

ANGUS MONTGOMERY LIMITED PENSION PLAN CHAIR STATEMENT FOR SCHEME YEAR ENDING 31ST AUGUST 2018

Introduction

Since 6 April 2015, the trustees of defined contribution pension schemes and those defined benefit schemes that have a specific defined contribution section, such as this Plan have to produce an annual report, signed by their Chair (the Chair's Statement). Such a statement relates to the governance specifically of the defined contribution section. This is that statement for the Angus Montgomery Limited Pension Plan and summarises matters relating to investment, administration and charges for the Plan that impact on the members and their benefits.

This Plan operates under a Trust Deed and Rules. These were signed on 22nd October 1992 and have been amended periodically since then. The Trustees operate the Plan in accordance with the Rules and the Statutory Regulations that are in force from time to time.

The Trustee of the Plan are : George Tsangari and Damion Angus. George Tsangari is the Chairperson. This statement is signed by the Chair but the Trustees carry collective responsibility under the Trust Deed and Rules for all matters connected with the Plan.

The Trustees retain the services of an independent financial adviser from whom they receive advice on both the structure of the investment offering to defined contribution members of the Plan and additionally the detail of the individual investment funds offered and the underlying investment managers used by the Trustees. The Trustees have an advice contract in place with Professional Pensions and Investments Ltd. They are a Chartered firm and are regulated and authorised by the Financial Conduct Authority.

The Trustees also have a contract for administration and consultancy services with Capita Employee Benefits Limited, a part of Capita Employee Solutions division of Capita. This is a specialist unit within the wider Capita Group and this team provides the Trustees with specialist pension administration services and Consultancy Advice on the legislation and regulation around Trust based Defined Benefit and Defined Contribution Pension Plans in the UK. The Trustees consider that each of these retained service providers are persons of appropriate knowledge and experience to assist the Trustees in discharging their responsibilities under the Trust for the benefit of the membership.

The Plan year end is 31st August 2018 and there is a statutory requirement to include an Annual Governance Statement within the Report and Accounts : The Chair's Statement.

This is such a statement and as the Chair's annual governance statement it has been prepared in accordance with the regulation 23 of the Occupational Pension Schemes Regulations 1996.

Investment Arrangements

The Plan is set up with a Lifestyle Investment Strategy. This is the fund that many members will use and is made available by the Trustees to assist those members who do not wish to make a more specific investment decision themselves. Such an investment strategy is often referred to as the default investment fund. The Plan is available for use as a qualifying scheme for automatic enrolment purposes by the Employer.

The Trustees consider that the terms offered under the auto enrolment qualifying status would amount to good practice. Those terms include maximum costs that relate to investment funds offered to members. It is pleasing to report that this Plan makes use of investment funds that are considerably less expensive than the maxima that apply generally for auto enrolment. Further details follow below.

Financial transactions

The core financial transactions include (but are not limited to):

- Transfer of members' assets into and out of the Plan;
- Transfers of members' assets between different investment options available in the Plan; and
- Payments from the Plan to, or in respect of, members.

The Trustees ensured that during the year the core financial transactions of the Plan were processed promptly and accurately by:

- Having an agreement with their administration service provider, Capita. This includes certain service standards
- The Trustees receive appropriate administration reports from Capita as their service provider. This means that the Trustees are aware of activity on the Plan. This provides information to the Trustee on how transactions and member enquiries are dealt with.
- As the delegated administrator Capita also report to the Trustees in person at regular Trustee meetings. This facilitates a two way understanding of the management of the Plan and allows the Trustees to exercise their governance function effectively.
- The Trustees have held meetings with Capita. This assists with an overall understanding of the complexity of the Plan and in delivering a service that the Trustees believe to be acceptable. Administration developments are discussed at such meetings.
- The Trustees have the Trustees appointed Auditor review certain financial transactions. This covers both the accuracy and timeliness of settlement of benefits and is an integral part of the annual audit process. The Trustees receive an audit report and that is considered at a Trustee meeting.
- As the delegated administrator Capita report to the Trustee on their own controls and this assists the Trustees in the confidence that they require to address their governance responsibility. In the event that any complaint arises from the membership the Trustees do review the matter. There were no unresolved member complaints recorded in the period under review.
- At Trustee meetings the Trustees hear from their Investment Adviser, Professional Pensions and Investments Ltd. The Investment Adviser comments on market background and relates the Lifestyle Fund (the default investment) to such conditions. This facilitates the Trustees consideration of the suitability of the investment fund offered to members as the default.
- At Trustee meetings the Trustees receive investment reports from their Investment Manager LGIM. These include information on governance, specifically how the investment manager exercises the responsibilities associated with shareholders, effectively on behalf of the membership, via the mechanism of the pension trust.

- The combination of this level of reporting and discussion at Trustee meetings enables the Trustees to form a view on the exercise of their governance responsibilities.

Examples of typical turnaround times from the Trustees delegated administrator and, given that all the required documentation from the member has been provided would be

- Payment of DC transfer value to alternative arrangement: 10 days
- Payment of DC cash commuted lump sum on retirement: 10 days
- Payment of DC death lump sum: 5 days
- Payment of fund to annuity provider: 10 days

Considering all of the foregoing the Trustees are of the opinion that core financial transactions were processed promptly and accurately on behalf of members of the Plan during the year and that elements of the Trustee governance function are exercised with diligence in an appropriate manner.

Charges and transactions costs

The following table outlines the annual management charge and transaction costs as a percentage of the fund value as provided to the trustees for the investment funds utilised by members. The Diversified Fund is used in the Lifestyle Investment Strategy and therefore is the effective Default Fund. In the years as members approach their notified retirement age the Lifestyle Investment Strategy also makes use of the Cash Fund; just before the notified retirement age 25% (one quarter) of a member account using the Lifestyle Investment Strategy is invested in the Cash Fund :

FundName	Transaction Costs	Management Costs	Total Ongoing Charges
Diversified Fund (charges included)	-0.000876	0.003012	0.003326
Cash Fund (charges included)	0.00002	0.001249	0.001258
Global Equity Fixed Weights (60:40) Index Fund (charges included)	-0.000151	0.001653	0.001808
Over 5 year Index Linked Gilt Index Fund (charges included)	-0.000072	0.001001	0.001007

Notes to table above

Includes Annual Management Charge and additional fees. The Total Ongoing Charges figure include all fees and expenses. This covers costs such as custody, fund audit, fund administration charges and similar. These charges are expected to be incurred by members in relation to their investments in the noted fund. Such charges are within the unit price and therefore not explicit.

The transaction cost figure includes an element of implicit cost which is the difference between the mid-market price at the time the trade is sent to the market and the eventual price of the trade. It is possible for such a cost to be negative; for example when buying an asset the value price might be higher than the actual price paid.

These total ongoing charges are slightly different from the annual management charge quoted for each fund. The difference arises on a number of fronts, including, but not limited to such matters as rounding in the calculation. In effect these Total ongoing charges give the look through costs to members of investing in the Plan. If we take the Diversified fund. Which is the Default Investment Fund, as an example the total charges are shown as 0.003326. This means 0.3326% and is an annual cost of investing. The annual management charge for that fund has a headline fee of 0.30% pa. This is often referred to as 30 basis points.

Using the actual 0.3326% total charge on the Diversified Fund we can consider that for a member with £10,000 invested in that fund the cost of investment management in one year would be £33.26. Put another way, if there was exactly no investment growth at all, the value of the £10,000 invested would fall to £9,966.74 over a year due to the costs of investment.

The Diversified Fund is the most expensive of all of the funds that the Trustees offer and is the Default Fund for the Plan. This means that it is used where a member does not make any other investment decision. The Trustees therefore consider very carefully the charge structure of this fund and what it is that the managers are seeking to achieve for the Trustees when they are using this fund. The objective of the fund is broadly to limit volatility and yet provide real returns linked to the equity markets. It is therefore reasonable in the view of the Trustees that this fund has costs at the level shown. In practice the Trustees are advised (by their Investment Adviser) that for a fund of this nature these total ongoing management costs are both reasonable and competitive and therefore offer excellent value.

Close to retirement the Default Investment - The Lifestyle Investment Strategy, uses the Cash Fund for up to 25% of a members account. The Cash Fund has a low charge, as indicated in the table.

Value for Money Assessment

The transaction costs shown are low. This is as the Trustees expected and had been advised by the Investment Adviser. It is a reflection of the calibre of the overall investment strategy that the Trustees are using and encouraging to note.

Members may like to consider that many of the costs of managing the Plan are met by the Employer. These include, but are not limited to:

- The Administration Costs
- The Policy charges levied by the Investment Manager
- The costs of running the Trustees group
- The costs of Technical Advice to the Trustees, including Pension Consultancy
- The costs of Investment Advice to the Trustees

In the table below we illustrate examples of the impact of charges on a member pot of £10,000 over a calendar year. These examples have been prepared in accordance with the guidance. They are expressed in today's money terms and the assumptions are shown below the table.

