

# The Anglia Oils Limited Retirement Benefits Scheme (1984)

## Chair's Statement for the Period 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018

### **ANNUAL GOVERNANCE STATEMENT BY THE CHAIR OF TRUSTEES**

#### **1.0 Introduction**

1.1 Governance rules have applied to defined contribution pension arrangements like the Anglia Oils Limited Retirement Benefits Scheme (the "Scheme") since 6<sup>th</sup> April 2015. These were designed to help members achieve a good outcome from their pension savings.

1.2 As Chair of the Trustees, I am obliged provide you with a yearly statement which explains what steps have been taken by the Trustees, with help from our professional advisers, to meet the governance standards. The law sets out what information must be included in my statement.

1.3 The Trustees are committed to having high governance standards. We have a number of measures in place, use the services of experts and meet regularly to monitor the controls and processes in connection with the Scheme's investments and administration.

1.4 We welcome this opportunity to explain what the Trustees do to help to ensure the Scheme is run effectively. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please contact me to discuss further.

1.5 The Scheme operates under a Trust Deed and Rules dated 1<sup>st</sup> January 1984. A copy is available from AAK by contacting Damian Taylor at the Hull office.

1.6 AAK and the Trustees have employed the services of LEBC Group Ltd (LEBC) as Scheme advisers to assist with the analysis and review.

#### **2.0 What do you need to do next?**

This statement is for noting. You do not need to take any action.

#### **3.0 Scheme Summary**

3.1 The scheme is closed to new members following the Employers' decision to change pension providers in 2001/2 when Equitable Life found itself in difficulties. Subsequently it

was decided to operate a Group Personal Pension Plan (GPPP) which serves current employees and meets the requirements of the current workplace pension regulations.

3.2 There are currently 164 members with preserved benefits, 143 of whom are invested in the Equitable Life With-Profits Fund, 9 invested in Equitable Life unit-linked funds, and 12 in Clerical Medical With-Profits. Most paid up members are former employees of the company but some are current employees who are members of the GPPP. No contributions have been paid into the scheme since 2002.

3.3 The membership and investment details for the period 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2018 have been analysed by LEBC on behalf of the Trustees. The Trustees are satisfied this Scheme is appropriate and fit for purpose and welcome the formal governance and reporting process.

3.4 When problems with Equitable Life came to light, members were given the following options:-

- I. Remain in the With Profits fund
- II. Switch to one or more of a limited range of other funds which became available, including some Clerical Medical funds
- III. Transfer to another pension plan

These choices were influenced by transfer penalties which applied on switching or transferring for the majority of members as well as potentially higher tax free cash within the scheme.

#### **4.0 Default investment arrangement**

4.1 The default investment arrangement is provided for members who join the Scheme and do not choose an investment option for their contributions. The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the Scheme's default arrangement.

4.2 The Trustees are expected to:

- I. review the investment strategy and objectives of the default investment arrangement at regular intervals, and at least once every 3 years; and
- II. take into account the needs of the Scheme membership when designing the default arrangement.

4.3 In light of the requirement above, the Trustees review the investment objectives and the performance of the default arrangement once a year and on the advice of LEBC, the Scheme's advisers.

4.4 We have reviewed the default investment arrangement. In carrying out this review we considered a number of factors including: members needs, attitudes to risk, and retirement expectations to assess what an appropriate default arrangement will be for the Scheme. In

conjunction with our advisers, we have measured and analysed the performance and volatility of the default investment choice. We have also considered a variety of different investment strategies available before deciding on what changes may be appropriate at this time.

4.5 The scheme was mainly invested in the Equitable Life With-Profits Fund, designed for investors looking for a medium to long-term investment. Prior to the problems at Equitable Life, this had always been considered by AAK and by the Trustees to be a secure investment fund with good prospects for growth. The Equitable Life With-Profits Fund offered a policy value increase of 2% declared in 2018. The Clerical Medical with-profits fund offered a policy value increase of 3% declared in 2018. In order to receive the declared policy increase terms and conditions of the policy must have been met.

4.6 Equitable Life has made the following proposal: allocating all available assets in the With-Profits Fund fully to with-profits policyholders by increasing the current 35% capital distribution to a level expected to be between 60% and 70%; convert with-profits policies to unit-linked policies; remove investment guarantees and with them any guaranteed annual increase; transfer all policies to Utmost Life and Pensions (formerly Reliance Life), where you will see a continuity of service provided by the Equitable Life teams in Aylesbury. The proposal is not guaranteed to go ahead and the Trustees and LEBC will be reviewing this situation and members will be informed accordingly should changes proceed. No action required by members at this time.

4.7 The default investment arrangement is still considered by AAK and the Trustees to be a suitable investment fund with reasonable prospects for growth with limited volatility, mindful of the proposal outlined in clause 4.6. Information on Equitable Life's With-Profits and other investment funds can be downloaded directly from the Equitable Life website – [www.equitable.co.uk/policyholders/with-profits-funds](http://www.equitable.co.uk/policyholders/with-profits-funds). Please refer to the Clerical medical website for investments regarding all Clerical medical funds ([www.clericalmedical.co.uk](http://www.clericalmedical.co.uk)).

