

Kurt Salmon Associates Limited Retirement Benefits Scheme (the “Scheme”)

Chairman’s Governance Statement

Introduction

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the Chairman of Trustees to prepare an annual statement regarding governance.

Atkin Trustees Limited (the “Trustee”) acts as the sole professional Independent Trustee of the Scheme. This statement covers the period from 31 December 2021 to 31 December 2022.

Default arrangement

Members of the Scheme are invested in Legal & General’s Pathway Funds which aim to provide members with a flexible path to building a retirement income that is aligned with their individual goals.

Under these arrangements, the members can choose their own target retirement date and one of two journey plan options; Journey Plans 1 or 2. The Journey Plans are similar during the initial growth stage but over the period to retirement the asset allocation differs to enable members to more closely reflect the different retirement options now available under Freedom and Choice pension reforms.

As part of the transfer, the members were transferred into the intermediate risk journey plan with a target retirement date of age 65 which most closely aligned with the default arrangement offered previously, this was Journey Plan 2. Journey Plan 2 operates as the default arrangement.

The objective is to provide investment growth by investing in return seeking assets in a diversified portfolio with a moderate risk profile, with a gradual switching of assets over the ten years before the member’s target retirement date, towards a final position which will depend upon which journey plan has been selected.

It aims to perform better than its benchmark in the early years (the growth stage) and provide more certainty about the retirement outcome depending on what journey plan is selected (the preparing for retirement stage).

Growth: During the early years of saving for retirement, the primary focus is on achieving long-term investment growth and making the most of the contributions that have been paid in. This means investing in assets that generally involve taking more risk, but which have the potential to deliver higher rates of return.

Steady growth: Starting around 30-35 years before retirement, growth remains important but incorporates a broader asset diversification, in order to reduce short-term volatility. The portfolio is diversified across asset classes, countries, currencies, industry sectors and securities. It also reflects a preference for longer-dated and inflation-sensitive assets. This aim of maintaining a diversified portfolio is to continue growing investors’ pension investments while reducing the effects of stock market downturns.

Preparing for retirement: During this phase, the asset allocation will be a balance between some continued investment growth and an increasing focus on aligning the Fund’s asset allocation more closely with your individual retirement goals.

The actual asset allocation is managed by Legal & General who have the discretion to invest in a wide range of asset classes.

By investing in this manner, the Trustee expects to deliver growth over the member’s lifetime within the Scheme without excessive risk taking and provide stability as members reach retirement. The Trustee considers this approach to be in the best interests of members and their beneficiaries.

The investments held meet the requirements for environmental, social and governance considerations as set out in the Trustee's Statement of Investment Principles (SIP). A copy of the most recent SIP is appended to this statement. The SIP has been prepared in accordance with the Occupational Pension Schemes (Investment) Regulations 2005.

Review of default arrangement (Journey Plan 2)

The default option of Journey Plan 2 was last reviewed with support from the Scheme's Investment Adviser, Broadstone Corporate Benefits Limited, on September 2021. The review concluded that the default option remained appropriate. The default option, as well as the overall strategy, is reviewed every 3 years with the next review due in 2024, or following any significant change in investment policy or the Scheme's member profile.

In addition, the Trustee reviews the performance of the default arrangement against their aims and objectives on an annual basis. This review includes an analysis of fund performance to check that the risk, return and fund strategy meet expectations. The Trustee review that took place during the Scheme year concluded that the default arrangement was performing broadly as expected.

Core financial transactions

The Trustee has 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 members) relating to the DC section are processed promptly and accurately.

The requirements of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Appointing a professional third-party administrator, Atkin Pensions, and its investment managers, Aviva and Legal & General. It is noted that Atkin Pensions has been audited for compliance with ISO9001/27001 and AAF01/06.
- Having in place service level agreements (SLAs) with the administrator which cover all core administration processes. These SLAs are monitored on an annual basis.
- Ensuring that disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.
- Maintaining a Risk Register which outlines the risks to members and the scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is monitored and reviewed at least annually.
- Appointing a professional firm to undertake an annual audit.
- An SLA is in place with the administrator and covers timescales for all key transactions, including investment, disinvestment, processing of retirements and transfers. The administrator monitors the bank account daily. All transaction instructions are subject to a 'do, check, review & authorise' procedure. Release of payments is also subject to a robust three-stage checking procedure.
- The administrator provides reports which are reviewed and discussed by the Trustee at their meetings. The administrator indicates any matters which have failed to meet SLAs and the reasons for these, together with any implications for processing transactions and service improvements are discussed by the Trustees and the administrator.
- The Trustee receives annual administration reports which give details on performance and compliance with SLAs. The auditors review all key financial transaction reports that take place during the scheme year and report their findings to the Trustee annually. The Trustee is satisfied that over the period covered by this statement:
 - The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;

- There were no material administration errors in relation to processing core financial transactions
- All core financial transactions have been processed promptly and accurately during the Scheme year.

In the last scheme year there has been no material administration services issues which need to be reported here by the Trustee. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

Transaction costs

The Administration Regulations require the Trustee to make an assessment of charges and transaction costs borne by DC section members and the extent to which those charges and costs represent good value for money for members.

