Clumber Consultancy Pension Trustees

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Chair Statement for the Welsh Farm Suppliers Limited (1995) Retirement Benefits Scheme

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the Welsh Farm Suppliers Limited (1995) Retirement Benefits Scheme (the "Scheme") is required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the "default arrangement" and other funds members can select or have assets in, such as self-select or "legacy" funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges; a 'value for members' assessment;
- and Trustee knowledge and understanding. This statement covers the period from 1 December 2022 to 30 November 2023

Default Investment Arrangements

The Scheme is not used as a Qualifying Scheme for auto-enrolment.

The Scheme triggered into wind up on 18 July 2017 when the Principal Employer went into Liquidation. Clumber Consultancy replaced the Principal Employer as Trustee to the Scheme on 3 August 2017 to wind up the Scheme. As the Principal Employer is insolvent, there will be no new members joining the Scheme which is in the final stages of winding up.

The Scheme invests in two with profits funds, the With Profits Endowment Pension Fund (WPE) and High Equity With Profits Pension Fund (WP2) but did not have a specific default fund nor a specified fund range from which investments could be chosen. The Trustee reviews the investments available and monitor their performance on an annual basis. The Trustee also assesses any default fund(s) and applicable charges upon appointment to ensure they provide value to the members. The two funds utilised have an annual management charge of 1%. There are guarantees to be taken into consideration and the WPE Fund has a guaranteed minimum return of around 5.5% each year for units held to pension date and the WP2 Fund at certain points, as set out in policy conditions gives a guarantee that the price received on sale of units will not be less than the selling price when the units were purchased plus any yearly bonus additions. Due to the expected short term of appointment a Statement of Investment Principles is not produced as this would not be cost effective and represent poor value for money to the members unless it is determined that the fund is not fit for purpose. This has not been the case in respect of the Scheme.

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the Scheme's default arrangements.

The aims and objectives of the default arrangement(s), are as follows:
WPE - This fund can invest in a wide range of bonds, gilts, equities in the UK and overseas, plus direct property. Effective from 1 April 2014, Aegon reduced the exposure to equity investment from 10% to nil and it is now 100% invested in fixed interest assets. 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% pa 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 rate is not guaranteed.

WP2 - The WP2 fund offers a guarantee that the unit price will not fall (i.e. guaranteed return of capital including annual bonus additions to date), if held to maturity date. WP2 invests in a wide range of bonds, gilts, equities in the UK and overseas, plus direct property. The current target level of equity exposure is 65% - 75% of the overall investment, and the fund aims to produce superior long-term returns through the growth potential afforded by investment in equities.
Any annual bonus will be declared in advance and the unit price will be increased smoothly on a daily basis throughout the year in line with the rate of bonus declared. This will protect the capital value of investment from the volatility normally associated with equities if the funds is held to the selected retirement date.
A terminal bonus or market value reduction (MVR) may be applied in certain circumstances when the benefit becomes payable. The terminal bonus and MVR rates are not guaranteed.
There is no default strategy to review and this has therefore not been reviewed during the period covered by this statement. The Trustee took the view on appointment that the investments in place should be retained whilst the Scheme completed the wind up process.
The Trustee regularly monitors the performance and remains satisfied that the investments remain appropriate whilst the wind up is completed due to the nature of the guarantees. The funds are performing broadly as expected and is consistent with the aims and objectives of the funds.

Requirements for Processing Core Transactions
The Trustee has received assurance from the Scheme's administrator Aegon and has taken steps to try and ensure that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme Year. As the Scheme is winding up this is limited to the settlement of members' benefits and any queries and this includes payments of transfers out of the Scheme and payments to members/beneficiaries. The Level Agreement states that Aegon will complete financial transactions within 10 working days of receipt of full and complete documentation. Of all other requests completed during the year 44.4% were completed within target and the Trustee continues to monitor the situation whilst the wind up is finalised.

Member Borne Charges and Transaction Costs
The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds. The stated charges also include any costs, e.g. administration and investment costs, since members incur these costs
The Trustees is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds .
In the table below the AMC is the annual management charge which is the yearly charge to cover administration costs and to pay the fund manager for managing the funds. The additional expenses include management fees and expenses that vary with the day to day costs of running the fund and the other charges listed apply on a yearly basis.