These costs are those paid by a Plan member from their Plan pot. They include total ongoing charges which are paid by the member rather than by the Employer. The Employer meets other running costs of the Plan.

Fund	Projected Pension Pot in today's money				
	Notional value at start of year	Total Ongoing Charges	Estimated Gross Value at Year End (Ignores Charges)	Estimated Net Value at Year End (After Charges)	Impact of Total Ongoing Charges
	£	£	£	£	£
Over 5 Year Index Linked Gilts Index	10000.00	10.07	10000	9990	10
Global Equity Fixed Weights (60:40) Index	10000.00	18.08	10250	10231	18
Cash Fund	10000.00	12.58	10000	9987	13
Diversified Fund (the Default Fund)	10000.00	33.26	10250	10216	34

Note

Values Shown are Estimates and are not guaranteed

Fund Growth Assumed to be linear

Inflation assumed zero throughout

Growth Rates

Over 5 Year Index Linked Gilts Index	inflation
Global Equity Fixed Weights (60:40)	2.5% above inflation
Cash Fund	inflation
Diversified Fund (the Default Fund)	2.5% above inflation

£10,000 may not be a typical fund value but is selected as it may easily be prorata to any fund value

In preparing these estimates the Investment Adviser to the Trustees has referenced DWP Reporting of Costs charges and Other Information : Guidance for Trustees and Managers of Occupational Schemes, September 2018

For simplicity in presenting the impact of costs only a one year period is used. The impact per £10,000 of closing fund value would be repeated in subsequent years all the way to retirement.

Costs may change at the point of switch into the Cash Fund during the Lifestyle Investment.

It is not possible to know what these costs will be in advance and they may be nil. On this basis and until there is a recognised method of understanding such costs the Trustee has presented costs for each fund as shown.

This approach clearly shows the differing cost implications of investment fund choices in each year of membership, so providing clarity of costs.

The Trustees have not shown longer term cost projections.

These are not presently available from the investment manager.

Such assumptions as inflation and the implicit charges change over time.

The Trustees will keep this aspect under review and consider inclusion in future years.

Members also receive a Statutory Money Purchase Illustration (SMPI) of their own benefit annually.

In considering value for money offered to members the Trustees, advised by their Investment Adviser, have conducted an assessment of what they believe constitutes 'Value for Money' for members of the Plan. This assessment addresses the costs and charges including transaction charges that are passed onto members.

The Trustees consider that based on the information available to them from their Investment Adviser, the charges and transaction costs overall that the members meet are comparable with those applied to similar quality defined contribution pension plans and based on comments from their appointed Investment Adviser, are better than many. The Plan therefore represents good overall value for the benefit provided to members. This is confirmed by the Trustee's Investment Adviser and is the view of the Trustees. The view is formed taking account of the Investment Advisors experience of other arrangements and how the Plan compares in terms of size, quality, cost and services.

When assessing good value it is not just the direct and indirect costs that are reviewed but all the factors which make up each member's experience. Currently, there is no legislation setting out how 'good value' should be assessed and what criteria should be reviewed as part of the assessment. The Trustees take advice on these matters and in making these comments have relied upon their advisers, specifically their appointed Investment Adviser who has considered a 'good value' assessment by focusing on member charges and the features of the Plan.

The main categories that the Investment Adviser and so the Trustees considered and their views are:

Member costs and charges	Good
Other costs and charges	Good
Performance of Investments	Good
Member Communications	Good
Administration	Good
Trustees overall Governance	Good

Knowledge and Understanding of the Trustees

The Plan is administered by the Trustees, and the Trustees for the Plan year ending 31st August 2018 were as outlined above.

There are requirements for Trustee knowledge and understanding and these requirements apply to each and every Trustee alike. These requirements exist under sections 247-248 of the Pensions Act 2004 (requirements for knowledge and understanding) and have been met during the year by the Trustees in dealing with the Plan.

There have been no new Trustees during the year but on the appointment of a new Trustee, that Trustee receives a copy of the Trust Deed, the Plan Rules, the Plan Accounts, the current SIP, copies of the recent Trustee Minutes and all other relevant Plan documentation. This initial process includes some time discussing the Plan with the Plan Consultant at Capita and with access to the Investment Adviser at Professional Pensions and Investments Ltd, thereby ensuring a level of appropriate knowledge as to the specifics of the Plan and matters that are in hand at the time. This is in effect an appropriate induction session. This enables a new Trustee to be conversant with wider Plan documentation relating to matters of the Plan generally

Further the Trustees have recommended to them the Pension Regulator Trustee Knowledge and Understanding training material. This is an on-line interactive information service that can impart basic information on the management of Trust based Pension Plans such as this one.

