

# Chair’s statement as at 5 April 2023 for the Ecovert Pension Scheme

## Defined contribution section

### September 2023

This statement has been prepared by the Trustee of the Ecovert Pension Scheme – defined contribution (DC) section (“the Scheme”) in accordance with legal requirements. It explains how the Trustee has met its legal obligations in relation to the management of the defined contribution section of the Scheme over the period 6 April 2022 to 5 April 2023 (“the Scheme Year”).

This statement can be found online here: <https://www.saur-uk.com/about/ecovert-pension-scheme/>

This is the sixth Chair’s statement covering the DC section of the Scheme.

#### 1. Default investment arrangement

The Scheme provided members of the DC section with a single investment option during the Scheme Year covered by this statement. This is a ‘lifestyle strategy’. A lifestyle strategy automatically changes the investment approach as the member gets closer to retirement, so that the investments carry less risk and reflect the way in which the member is likely to use their pension account on retirement. It has four component funds:

<b>Fund</b>	<b>Total Expense Ratio (‘TER’)</b>
Legal & General Ethical Global Equity Fund	0.30% pa
Legal & General Multi-asset Fund	0.26% pa
Legal & General Retirement Income Multi-Asset Fund (RIMA)	0.37% pa
Legal & General Cash Fund	0.12% pa

During the growth phase, the lifestyle strategy solely utilises the L&G Ethical Global Equity Fund and L&G Multi-asset Fund. During the 10 years prior to the member reaching their retirement date, the investment strategy is gradually switched out of the L&G Ethical Global Equity Fund and L&G Multi-asset Fund into the L&G RIMA Fund and the L&G Cash Fund such that at retirement, 25% is invested in the Cash Fund and 75% is invested in the RIMA Fund.

The Trustee believe that Environmental, Social and Governance (‘ESG’) factors are financially material and have considered how these factors are managed as part of their fiduciary duty. The Scheme makes an investment in an Ethical Global Equity Fund throughout the growth phase.

The Scheme’s Statement of Investment Principles (“SIP”) was reviewed by the Trustee in detail with support from their advisers during the Scheme Year. The SIP states the Trustee’s attitude to investment risk, how the Trustee believes environmental, social and governance factors play a part in the Scheme, and the objectives of the default investment strategy.

It will be reviewed by the Trustee at least every 3 years, or after any major change to the membership.

Investment monitoring is undertaken by the Trustee with regular / monthly reporting from L&G. This ensures that any volatile or unexpected movements in the investment strategy agreed by the Trustee can be investigated and discussed with advisers and L&G.

The default arrangement was last reviewed on 25 March 2022. The review considered the membership profile, the needs of members as well as consideration of expected member outcomes at retirement and associated risks. The review also considered how the investment strategy can further incorporate ESG. The Trustee took advice from its investment adviser on all these aspects.

The review concluded that the default arrangement remained appropriate for members and no changes were recommended. This recommendation was made on the expectation that the Scheme would close soon and be subsequently wound up.

Following a formal review of the DC marketplace in the UK, the Trustee agreed to change the structure of the Scheme’s pension arrangements. This resulted in an agreement to transfer the DC assets to a Master Trust arrangement with L&G and therefore wind up the Plan’s existing DC Section.

This was completed following the Scheme Year covered by this statement, in May 2023.

Members are therefore no longer invested in the lifestyle strategy outlined below, but for reference, this has been included in this year’s statement as members were invested in the below strategy during the Scheme Year covered by this statement.

The proportion invested in the lifestyle strategy is illustrated below:

Default strategy



## 2. Requirements for processing core financial transactions

The Trustee considers that core financial transactions are an important part of the administration of the Scheme, and include:

- investment of contributions
- transfer of members’ assets to and from the Scheme
- switches between investments in the Scheme (if available)
- payments out of the Scheme, to and in respect of members.

The core administration function for the Scheme is undertaken by Isio. A Service Level Agreement with Isio is in place which covers the accuracy and timeliness of all core financial transactions. This assists the Trustee in the quarterly monitoring of administration performance over the Scheme year.

The Trustee monitors core financial transactions via a quarterly administration report presented to the Trustee at each meeting by the administrators. This enables the Trustee to ensure member requests are dealt with promptly and accurately throughout the year.

Member complaints over the year have been dealt with appropriately and followed-up closely by the Trustee in each instance.

The expertise of Isio as advisers and administrators to the Scheme is detailed in their Report on Internal Controls dated 30 June 2019 and is accepted by the Trustee.

Through the monitoring outlined above the Trustee considers that the Scheme's core financial transactions have been processed promptly and accurately during the year.

### 3. Charges and costs

Costs borne by Members are reviewed regularly and fall within the government's charge cap of 0.75% per annum. These costs are made up from the charges levied by the investment managers for the administration and management of the DC funds. The Total Expense Ratio (TER) for the investment profile in place as at 5 April 2023 ranges from 0.12% pa to 0.37% pa.

Charges to the DC Section of the Scheme made by advisers are tightly controlled. An annual budget is agreed in advance with the administrators and the Employer and reviewed at each of the regular Trustee meetings. Whilst these are not payable by members, this ensures that the costs are continually considered to minimise wherever possible for the benefit of Members and the background Employer.

Details of transaction costs and charges as at 5 April 2023 can be seen below.

Fund Description	Underlying Fund	TER (% p.a.)	Average Transaction Cost (% p.a.)	Average Total Costs (% p.a.)
Default strategy	L&G Ethical Global Equity	0.30	0.00	0.31
	L&G Multi-Asset	0.26	0.03	0.29
	L&G RIMA	0.37	0.05	0.42
	L&G Cash	0.12	0.01	0.14

Source: Investment managers and Isio calculations.

Notes: We have used the average transaction cost in our illustrations. Where the average transaction costs for a Fund is negative, we have assumed the transaction charge of 0.00%.

The Trustee calculated the total costs by combining the average transaction costs with the TERs for each fund.

#### Illustrated impact of costs and charges

Following DWP consultation on new measures to improve the disclosure of costs, charges and investments in occupational DC schemes, the Trustee has illustrated the impact of such costs on a representative member's cumulative fund value to retirement.

The FCA published a consultation regarding the disclosure of implicit costs. The consultation brought clarity to how pension scheme trustees are to treat transaction costs, where annual transaction costs may result in a negative figure, effectively uplifting fund values. The Trustee has incorporated the FCA's response into the projections shown below, insofar that negative transaction costs are assumed to be 0%.

The Pensions Regulator allows trustees to exercise their discretion in selecting example members. The Trustee has reviewed the Scheme membership and elected to illustrate a typical, non-contributing member of the arrangement, projected over the longest duration to retirement for members in the Scheme and an average member with median age and median pension pot size.

#### Youngest member (deferred)

- The typical youngest member is assumed to have a starting fund value of £11,150
- A starting age of 40
- A retirement age of 65 and
- Is invested in the default strategy.

Projected fund values are shown in today's terms and do not need to be reduced for the effect of inflation.

Projected pension pot in today's money – youngest member		
Age	Before Charges (£)	After all costs and charges deducted (£)
40	£14,060	£14,020
42	£15,250	£15,119
45	£17,227	£19,993
50	£21,107	£20,452
55	£25,861	£24,703
60	£31,242	£29,372
65	£36,621	£33,825

#### Average member (deferred)

- The typical average (median) member is assumed to have a starting fund value of £18,650
- A median age of 56
- A retirement age of 65 and
- Is invested in the default strategy

Projected pension pot in today's money – average member		
Age	Before Charges (£)	After all costs and charges deducted (£)
56	£19,387	£19,328
58	£20,890	£20,692
60	£22,436	£22,070
65	£25,382	£24,617

#### Assumptions:

1. Inflation is assumed to be 2.5% p.a.
2. Rebalancing is assumed to occur annually
3. Real return assumptions (gross of fees) for funds used in the lifestyle are shown below:
  - L&G Ethical Global Equity Fund: 4.4% p.a.
  - L&G Multi-asset Fund: 3.9% p.a.
  - L&G RIMA Fund: 3.4% p.a.
  - L&G Cash Fund: 0.5% p.a.

The Trustees note that the new disclosures require further projections to be shown for the funds with the lowest and highest charges and the funds with the highest and lowest return expectations. However, as intimated on page 1 of this Chair’s Statement, the only option available to members is to invest in the default lifestyle strategy and investing in the component underlying funds on a self-select basis is not an available option for members.

