£122,000
25	£135,000	£128,000	£188,000	£183,000
30	£172,000	£162,000	£274,000	£264,000
35	£220,000	£204,000	£387,000	£371,000
40	£281,000	£258,000	£536,000	£511,000
45	£359,000	£326,000	£732,000	£693,000
50	£458,000	£412,000	£989,000	£929,000

Charges of 0.95% a year

Years to retirement	Fund of £40,000 and no future contributions		No fund and future contributions of £250 a month	
	Fund at retirement before charges	Fund at retirement after charges	Fund at retirement before charges	Fund at retirement after charges
1	£42,000	£41,600	£3,080	£3,060
3	£46,300	£44,900	£9,940	£9,800
5	£51,000	£48,600	£17,800	£17,400
10	£65,100	£59,200	£42,900	£40,800
15	£83,100	£72,000	£77,700	£72,000
20	£106,000	£87,600	£125,000	£112,000
25	£135,000	£106,000	£188,000	£165,000
30	£172,000	£129,000	£274,000	£234,000
35	£220,000	£157,000	£387,000	£321,000
40	£281,000	£192,000	£536,000	£432,000
45	£359,000	£233,000	£732,000	£573,000
50	£458,000	£284,000	£989,000	£750,000

Figures have been rounded down to three significant figures.

Return on investments

The following tables show the total investment return (net of charges and investment costs) for various periods to 31 March 2022. Values marked N/A are not available because the funds did not exist for the entire period.

Default funds

Fund	1 year	3 years	5 years	10 years	15 years	20 years
Growth Fund	5.41%	16.50%	24.87%	N/A	N/A	N/A
Pre Retirement Fund	2.24%	11.48%	18.19%	N/A	N/A	N/A
At Retirement Fund	1.69%	8.99%	14.19%	N/A	N/A	N/A

Funds available to members under the self-select option

Fund	1 year	3 years	5 years	10 years	15 years	20 years
Standard Life Managed Pension Fund	5.92%	22.56%	31.02%	116.50%	154.45%	296.72%
SL Vanguard FTSE UK All Share Index Fund	12.82%	15.96%	24.51%	102.97%	110.40%	215.57%
SL Mixed Bond Fund	-5.20%	1.89%	6.57%	51.36%	115.86%	186.89%
SL Money Market Fund	-0.01%	0.93%	1.86%	9.26%	N/A	N/A
SL Deposit and Treasury Fund	-0.06%	0.40%	0.95%	6.40%	N/A	N/A
SL Nordea Global Climate and Environment Fund	12.12%	N/A	N/A	N/A	N/A	N/A
SL Schroder Sustainable Multi-Factor Equity Fund	15.95%	N/A	N/A	N/A	N/A	N/A

Trustee Knowledge and Understanding

Section 247 of the Pensions Act 2004 requires the Trustees to be conversant with:

- the trust deed and rules of the Scheme;
- the Statement of Investment Principles;
- the Statement of Funding Principles; and
- any other document recording policy relating to the administration of the Scheme generally.

It also requires the Trustees to have knowledge and understanding of:

- the law relating to pensions and trusts;
- the principles relating to:

- the funding of occupational pension schemes; and
- investment of the assets of such schemes; and
- such other matters as may be prescribed.

Section 248 is not applicable to the Scheme as there are no corporate trustees.

All Trustees have ready access to the Trust Deed and Rules and are required to be familiar with it. In the past, the Trustees' knowledge of the deed and rules has been tested. No issues have arisen during the year requiring Trustees' knowledge and understanding of the deed and rules.

During the year ended 31 March 2022, both the investment managers – Standard Life and Legal & General – have made presentations on investments and the economic situation to the Trustees during the year, including discussions on Environmental, Social and Governance (ESG) matters.

The current Statement of Funding Principles is dated 15 January 2020. The Trustees receive regular presentations from the Scheme Actuary. These include discussions on the funding principles.

The administration of the Scheme is outsourced to Deloitte and Standard Life and their compliance with the outsourcing agreements is monitored.

The Trustees have a basic understanding of the law relating to pensions and trusts. If needed, access to specialist lawyers would be available.

Owing to the nature of the employers' business – an insurance company - the trustees are used to applying their professional skills in the running of pension arrangements and keeping up to date with legal and regulatory developments are part of that process. Updates are provided at trustee meetings by the Secretary, who is an expert on pension matters.

The principles relating to the funding of occupation pension schemes and the investment of the assets of the scheme are assisted by having a qualified actuary and a professional investment manager as members of the Trustees. Other specialities covered by the Trustees are risk, compliance and human resources.

New trustees attend induction and scheme familiarisation training. Some Trustees worked on The Pension Regulator's Trustee Tool Kit during the year.

The Trustees have hence complied with section 247 of the Pensions Act 2004.

Signed: Mark Sonenfeld
Chair of the Trustees of the Forester Group Employee Pension Scheme

Date: 31 October 2022