

LAUREL PUB PENSION SCHEME

YEAR ENDED 28 FEBRUARY 2019

STATEMENT REGARDING DC GOVERNANCE

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 MARCH 2018 – 28 FEBRUARY 2019

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Laurel Pub Pension Scheme is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits. These benefits relate to a small group of members who have historic money purchase benefits as a result of individual transfers into the Scheme, and also relate to AVC arrangements provided by the Scheme for members who historically paid AVCs.

The Scheme is closed to further contributions and is not used as a qualifying scheme for automatic enrolment purposes. This means that no new members can pay money purchase contributions and the existing members who have historic funds (including AVCs) cannot make further contributions or transfer in additional benefits.

The Scheme is managed by the Laurel Pension Trustee Company Ltd ("the Trustee"), which ensures that the Scheme is run in the best interests of the members, and in accordance with the Scheme's rules and the law.

The Trustee receives professional advice from Jardine Lloyd Thompson Employee Benefits ('JLT'), Willis Towers Watson ("WTW") and Eversheds Sutherland ("Eversheds"). The Trustee holds three regular meetings a year and JLT and WTW both attend these meetings.

At the Trustee meetings, the high level operational framework of the Scheme is set, monitored and managed, so that the Scheme continues to be run in accordance with the relevant codes of practice and best practice. The framework evolves over time as appropriate.

Oversight and monitoring of the day to day activity and performance of the Scheme is also undertaken at these Trustee meetings to check that the Scheme is operating effectively.

This Statement includes information about costs and charges in relation to members' investments, and a cumulative projection as required by the regulations, which is set out in Appendix 1. This information is available online at <https://www.stonegatepubs.com/laurel-pensions>.

Default arrangement

Under the current regulations, trustees need to provide background on a scheme's default investment arrangement.

The Scheme's money purchase funds are invested either through the Scottish Widows platform or in the Equitable Life With Profits Fund (ELWPF).

As the money purchase funds relate to funds that members chose to invest in the Scheme, the Trustee Directors consider that members should make a positive choice about the investment of their funds. Members are therefore offered a range of unit linked investment options through the Scottish Widows investment platform and no specific default arrangement was or is specified.

The funds of members who have money purchase benefits derived from a transfer into the Scheme are invested solely in the ELWPF, although the members can switch these funds into the range of unit linked investment options available on the Scottish Widows investment platform.

It is expected that within the next 6 months, the ELWPF will be wound up and the relevant members will receive a significant increase to their fund values. As part of this exercise, the Trustee Directors will review the Scheme's investment strategy for the money purchase / AVC members.

For the avoidance of doubt, the Scheme is not being used as a qualifying scheme for Auto Enrolment purposes.

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Processing Scheme transactions

The Trustee Directors have a specific 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 money purchase members) are processed promptly and accurately.

The Trustee Directors note that no further contributions can be paid. The Trustee Directors also note that JLT, the Scheme Administrator, would co-ordinate the disinvestment and payment of these money purchase benefits when a member transfers or retires.

The Trustee Directors have a service level agreement (SLA) in place with JLT's Administration Team which covers the accuracy and timeliness of all core transactions.

The Trustee Directors have also considered the latest internal control report from JLT which reviews processes and controls implemented and are satisfied that there were no material issues highlighted.

At two of the three regular Trustee meetings each year the Trustee Directors review the latest half-yearly JLT Administration Report, which reports on core financial transactions. This enables the Trustee Directors to monitor that delivery is in line with the agreed service levels and member expectations.

Members will also approach the Trustee Directors, the Company, or the Scheme Administrator from time to time if they have questions about their benefits, or concerns or issues with the Scheme's administration. In particular, the Trustee wrote to members in December to update them on the Scheme's progress and asked them to raise any questions about the Scheme or their benefits. The opportunities for members to give feedback therefore provides a good independent check that the Scheme is being operated in line with members' expectations.