4.8 The Trustees have also considered the membership profile of the Scheme, the risk profile and number of investment funds offered to members, the changing long-term investment market conditions and the investment product and techniques available in the marketplace.

4.9 The Trustees consider the default arrangement to be consistent with the original objectives and appropriate for the remaining Scheme members taking into account possible transfer penalties.

4.9 The Trustees are aware that circumstances change over time, so have ensured that members are kept informed of their options when issuing annual member statements.

4.10 Following analysis of the default investment arrangement the Trustees, with the help of the Scheme advisers, concluded that the default investment arrangement did not require amendment at this stage for the following reasons:

- I. The scheme is closed to new entrants and to contributions.
- II. Members are aware that they can switch investments funds or transfer benefits.
- III. The default fund has a guaranteed annual growth rate.
- IV. There are likely to be penalties imposed on transfer of provider or scheme.
- V. The Equitable Life With-Profits fund may be subject to a distribution bonus

4.11 Meanwhile, the Trustees are monitoring the use of the default investment arrangement and the choices being made by members when benefits come into payment. This will help to inform us about changes which are appropriate in future.

4.12 It has not been felt necessary to review the scheme's investment principles at this time.

## **5.0 Charges and transaction costs paid by members**

5.1 The charge applied to the default arrangement during the year was an annual management charge of 0.72% of fund value. This applies to all internal investment funds offered by the scheme. Externally managed funds may have higher charges.

5.2 There are no other transaction costs or policy fees.

5.3 From 30<sup>th</sup> June 2018 Equitable Life removed the charge on contributions paid into members' retirement savings, however the Scheme no longer receives contributions and there is no intention of re-commencing contributions. Therefore, this change has no impact on members.

5.4 The Trustees have taken into account statutory requirements in respect of charges. The Trustees note that the annual management charge is below the charge cap of 0.75% for active workplace pension schemes and is in line with statutory guidelines.

## **6.0 Good value for members**

6.1 The Trustees appreciate that occupational defined contribution charges in the market can be lower than the annual management charge levied but also recognise the more complex regulatory structure of this type of arrangement compared to group personal pension arrangements, the Scheme is closed to new contributions and has a relatively small number of members.

6.2 As a starting point to assessing good value, we have compared the level of charges in each fund with the levels of return they have delivered to members. We have also considered how the charges and transaction costs borne by members (the costs of membership) compare against the services and benefits provided by the Scheme (the benefits of membership). The benefits of membership include (amongst other things): the design of the default arrangement and how this reflects the interests of members; the range of investment options and strategies; the efficiency of administration processes and the extent to which Equitable Life

as pension provider and investment managers met and exceeded its service level standards for the Scheme year; the quality of communications delivered to members; and the quality of support services and Scheme governance.

6.3 We have assessed members' investment returns and overall fund performance to ensure that the transaction costs borne by the members (e.g. costs associated with investment trading) are reasonable for each fund we offer under the Scheme and the outcomes expected from investment. We considered, in particular, that higher transaction costs in specialist funds are usual and in the case of the funds we offer, justified.

6.4 Based on our assessment, we concluded that the Scheme represents good value for members as the charges are below the current member-borne charge cap for workplace pension schemes.

## **7.0 Core financial transactions**

7.1 The Trustees are required to report to you about the processes and controls in place in relation to the "core financial transactions". The law specifies that these include the following:

- I. transferring assets related to members into or out of the Scheme;
- II. transferring assets between different investments within the Scheme.
- III. making payments from the Scheme to or on behalf of members.

7.2 We must ensure that these important financial transactions are processed promptly and accurately. In practice, we delegate responsibility for this to the Scheme adviser. Our Scheme administration and advice is delivered by LEBC. The Scheme adviser regularly reports to the Trustees which allows us to assess how quickly and effectively the core Scheme financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

7.3 The Trustees are confident that the processes and controls in place with the Scheme Administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

## **8.0 Transaction Requirements**

8.1 There were payments made out of the Scheme in respect of the full fund value for 6 members. Each of these payments out were made with an appropriate timeframe with the exception of 1 case where interest on late payment was given to the member.

**9.0 Trustee knowledge and understanding**

9.1 The law requires the Trustees to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. We take our training and development responsibilities seriously and work with our professional advisers to fill in any gaps.

**10.0 This statement**

10.1 This statement has been produced based on the information supplied by Equitable Life and our advisers and taking into account the current situation at the date the statement was produced.

**11.0 Contact details for member queries**

**Signed for and on behalf of The Trustees of The Anglia Oils Limited Retirement Benefits Scheme (1984)**

.....

**XXXXXXXX, Chair of the Trustees**

.....

**Date**