

## **Express Garage (Herne Bay) Ltd 1994 Pension Scheme (the "Scheme")**

### **Annual governance statement for the Scheme year ending 1 July 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 ten deferred members of the Scheme.

#### **2. Governance of the Default Arrangement**

The Scheme's assets are invested in policies provided by Aegon, which is 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:

- 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
- Aegon 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**

Aegon 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 Aegon 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.

The Pensions Regulator appointed Open Trustees as trustee of the Scheme on 22 May 2019. As we were appointed to act as Trustee shortly before the year end being reported on in this statement we cannot comment on whether the former trustees identified any issues in terms of the processing of

core financial transactions during the Scheme year. However, we have not been made aware of any since our appointment. Additionally, following our appointment we are keeping the processing of core financial transactions under regular review and will report on it as part of our 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.

Following our appointment as Trustee of the Scheme on 22 May 2019, we wrote to Aegon on to request details of the charges and transaction costs borne by the Scheme members in order to make this assessment. In response, Aegon has confirmed that members' benefits are invested in the High Equity With-Profits Fund, With-Profits Endowment Fund, the Mixed Fund and/or the Property Fund. Funds are dealt daily on a bid/offer basis (5% spread).

Fund charges are implicit and calculated as a percentage of investments. The current charges are as follows:

Fund name	Annual management charge	Transaction costs	Additional expenses
High Equity With-Profits Fund (WP2)	1.00%	0.17%	0.00%
With-Profits Endowment Fund (WPE)		0.01%	0.00%
Mixed Fund	1.00%*	0.23%	0.01%
Property Fund		0.00%	0.55%

### With profits endowment fund (WPE)

Units purchased are guaranteed to have a value of £1 at maturity. The unit price is less than £1 at the date of purchase to allow for an element of guaranteed growth if units are held to maturity. This guaranteed growth depends on the term to maturity, but typically averages around 5.5% per annum from the date of each investment to maturity. Any annual bonus will be applied by giving additional units in the fund at a rate declared at the end of each calendar year. The unit price is not guaranteed upon encashment prior to the maturity date. At the selected retirement date, early retirement, surrender or death, an additional terminal bonus may be added. The terminal bonus rates are dependent on the investment date and are not guaranteed.

### Illustrations

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

### Conclusions

Given that the Scheme is in the process of being wound up and the charges are in line with market standards for this type of policy, the Trustee is sufficiently comfortable that the charge and costs referred to by Aegon in respect of the Scheme represent good value for money for the members. The Trustee, therefore, has concluded that the Scheme's assets should remain invested in their current funds until the Scheme is wound up.