Taking the above into consideration, the Trustee Directors are satisfied that there were no material issues during the Scheme year and therefore that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Transaction costs – default arrangement and additional funds

The law requires the Trustee Directors to disclose the charges and transaction costs borne by DC members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds.

The fund charges in relation to the Scottish Widows funds are 0.52% p.a. for all the funds in which members are invested, which is a discount on Scottish Widows' standard charge of 1% p.a..

Scottish Widows have confirmed that there are no additional charges in relation to the funds in which members are invested, except for the Scottish Widows SSgA International Equity Index Pension fund where the additional charge is 0.001%.

The current fund charges in relation to the funds invested in the ELWPF are 1% p.a. to cover the cost of administration, and an additional 0.5% p.a. to cover the cost of the guarantees provided by the With Profits policies. These are applied by Equitable Life to the overall with profits fund assets and do not affect the guaranteed value of units which is available to members on policy maturity as a minimum.

All the above charges relate to the cost of the money purchase provider.

The cost of JLT's administration is met by the Company and the Trustee and is therefore not borne by the members.

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The Trustee Directors note that it is a requirement of pensions legislation that charges for the default arrangement of a scheme, that is used to comply with Auto Enrolment, cannot be greater than 0.75% p.a.. The Scheme is not used as a vehicle to comply with the Auto Enrolment requirements and therefore is not required to comply with the charge cap.

Whilst the ELWPF charge exceeds the charge cap of 0.75% p.a., the Trustee Directors note that these With Profits Funds charges are applied to the underlying investments and not to the guaranteed value of units. The With Profits Funds have guarantees attached to them, and therefore provide members with an investment structure that is not replicated in other types of funds. Furthermore, the Trustee Directors note that members could choose to transfer to the Scottish Widows investment platform and invest in a range of other investment options at a lower charge if they wish, and also that the members do not meet JLT's administration costs.

With this in mind, the Trustee Directors are satisfied that members receive value for money in relation to the money purchase and AVC benefits provided by the Scheme.

As noted earlier in this Statement, Appendix 1 includes an illustration of the impact of costs and charges.

It is a requirement to show such an illustration for the default investment strategy as well as an appropriate range of options.

There is no specific default strategy for the Scheme, although the funds for all members with money purchase transferred in benefits are currently invested in the ELWPF. We have not specifically prepared an illustration for this fund. This is because it is expected that within the next 6 months, the ELWPF will be wound up and members will receive a significant increase to their fund values. Given the final uplifts are not yet known on a member by member basis, and also given that it is not known what the replacement funds will be, any long term projection of the fund value would therefore be unlikely to provide any meaningful information.

However, we have instead provided a projection for the Scottish Widows Consensus Pension, in which the most funds by value are invested, and the Scottish Widows Cash Pension, in which the most members are invested.

Should the wind up of the ELWPF proceed, the funds would stay within the Scheme and the Trustee Directors would review the Scheme's investment strategy for the money purchase / AVC members and update further in next year's Statement.

Assessment of dealing costs over the period

As mentioned above, the Scheme is closed to further money purchase transfers-in and AVC contributions. Therefore, no new funds have been added to the Scheme's money purchase or AVC funds over the year.

Furthermore, the Trustee Directors note that some of the Scheme's AVCs are invested in the ELWPF, in which bonuses will be applied by Equitable Life. When determining the level of bonuses, Equitable Life will take into consideration the performance of the underlying assets, net of any dealing costs and any internal transaction costs.

The Trustee has requested information from Scottish Widows in relation their dealing costs. Scottish Widows have confirmed that there are no internal transaction costs.

Based on the information available, the Trustee Directors are however satisfied that there are no material dealing costs to note in this year's report.

The Trustee Directors will include information in relation to dealing costs in future statements to the extent that this information is available from their money purchase providers. At the time of writing this statement, this information has not been made available.