This has been recommended to each Trustee by the Plan Consultant and each Trustee understands the importance of this in improving their knowledge. All Trustees are aware of this.

Trustees are able to discuss with the Plan Consultant at Capita and with the Investment Adviser at Professional Pensions and Investments Ltd, any particular areas of their knowledge and understanding, including areas of TPR's Trustee Toolkit that they consider they may have insufficient knowledge and understanding of. This may happen at any time, not just at Trustee meetings.

During the year the specific areas of training that the Trustees focussed on included

1. Trustee meeting on 23rd March 2017 to consider Investment with a review of the Lifestyle Investment Strategy, the implications of Pension Freedoms. At this meeting it was agreed to amend the Lifestyle Investment process – the default fund – to a Diversified Fund. Members were subsequently informed and the necessary administration arrangements made at the expense of the Principal Employer. An updated Statement of Investment Principles was considered and agreed at this meeting, so reflecting the changes made. The cost of the funds made available to members was considered at this meeting and the Trustees received advice on this from the Investment Adviser.
2. At the same Trustee meeting (23rd March 2017) the Trustees agreed that all future annuities arising from the DC section of the Plan would be placed in member names and that any historic annuities from this section of the Plan would be assigned to members.
3. Further matters considered at the 23rd March 2017 meeting related to Plan Accounts and additional investment information required by SORP reporting. It was also agreed that the 2016 Annual Report be circulated to all members, which subsequently took place.

4. A review of the dispute procedure available to members took place at the March 2017 meeting, the Trustees also reviewed their own conflicts policy. This updated important aspects of governance for the Trust.
5. At the Trustees meeting at 19th April 2018 the Trustees considered many of the wider aspects of the Trust that relate to the defined benefits. Specifically as regards the defined contribution section the Trustees reviewed the Lifestyle Investment Strategy (the default fund) with the Investment Adviser. Generally positive returns were reported on all funds in the preceding 3 years. The Trustees spent some time considering administration aspects at this meeting and considered this was overall as they would wish to see it operating. The accounts for the year ending 31st August 2017 were considered together with audit matters and the accounts signed off.
6. At the same 19th April 2018 meeting the Trustees considered their risk management as regards the Plan overall, including the defined contribution section.
7. At this same Trustee meeting the Investment Adviser reported on actions taken by LGIM as our investment fund manager in holding company boards to account, creating sustainable value for shareholders and at promoting market resilience. Examples of companies that LGIM may invest in were given along with actions that the manager had taken. The Trustees were reassured that their manager was engaging at this level of detail as regards Environmental, Social and Governance matters on behalf of our membership.
8. During the Plan year information and training on the General Data Protection Regulations was provided by the Plan Consultant with appropriate legal consideration. This resulted in the Trustees adopting an appropriate policy and that included an updated Privacy Notice available to members effectively from May 2018.

It is the view of the Chair and the Trustees generally that sufficient time and resources are made available throughout the year in order to manage and operate the Plan effectively. In making this statement the Trustees and in particular, George Tsangari as Chair, consider and take the view that the assistance of the appointed professional advisers is essential. It is the Trustees role to manage the relationship with the advisers and we consider that we have done so, in the interests of the membership and good governance of their pension savings assets and done so appropriately.

The Trustees maintain a watch on compliance and overall risk and the Trustee minutes provide, where appropriate, an action plan, with follow up points considered at the next appropriate Trustee meeting. In this way the Governance function of the Plan is executed on a rolling, iterative basis thereby ensuring that matters are maintained in an up to date condition, relevant to the needs of the membership and yet proportionate to the size of the overall Plan, the value of its assets and above all the interests of the members. The Trustees do this bearing in mind the importance of the member's pension savings to each individual member.

The Purpose of this Chair Statement

This Statement is for your information only and you do not need to take any action.

It is shared with and agreed by the Trustees. It will be considered by the Trustees and where appropriate updated each year in accordance with the regulations.

If a member should have any questions on the operation of the Plan, or their benefits they should in the first instance contact the administrator who may be able to assist. The contact information for Capita is at the front of the Trustee Report and Accounts.

As Chair of Trustees, George Tsangari, is always pleased to hear from any member of the Plan and will assist in answering any matters that may arise.

This Chair Statement should be read in conjunction with the Trustees Statement of Investment Principles. A copy is attached for information.

Signed

George Tsangari
Chair of Trustees
The Angus Montgomery Limited Pension Plan