

C.S.M.A. Life & Pension Scheme (1992) (the "Scheme")

Annual governance statement for the Scheme year ending 1 March 2019

1. Introduction

As Trustee of the 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 trust-based schemes providing money purchase benefits (the "**DC code**"); and
- regulatory guidance for defined contribution schemes ("**DC regulatory guidance**").

Based on our assessment, the Trustee continues to work towards adopting the standards of practice set out in the DC code and DC regulatory guidance.

As at the date of this statement there are three deferred members of the Scheme.

2. Governance of the Default Arrangement

The Pensions Regulator appointed Open Trustees Limited as Trustee of the Scheme on 5 June 2018.

The Scheme's assets are invested wholly in an insurance policy provided by The Equitable Life Assurance Society ("**Equitable Life**"). Equitable Life is a mutual society authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The Trustee has not prepared a statement of investment principles ("**SIP**") in relation to the Scheme because:

- as the Scheme has fewer than 100 members, it is exempt from providing a SIP under regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005; and
- the Scheme ceased to receive contributions before 6 April 2015 and Equitable Life does not operate a default arrangement in relation to members of the Scheme. As such, the Trustee is not required to prepare a default fund SIP under regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

3. Objectives of the Scheme's default approach

Equitable Life does not operate a default arrangement for members of the Scheme.

4. Core Financial Transactions

The Trustee has a 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 Scheme are processed promptly and accurately. The Trustee delegates the processing of some of these transactions to Equitable Life and then retains responsibility for processing the remaining transactions itself.

So far as the Trustee acts as administrator in respect of those transaction, an independent auditor undertakes an external audit of the Trustee's administrative processes and controls (AAF 02/07) on an annual basis. In addition, the Trustee has internal controls policies and a Scheme specific risk register in place to mitigate potential risks relating to core financial transactions. This is reviewed by the Trustee at least annually.

In terms of processing core financial transactions, no issues were identified through the year nor following the annual audit process.

5. Charges and Transaction Costs

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "**Administration Regulations**") require the Trustee to make an assessment of charges and transactions costs borne by the Scheme members and the extent to which those charges and costs represent good value for money for members.

In order for us to make this assessment, Equitable Life has confirmed by email that members benefits are invested in its with-profits fund, which is a conventional fund.

The fund is not unitised and there are no guaranteed annuity rates. However, members benefit from a guaranteed minimum amount payable on retirement at a time allowed under the policy or on death. The fund also has a guaranteed investment return of 3.5% per annum on the guaranteed element of the with-profits investments.

A copy of the objectives of the fund can be accessed using the following link: <https://www.equitable.co.uk/media/60831/ppfm-april-2019-website.pdf>

Equitable Life have confirmed by email that the following costs and charges apply to the fund (which includes transaction costs and complies with FCA PS 17/20).

Equitable Life Fund (Citi Code)	Fund Annual Management Charge %pa	Annualised Reporting Period	Stocklending %pa [1]	Equitable Life Fund Transaction Cost %pa [2]	Equitable Life Fund Total Charges Impact %pa [3]
With-Profits Fund [4]	1.00	31/3/2019	0.00391	0.035608	1.04

Notes:

[1] When a fund lends stock it is entitled to receive 80% of the income earned. The remaining 20% belongs to the stocklending agent. The costs suffered by the fund are disclosed but not the income.

[2] This is the cost incurred on the Fund when it purchases or sells the underlying asset (OEIC) as the price may include a dilution adjustment. The purpose of dilution is to ensure the OEIC is not impacted by large investments or disinvestments.

[3] The total charges impact to policyholders on each Equitable Life fund of costs at both Fund and underlying OEIC level and include the annual management charge.

[4] This excludes the 0.5% for cost of guarantees.

Equitable Life have confirmed that they have never charged or deduced member borne commission in relation to the fund.

Illustrations

We have set out in Appendix A an illustration of the charges and transaction costs provided to the Trustee by Equitable Life as required under the Occupational Pension Schemes (Administration and Disclosure) Amendment Regulations 2018 and relevant statutory guidance.

Conclusions

Given the above and the fact that the Scheme is in the process of being wound up, the Trustee is sufficiently comfortable that the Equitable Life policy represents good value for money for the members. The Trustee has, therefore, concluded that the Scheme's assets should remain invested in the Equitable Life policy until the Scheme is wound up.

6. Trustee Knowledge and Understanding (TKU)

Section 248 of the Pensions Act 2004 requires the Trustee to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively.