

**The PMP Executive Pension Plan 709638/03 (the "Scheme")**  
**Annual Governance Statement for the Scheme year ending on 31 March 2021**

**Introduction and background**

This statement sets out how the PMP Executive Pension Plan ("the Scheme") has complied with the DC governance requirements introduced in April 2015 under Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, between 1<sup>st</sup> April 2020 and 31<sup>st</sup> March 2021 (the 'scheme year').

The Scheme became paid up on 1st July 2002 and is delivered via an insured Defined Contribution arrangement offered by Phoenix Life Limited. In preparing this Statement, information has been gathered from Phoenix Life Limited.

The Scheme has two investment arrangements in place; Phoenix NPI Managed Fund and PLAL NPL Unitised With-Profits Fund. These arrangements are both held with Phoenix Life ("the funds").

Consideration has also been given to the Pensions Regulator's 'A quick guide to the chair's statement' and to the Department for Work and Pensions guide on 'Reporting of costs, charges and other information', both published in September 2018.

During the year in question the Scheme has been governed by a Trustee Board ("the Board"), which comprised the following Trustees:

- Mr Stephen Barlow (Employer Nominated Trustee);
- Mr Andrew Morgan (Employee Nominated Trustee)

The address of both Trustees is Interplex P M P Limited, Elliot Industrial Estate, Arbroath, Angus, DD11 2NN.

The Board did not meet during the scheme year.

The Trustees and Employer are aware of the need for compliance with the Pensions Regulator's DC Code of practice no.13 and as such the Company and Trustees agreed to wind up the Scheme, effective from 12<sup>th</sup> May 2021. Members have been informed that wind up has been triggered and they have until 5 November 2021 to confirm if they do not wish their policy to be retained with Phoenix Life and assigned to themselves.

**Default arrangement**

As the Scheme closed to contributions on 1<sup>st</sup> July 2002 and is not and never has been a qualifying scheme for auto-enrolment, the Scheme does not have a "default arrangement" as defined in the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the obligation, under Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, to produce a statement of investment principles in relation to a default arrangement does not apply to the Scheme.

A number of requirements of the Administration Regulations, which are referred to in this statement, relate only to a "default arrangement" as defined in the Administration Regulations. The Scheme does not have a default fund for ongoing accrual. It is not a qualifying scheme within the meaning given by the Section 99 of the pensions Act 2008. It is not used to meet any auto-enrolment obligations and no contributions are being paid into the Scheme.

The Scheme does not offer a Default Lifestyle Strategy.

The Scheme does not offer members any choice as to how members funds are invested; the only funds available being the Phoenix NPI Managed Fund and PLAL NPL Unitised With-Profits Fund both invested with Phoenix Life. Members' funds are invested 50% in Phoenix NPI

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Managed Fund and 50% in PLAL NPL Unitised With-Profits Fund. There is no life-styling option available for members.

The asset allocation in the PLAL NPL Unitised With-Profits Policy as at 31<sup>st</sup> December 2020 was as follows:

<b>PLAL NPL Unitised With-Profits Policy</b>	
Equities	37.00%
Property	3.00%
Other growth assets (including hedge funds)	9.00%
UK Gilts	5.00%
Fixed Interest stocks	46.00%
Cash	0.00%

The investment objective of the Unitised With-Profits fund is to invest in a mix of assets which provide growth over the long-term while maintaining an appropriate level of risk.

The asset allocation in the Phoenix NPI Pensions Managed fund as at 30 June 2021 was as follows:

<b>Phoenix NPI Pensions Managed Fund</b>	
UK Equity	20.49%
European Equities	14.56%
North American Equities	19.28%
Japanese Equities	5.36%
Asian Equities	3.13%
Emerging Countries Equities	9.63%
Fixed Interest & Bonds	22.28%
Property	1.24%
Cash	3.18%
Other	0.85%

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The investment objective of the Phoenix NPI Pensions Managed fund is to provide long-term real growth through a combination of capital gain and income by investing in a well spread balanced portfolio of UK and overseas, fixed interest stocks and cash deposits.