Fund Name	AMC (%)	Additional Expenses (%)	Total (%)
With Profits Endowment (WPE)	1.00	0.00	1.00
High Equity W P Fund	1.00	0.00	1.00

The table below shows the fund managers transactional costs for each fund that the scheme members invest5ed in during the Scheme Year. These costs arise when a fund manager buys or sells the underlying assets of a fund.

Fund Name	Implicit Costs	Broker commission & fees	Taxes & levies	Securities lending fees	total
With Profits Endowment	-0.01	0.00	0.00	0.00	0.00
High Equity WPFund	0.03	0.02	0.04	0.00	0.09

Fund Transactional Costs and charges total (%)

Fund Name	AMC	Additional Expenses	Transaction Costs
With Profits Endowment	1.00	0.00	0.02
High Equity WPFund	1.00	0.00	0.13

About the transaction costs

Where the transaction costs are not available for the exact Scheme year, Aegon have used the latest transaction costs that fund managers have provided which fall within the Scheme year.

Implicit costs arise due to the difference in time when a trade is instructed and when it is carried out. The movement of the market over that period can result in the implicit cost and overall transaction cost being negative.

Illustration of Charges and Transaction Costs

Over time, the charges and transaction costs 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 illustrations of the impact of charges and transaction costs on the default fund in the Scheme. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

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 several 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. The transaction cost figures used in the illustration are based on those provided by the managers.

Years	With Profits Endowment		High Equity WPFund	
	Before Charges	After Charges	Before Charges	After Charges
1	23,074	22,841	23,074	22,814
3	23,300	22,601	23,300	22,520
5	23,528	22,363	23,528	22,231
10	24,108	21,780	24,108	21,522
12	24,343	21,551	24,343	21,245

About these illustrations
For these illustrations it has been assumed:

- The starting age is 53 and the retirement age is 65
- No future contributions are made
- Projected pension fund values are shown in today's terms and do not need to be further reduced for inflation. Inflation is assumed to be 2.5% each year
- The starting pension fund value in the first year is £22,962.48
- Each illustration has been produced on the basis this is the only fund invested in and that all transaction costs and Scheme charges are deducted from that fund.

The growth rate for each fund is set out below. These are for illustrative purposes only and are not guaranteed. The investment growth achieved may be more or less than this and may vary depending on the type of fund.

With Profits Endowment	3%
High Equity WPFund	3%

If the growth rate used is:

- The same as the rate of inflation, this reduces the growth rate, after making an allowance for inflation to 0%
- Less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation

Investments in With profits fund may contain valuable guarantees, provided that you remain invested until your selected retirement age. However, for the purposes of these illustrations, any guarantees have not been included.

Value for Members Assessment
The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available.
The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits). The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment
The Trustee's assessment included a review of the performance of the Scheme's investment funds (after all charges) in the context of their investment objectives.
The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.
In carrying out the assessment, the Trustee also considers the other benefits members receive from the Scheme, which include

- the oversight and governance of the Trustees, including ensuring the Scheme is compliant with relevant legislation, such as the charge cap, and monitoring the Scheme and address any material issues that may impact members;
- the design of the default arrangement and how this reflects the membership as a whole;
- the range of investment options and strategies;
- the quality of communications delivered to members;
- the quality of support services
- and the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the Scheme year.

As detailed in the earlier section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes. Overall, the Trustee believes that members of the Scheme are receiving reasonable value for money for the charges and cost that they incur. The Trustee believes this because of the guarantees available of the investment funds utilised.

Trustee Knowledge and Understanding

The Scheme's Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee must:

Be conversant with the trust deed and rules of the Scheme and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

All senior members of the team at Clumber Consultancy have passed the Trustee Toolkit and complete updated modules when required as well as having other pension qualifications and dealing with pension matters on a daily basis. New, or less senior employees may not be fully up to date. These employees are given time to work on the Trustee Toolkit and their Trustee Knowledge and Understanding to comply with this requirement.

Taking into account the knowledge and experience of the Trustee with the specialist advice received from professional advisors (e.g. investment consultants, legal advisors), the Trustee believes they are well placed to exercise their functions as Trustee of the Scheme properly and effectively.

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____ Date: 18 June 2024

Signed by the Chair of Trustees of the Welsh Farm Suppliers Limited (1995) Retirement Benefits Scheme