#### 4. Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) Amendment) Regulations 2021 introduces new requirements for trustees of DC pension schemes.

From 1 October 2021, the Trustee is required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

##### Default lifestyle

The Trustee calculated the return on investments, as far as they were able to do so. The net investment returns for members within the default lifestyle (based on the asset allocation as at the end of the Scheme Year) to 31 March 2023 were as follows:

Time period		
Age of member at beginning of period (years)	1 Year (%) 31 Mar 2022 – 31 Mar 2023	5 Years (% p.a.) 31 Mar 2018 – 31 Mar 2023
25	-2.0	7.8
45	-2.0	7.8
55	-3.8	5.1

Source: L&G, Isio calculations

##### Notes:

- Returns calculated as the annual geometric average.
- Age-related returns for members in lifestyle strategies assume annual switching in the glidepath.
- No members are invested outside of the default lifestyle strategy; therefore, no returns have been shown for individual funds.

#### 5. Value for members

In the 2022 scheme year the trustees carried out the “higher bar” value for member test for schemes with under £100m of assets

Although the Scheme demonstrated value for members in its costs and charges and net investment returns when compared to larger schemes, and only narrowly failed to demonstrate value for members in several of the governance and administration sections, the overall result of the assessment was that the Scheme did not present value for members.

As a result of this, and other circumstances surrounding the Scheme, the Trustee decided not to undertake improvements, but to close the DC section of the Scheme and transfer members into the Legal & General Mastertrust.

As the DC section of the Scheme is now closed, the Trustee has not carried out the new VfM assessment for this Scheme Year. The Trustee has instead carried out a value for member assessment along similar lines to previous years, so as to report on VfM in the Chair's statement.

Despite the intention to close the DC section, this year's assessment still highlighted some improvements in the value the Scheme provides to members, particularly in the key area of governance. Throughout the year, the Trustee has:

- introduced contribution monitoring as a standard agenda item
- incorporated a more formal training plan into the annual business plan
- reviewed the risk register at each meeting; and
- introduced a high-level business plan.

## **6. Trustee knowledge and understanding**

The Directors of the Trustee are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Director must:

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

The Trustee's approach to ensure the Directors meet the trustee knowledge and understanding requirements throughout the year included:

- Meeting periodically with DC advisers in attendance, to ensure they remain abreast of key issues and developments;
- Expecting all Directors to have completed the DC-related modules of the Pensions Regulator's toolkit;
- Requiring the Directors to perform an annual self-evaluation assessment to consider their training needs, as well as reviewing generally their knowledge and understanding at meetings.

During the year the Directors have received several bite-sized training sessions as part of the regular Trustee meetings, as part of a more formal training plan introduced for 2023.

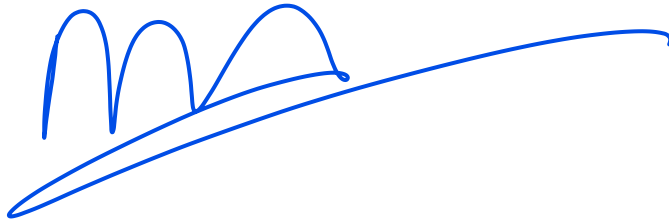
The Directors have a broad range of pensions and commercial skills developed over many years which ensures that their combined knowledge and understanding, together with available advice, enables them to properly exercise their functions.

All the Directors are familiar with the current Scheme governing documentation, including the trust deed and rules (together with any amendments), the SIP and key policies and procedures.

The Trustee has an appointed legal counsel with an appropriate level of competence to support the needs of the Scheme. This confidence is evidenced by the good quality of support received by the Trustee over several years.

The knowledge and experience of each Director, together with the advice and regular education sessions provided by the Trustee's DC advisors, enables them to properly exercise their duties. Considering the training the Directors have undertaken over the year, they believe that the requirement to stay up to date with their training needs has been met.

Signed on behalf of the Trustee

A handwritten signature in blue ink, consisting of three distinct, rounded peaks followed by a long, sweeping horizontal line that tapers to the right.

Chair

Date:

18/10/2023

## Appendix – Statement of investment principles