THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 MARCH 2019 – 29 FEBRUARY 2020

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 ("the 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 Mercer, Willis Towers Watson ("WTW") and Eversheds Sutherland ("Eversheds") as required. The Trustee holds three regular meetings a year and Mercer 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-pub-pension-scheme.

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 currently invested either through the Scottish Widows platform or with Utmost Life and Pensions (Utmost).

As the money purchase funds relate to funds that members chose to invest in the Scheme, the Trustee's preferred approach has been 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 were invested solely in the Equitable Life With Profits Fund (ELWPF).

On 31st December 2019, the business of Equitable Life was transferred to Utmost, with the ELWPF being disinvested and members' fund values being increased by a 75% "Uplift" in exchange for the removal of the capital guarantee and then reinvested with Utmost. The Trustee received advice from Mercer, its investment adviser, and determined that the proceeds should initially be invested in the Utmost Secure Cash Fund (USCF) and remain in there in full until 30 June 2020. Investments in this fund are guaranteed not to fall below the amount initially invested. Utmost are winding down the USCF over the second half of 2020, and the Trustee also received advice from Mercer that it would be appropriate for the investments in the USCF to transition to the Utmost Money Market Fund (UMMF).

Members also have the choice to invest in a range of unit linked funds with Utmost, or to switch these funds into the range of options available on the Scottish Widows investment platform.

There is no specific default strategy for the Scheme, although the funds for all members with money purchase transferred in benefits were invested in the ELWPF, before being transferred to the USCF and then transitioning to the UMMF over the second half of 2020. These funds have therefore become default arrangements because members' funds have been invested in them without the members' specific agreement. We have therefore prepared an illustration for the UMMF.

Prior to the Scottish Widows AVC policy, the relevant funds had previously been invested through the Invesco Pension Saver Platform, until this closed. The Trustee took investment advice and transferred the Invesco AVC holdings to Scottish Widows, undertaking a fund mapping exercise to transfer members' funds to those most closely matching from the range of funds available through Scottish Widows. Again, the Scottish Widows AVC funds have therefore become default arrangements because members' funds have been invested in them without the members' specific agreement.

Processing Scheme transactions

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

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

The Trustee has also considered the latest internal control report from Mercer which reviews processes and controls implemented and is satisfied that there were no material issues highlighted.

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

Members will also approach the Trustee, 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. 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 is satisfied that it carried out appropriate checks and monitoring of the administration services, 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.

Charges – default arrangement and additional funds

The law requires the Trustee 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 costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds.

The fund charges for the Scheme's members 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 the only additional charges in relation to the funds in which members are invested are 0.001% p.a. for the Scottish Widows SSgA International Equity Index Pension and the Scottish Widows SSgA Europe ex-UK Equity Index Pension fund.

The fund charges in relation to the assets which were invested in the ELWPF were 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 were applied by Equitable Life to the overall ELWPF assets and did not affect the guaranteed value which was available to members on policy maturity as a minimum.

The charge for the USCF is 0.5% p.a. provided this does not reduce the fund value below the initial value transferred. This investment has therefore been fully protected against the recent major falls in the investment markets.

Within the Utmost policy, the investment charges are 0.75% p.a., except for the UK FTSE All-Share Tracker, the UK Government Bond and Money Market Funds, which are 0.5% p.a.

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

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

The Trustee notes 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 exceeded the charge cap of 0.75% p.a., the Trustee notes that this charge was applied to the underlying investments and not to the guaranteed value of the ELWPF. The ELWPF had an attaching guarantee, and therefore provided members with an investment structure that is not replicated in other types of funds. Furthermore, the Trustee notes that members received a 75% Uplift to their fund values as part of the crystallisation of their With Profits guarantees.

The Trustee also notes that the maximum investment charge for the funds available to members with Utmost is 0.75% p.a..

With this in mind, the Trustee is 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.

We have also provided a projection for the Scottish Widows Consensus Fund, in which the highest value of assets are invested. Whilst most members are invested in the Scottish Widows Cash Fund, the expected return for this Fund would be the same as the UMMF, and the charges very similar. The projections for the Scottish Widows Cash Fund would therefore be very similar to the UMMF.

Assessment of transaction 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 notes that some of the Scheme's AVCs were invested in the ELWPF, in which bonuses were applied by Equitable Life. The information from Equitable Life shows transaction costs of 1.036% and stocklending costs of 0.004% for the year ending 30 September 2019. When determining the level of bonuses, Equitable Life took into consideration the performance of the underlying assets, net of any dealing costs and any internal transaction costs.

Scottish Widows have confirmed that there were no transaction costs in relation to their funds.

The USCF is a new fund, and as such there is no information on transaction costs available. The UMMF experienced transaction costs of 0.0082% over the 12 months to the last quarter end, 31st December 2019.

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

The Trustee 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 of Investment Principles (SIP)

The latest SIP for the Scheme as a whole was dated September 2020 and is included as part of this Chairman's Statement in Appendix 1 to the financial statements.

A copy of the latest SIP is available on request and is also in the process of being made available online at https://www.stonegatepubs.com/laurel-pub-pension-scheme.

Ongoing Monitoring

The Trustee reviews performance of the Scottish Widows funds on an annual basis, and the review undertaken for the 12 months to 31 March 2020* showed that the performance for the majority of funds was satisfactory. There are concerns however in relation to the performance of the Scottish Widows Consensus Fund, and the Trustee is monitoring this fund quarterly, as well as investigating other options. Details of any changes made to the Scheme's funds will be communicated to the members

The Trustee also continued to monitor developments with Equitable Life, and in October 2019 voted to approve the closure of the EWLPF and the transfer of Equitable Life's business to Utmost.

*Date to 31 March is due to information being provided quarterly.

Communications

Over the year ending 29 February 2020, the communications issued to members included:

- Annual benefit statement incorporating the Statutory Money Purchase Illustration
- Retirement warm up letters for members reaching age 50 including signposting to relevant information and guidance
- An 'at retirement' "Pensions Decision Service" provided by Mercer and offered to members as part of their retirement communications. This provides personalised support to members to help them navigate their choices at retirement including written guidance and a recommendation to seek independent financial advice where appropriate

As noted above, a copy of this Chair's Statement and the SIP are available on the website https://www.stonegatepubs.com/laurel-pensions.

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 has put in place arrangements for ensuring that its Directors take personal responsibility for keeping themselves up-to-date with relevant developments. They are also required to familiarise themselves with the Scheme's Trust Deed, Rules and Statement of Investment Principles.

The Trustee is a very experienced body, with two of the five Trustee Directors being in their roles for 10 years or more, and with a pensions professional as Chair.

The Trustee receives advice from its professional advisors, who attend all meetings and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

The experience of the Trustee Directors and the assistance of the advisers, both at meetings, and outside meetings as required, helps the Trustee to make sure that the Scheme is administered in accordance with its governing documents and policies, overriding pensions legislation, as well as the Statement of Investment Principles.

The Trustee demonstrated a knowledge of the SIP when it was updated to include the new provisions in relation to Responsible Investment, Environmental Social and Governance factors including Climate Change, with the new version reviewed by the Trustee and signed off at the September 2019 meeting.

Over the Scheme year, the Trustee has received updates on legislative developments in the course of its regular meetings with a Current Pensions Issues document from WTW being included on the agenda at each Trustee meeting. The Trustee can therefore be satisfied it is kept up to date with relevant developments. The Trustee Directors also received the following specific training:

- May 2019 Trustee meeting - Responsible Investment and Environmental, Social and Governance factors from Mercer.

- May 2019 Trustee meeting – Actuarial factors from WTW
- January 2020 Trustee meeting - Implications of Shareholders' Rights Directive on SIPs from Mercer

The new Trustee Director who joined during the Scheme year completed the Pensions Regulator's Trustee toolkit, and also attended a day's introductory trustee training course provided by Eversheds.

The Trustee maintains a detailed list of the training the Trustee Directors have received jointly and in an individual capacity. Over the Scheme year the individual Trustee Directors undertook over 60 hours of training in an individual capacity by attending seminars, webinars and presentations from providers including Mercer, WTW, Sackers, Aon, Grant Thornton, Professional Pensions and the PLSA. Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustee Directors consider that they have properly exercised their functions as Trustee Directors of the Scheme over the Scheme year.

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 the actions taken by the Trustee over the year are consistent with those expected by the Pensions Regulator so far as they apply to the circumstances of the Scheme.

Furthermore, taking into consideration the Governance framework and measures assessed as set out within this Statement, the Trustee reviewed the relevant factors at its meeting on 20 August 2020 and concluded that it is satisfied that over the year ending 29 February 2020, the Scheme provided Value for Members.

The Chairman's statement regarding DC governance was approved by the Trustee Directors on 4 September 2020 and signed on their behalf by:

Mr A C Campbell

On behalf of Alban Actuarial Solutions Ltd

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

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				
	Consensus Fund (Most funds invested)		**Utmost Money Market Fund**	
Years from now	**Before Charges**	**After Charges and costs deducted**	**Before Charges**	**After Charges and costs deducted**
1	£9,946	£9,896	£12,762	£12,697
3	£10,457	£10,299	£12,489	£12,301
5	£10,994	£10,718	£12,223	£11,917
10	£12,461	£11,843	£11,581	£11,009
11	£12,777	£12,082	£11,456	£10,836
Total Fees	£615		£655	

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 and Utmost money purchase funds. 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 Fees figure is lower than the difference between the pot size before and after charges. The Total Fees reflect 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 charges pot values reflects the effect of the lost investment returns on the fees charged.

Age	54 *(the average age of the members with AVC and money purchase funds)*
Assumed Retirement Age	65
Starting Pot Size	£9,700 (Consensus Fund average) £12,900 (Utmost Secure 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: • Scottish Widows Consensus Fund • Utmost Money Market Fund	 5.1%p.a. 1.4%p.a.