**Statement of Investment Principles**

The Trustee has not prepared a statement of investment principles ("SIP") governing decisions about investments for the purpose of default arrangements as the Scheme has fewer than 100 members, has no default fund in place and is not used for the purposes of auto-enrolment and is therefore exempt from the requirement to do so.

**Review of default strategy and default arrangements**

As noted above, there is no default arrangement or default strategy in place for the Scheme at the current time and as such there is no review of the default arrangements or default strategy in the year ended 31<sup>st</sup> March 2021.

**Core Financial Transactions**

The Trustee must ensure that core financial transactions relating to the Scheme are processed promptly and accurately.

For these purposes, "core financial transactions" are (broadly):

- Transfers of assets relating to the members into and out of the Scheme;
- Switches of members' investments between different funds within the Scheme;
- Payments from the Scheme to or in respect of members and beneficiaries (e.g. Payment of death benefits)

The Scheme currently does not accept contributions or transfers into the Scheme.

During the past Scheme year, the following arrangements have been made to ensure that core financial transactions are processed promptly and accurately;

- Scheme administration is undertaken by Phoenix Life (the "Scheme Administrator");
- Investment fund administration is undertaken Phoenix Life;
- Investment management is undertaken by Phoenix Life;
- The Trustee has in place, with the Scheme's administrators, a service level agreement which includes relevant key performance indicators (KPIs) regarding the timescales for processing core financial transactions

There were no core transactions during the Scheme year.

**Service Level Agreements**

The Board has a contract with the Scheme administrator and has agreed the average service level standards set out in the table below. Breaches of these standards are reported to the Board.

Core financial transaction	Average length of time to process
Processing Disinvestment/Investment Switches	10 working days

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Processing Retirements	10 working days
Processing Transfers Out	10 working days

The Board receives annual Scheme Renewal Notices from the Scheme administrator, which report on the administration of the Scheme over the period and include details of general member data, scheme membership statistics, additional scheme member statistics and scheme data quality. The Board reviews these and investigates any issues to decide if any action is required. The last report was issued on 2<sup>nd</sup> April 2021.

**Additional Disclosures**

As noted, acknowledging that the Board needs accurate member data for the processing of payments, the Board has carried out analysis of 'common data' and 'scheme specific data' (as defined by the Pensions Regulator). This helps the Board ensure the integrity of member data that is processed by the Scheme administrator on behalf of the Board.

**Coronavirus**

The Trustees note that Phoenix Life have been following government advice on home working ensuring the safety of their staff. Their priority has been to ensure vulnerable members have access to a telephony service, whilst maintaining their normal service levels.

**Charges and Transaction Costs**

The new governance rules require the Trustees to make an assessment of investment management charges and transactions costs borne by the Scheme members and the extent to which those charges and costs represent good value for money for members.

The Trustees have assessed the charges and, so far as they were able to do so, the transaction costs, borne by Scheme members for the Plan Year.

In this context, "charges" means (subject to some specific exceptions, such as charges relating to pension sharing orders) all administration charges other than transaction costs. "Transaction costs" are costs incurred as a result of the buying, selling, lending or borrowing of investments.

The Trustees did not receive regular advice on the suitability and value for money of the Funds. They did not review the cost and performance of the Funds and did not negotiate pricing.

As previously noted earlier, wind up of the Scheme was triggered with effect from 12<sup>th</sup> May 2021 and the Trustees are working through the actions required to effect this wind up.

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**Charges for Phoenix NPI Managed Fund and PLAL NPL Unitised With-Profits Fund**

**Phoenix NPI Pensions Managed Fund**

As part of an exercise to cap fund charges at 1%, funds that were previously held in Phoenix Life NPI Pens Managed-02 fund were switched to a new lower charge fund, the Phoenix Life NPI Pens Managed Fund -IG fund with effect from 1<sup>st</sup> January 2018. The Fund total expense ratio will be capped to be no more than 1%.