STATEMENT REGARDING DC GOVERNANCE (CONTINUED)

Statement of Investment Principles (SIP)

The latest SIP for the Scheme as a whole was dated September 2018 and is in the process of being updated, so that a new version will be signed off by 30 September 2019. As noted within this Chairman's Statement, no specific default strategy was set in relation to the members with historic money purchase benefits and AVCs. As such, the SIP does not specifically set out specific objectives or principles in relation to these funds and therefore has not been included as part of this Chairman's Statement.

A copy of the SIP is however available on request and is available online at <https://www.stonegatepubs.com/laurel-pensions>.

Ongoing Monitoring

The Trustee Directors review performance of the Scottish Widows funds on an annual basis, and the review undertaken in 2018 showed that the performance of these funds remains satisfactory. The Trustee Directors also continue to monitor developments with the ELWPF, and in 2018 issued a communication to those members invested to inform them of the relevant developments.

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pensions Regulator's Code of Practice 07 and 13.

The Trustee Directors have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments. The Trustee Directors receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

All the Trustees are also required to familiarise themselves with the Scheme's trust deed, rules and Statement of Investment Principles. The Statement of Investment Principles was specifically reviewed by the Trustee Directors at the September 2018 Trustee Meeting.

Over the Scheme year, the Trustee Directors have received updates on legislative developments in the course of their regular meetings. They also received the following specific training:

- April 2018 Trustee Meeting - GDPR from Eversheds
- July 2018 "Blue Sky" Meeting – Integrated Risk Management and de-risking strategies from WTW
- January 2019 Trustee Meeting – GMP Equalisation from Eversheds.

On a personal basis, the Chairman was awarded the Pensions Management Institute (PMI) Award in Pension Trusteeship in April 2018 and several of the Trustee Directors attended seminars, webinars and presentations from providers, including JLT, WTW, Sackers, Aon, Professional Pensions and the PLSA. The Trustee is in the process of preparing a detailed list of the training that the Trustee Directors have received, and an update on this will be included in next year's Statement.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustee Directors consider that they can properly exercise their functions as Trustee Directors of the Scheme.

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Governance statement

As Trustee Directors of the Scheme, we have reviewed and assessed our systems, processes and controls across key governance functions and we are satisfied that these are consistent with those expected by the Pensions Regulator so far as they apply to the circumstances of the Scheme.

The Chairman's statement regarding DC governance was approved by the Trustee Directors on.....3/9/2019... and signed on their behalf by:

AC Campbell

Mr A Campbell

On behalf of Alban Actuarial Solutions Ltd

Chairman of Laurel Pension Trustee Company Limited, Trustee of the Laurel Pub Pension Scheme

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Appendix 1 - Cumulative effect of charges

The compounding effect of charges on an active member's fund can be illustrated as follows:

Illustrations for an "Average" member				
Years from now	Consensus Fund (Most funds invested)		Cash fund (Most members invested)	
	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£10,848	£10,794	£2,321	£2,309
3	£11,493	£11,319	£2,276	£2,241
5	£12,175	£11,870	£2,232	£2,175
10	£14,065	£13,368	£2,125	£2,018
Total Fees	£613		£112	

Assumptions

The above illustrations have been produced for an "average" member of the Scheme based on the data for those members with Scottish Widows AVCs. The illustrations assume 100% of the member's assets are invested in that fund up to the assumed retirement age. The results are presented in real terms, i.e. in today's money to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that for the Consensus Fund, the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what would actually be taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of the lost investment returns on the fees charged.

Age	55 (<i>the average age of the members with AVC funds</i>)
Assumed Retirement Age	65
Starting Pot Size	£10,540 (Consensus fund average) £2,340 (Cash fund average)
Rate of salary growth	N/A
Inflation	2.5% p.a.
Employer annual contributions	n/a
Employee annual contributions	n/a
Expected future returns on investment:	
<ul style="list-style-type: none"> • Scottish Widows Consensus Fund • Scottish Widows Cash Fund 	5.5%p.a. 1.5%p.a.