The DC section assets have an annual management charge (AMC) of 0.26%. This is lower than the maximum allowed of 0.75%.

The investment manager provides information about their dealing costs as part of their quarterly reporting. These reports are reviewed by the Trustee and the dealing costs are typically less than 0.5%.

Over a period of time, the charges that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below an illustration of the impact of charges and transaction costs on the default investment fund. As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below.

The 'before costs' figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The 'after costs' figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

ILLUSTRATIVE EXAMPLE – Paid Up

Projected pension pot in today's money		
Years to retirement	Before charges	After all charges + costs deducted
1	103,500	103,200
3	111,587	110,622
5	121,338	119,597
10	155,268	150,868
15	179,998	172,365
20	208,667	196,925
25	241,902	224,984
30	280,431	257,042

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. It is assumed that the member is aged 35 at the start of the projection and retires after 30 years at age 65.
3. The starting pot size is assumed to be £100,000.

4. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are paid.
6. Values shown are estimates and are not guaranteed.
7. The charges assumed are 0.3% each year.
8. The projected growth rate used is 3% above inflation reducing linearly in the 10 years up to retirement to 1% above inflation.

Assessment of value for members

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. There is no legal definition of what 'good value' is but the Trustees consider that it broadly means that the overall costs and the quality of what is provided in return is appropriate for the Scheme membership when compared to other options available in the market.

The Trustees last reviewed the investments, with support from the Scheme's Investment Adviser, Broadstone Corporate Benefits Limited, on July 2023. The Trustee concluded that taking into account fund performance, member options and quality of administration service provided, the costs represent good value for the members.

As the Target Date Funds ("TDFs") used by the Scheme were only launched when the Scheme invested members' pots, there is no longer term track record. Therefore, the performance since inception on 15 March 2022 to 31 December 2022 has been shown.

Fund	Since Inception to 31 December 2022
LGIM Flexible Drawdown TDF 2025 – 2030 <i>Relative to Benchmark</i>	-4.6% <i>-8.4%</i>
LGIM Flexible Drawdown TDF 2030 – 2035 <i>Relative to Benchmark</i>	-3.4% <i>-7.5%</i>
LGIM Flexible Drawdown TDF 2035 – 2040 <i>Relative to Benchmark</i>	-3.2% <i>-7.4%</i>
LGIM Flexible Drawdown TDF 2040 – 2045 <i>Relative to Benchmark</i>	-3.2% <i>-7.3%</i>

Source: LGIM. Fund performance is gross of fees. Inception date is 15 March 2022.]

However, LGIM also operate other TDFs which follow a similar strategy and the performance of these funds have been compared against three large Master Trusts with LGIM's performance being strong relative to the comparators over the year, but has performed slightly worse over the longer time periods considered.

The Trustee reviewed the performance of the default fund over the reporting year and concluded that, the Scheme offers good value for money under the Value for Money Assessment Guidance.

In carrying out the assessment, the Trustee took into account other benefits members receive from the Scheme, which include:

- Oversight and governance of the Trustee, including ensuring the Scheme is compliant with relevant legislation and holding regular meeting to monitor the Scheme and address any material issues. – *The Trustee is a professional independent trustee and deals with scheme issues and ongoing governance on a day to day basis, as well as holding formal Trustee meetings. The Trustee has policies and procedures to ensure that all aspect of risk and governance are reviewed and the Scheme remains compliant with legislation.*
- Due to the fact the members have an underpin that applies to their benefits, the comparator funds would not be able to take the Scheme liabilities.

Trustee's 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.

The Trustee is aware of The Pension Regulator's Trustee Knowledge and Understanding (TKU) requirements.

In order to be able to properly carry out its responsibilities, the Trustee of the Scheme needs to have a working knowledge of the following documents relating to the Scheme:

- the Scheme's trust deed and rules;
- the Statement of Investment Principles; and
- any other document recording policies adopted by the Trustee in relation to managing the Scheme.

The Trustee has a working knowledge of the above documents.

The Trustee also needs to have an appropriate level of knowledge and understanding of matters such as the law relating to pensions and the principles of investing pension scheme assets.

The Trustee believes this requirement has been met during the reporting period through the following:

- The Trustee is a professional trustee company that has significant pensions knowledge, skills and experience;
- The individual employees of the Trustee are members of professional bodies, carrying out a program of CPD to meet the requirements of the professional bodies; and
- The Trustee has taken investment, legal and other professional advice as and when specialist knowledge and expertise has been required.

The Trustee considers that its knowledge, skills and understanding, together with the advice available to it, enables it to properly exercise its trustee functions in relation to the Scheme.

Statement of DC Governance

As Trustee of the Keytec (GB) Limited Retirement Benefits and Life Assurance Scheme, we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:

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

These are underpinned by the DC quality features.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features which we believe will help deliver better outcomes for members at retirement.

Signed on behalf of the Trustee of the Kurt Salmon Associates Limited Retirement Benefits Scheme:

December 2022