Phoenix Life have provided the following fund performance for the period to 27 July 2021:-

	Year to date	3 months	6 months	1 year
Phoenix NPI Pensions Managed Fund	+6.2%	+2.3%	+5.2%	+15.0%
Market Sector	+4.6%	+2.4%	+4.1%	+10.3%

**PLAL NPL Unitised With-Profits Fund**

The Fund attracts an Annual Management Charge ("AMC") of 0.75% on the pension indexed gilt, pension fixed interest and pension deposit funds. An AMC of 1% is applied to all other funds. The AMC on the Unitised With-Profit Fund is taken into account before declaration of bonuses. Policyholders are subject to an additional charge on their underlying with-profits policy values to help meet the guaranteed costs of the fund. The total cumulative was 20.0%.

As the Plan has no default fund in place and is not used for the purposes of auto-enrolment, there is no requirement to compare the charges to the maximum cap as specified in Part 2 of the Occupational Pension Scheme (Charges and Governance) Regulations 2015.

The Plan's assets are held in both the Phoenix NPI Managed Fund and PLAL NPL Unitised With-Profits Funds. These are insured funds where prices are provided independently by fund managers on a daily basis. The Funds are daily traded and quoted on a recognized index. The transaction cost shown above is paid for within the Fund rather than explicitly.

**The impact of the costs and charges applied through the Fund**

The impact of the costs and charges applied through the Funds are shown in the Appendix 1.

**"Good value" assessment of charges and transactions**

Generally, trustees should assess the extent to which the charges described above represent "good value" for members during the Scheme year, by considering the level of member borne charges against the benefits attributable to such charges.

Whether something represents "good value" is not capable of being precisely defined, but for these purposes, the Trustee considers that charges may be viewed as representing "good value" for members where an optimum combination of cost and quality is achieved for the membership as a whole, relative to other options available in the market.

The Trustees considered the following information when assessing the value of charges for the Fund:

- That assets are invested in insured arrangements which cover a relatively wide range of investments with different characteristics to spread risk.

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As noted above the Trustees and Company have concluded that the governance of the Scheme could be improved and have commenced wind up of the Scheme with effect from 12<sup>th</sup> May 2021.

**Trustee 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 investment of Plan assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

In order to be able to properly exercise their functions, the Trustee needs to have a working knowledge of the following documents relating to the Scheme:

- The governing Scheme's trust deed and rules
- Any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally.

In the Scheme year to 31st March 2021, the Trustee had training from their pension advisers in relation to winding up a pension scheme in general and investment training as to the appropriate home for member funds. No Trustee skills-set were formally assessed.

The Trustees and Company have agreed to wind up the Scheme with effect from 12<sup>th</sup> May 2021 and are completing the necessary steps to do so.

The Trustees have not obtained any actuarial, accounting or consulting advice during the Scheme year.

Agreed as a final version by the Trustees of PMP Executive Pension Plan on 26 October 2021

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**APPENDIX 1**

**The impact of the costs and charges applied through the Scheme**

To demonstrate the impact of the costs and charges applied through the Scheme, in this year's Chair Statement, the Trustees have produced illustrations in line with February 2018 guidance from the Department of Work & Pensions entitled "Cost and charge reporting: guidance for trustees and managers of occupational schemes". These illustrations are set out below and are designed to cater for a representative cross-section of the membership of the Plan's DC arrangement.

For each illustration, each savings pot has been projected twice; firstly, to allow for the assumed investment return gross of the costs and charges of the Scheme and then again, but adjusted for the cumulative effect of the costs and charges of the Scheme.

To determine the parameters used in these illustrations, the Trustees have analysed the Plan membership data relevant to the reporting period of this statement and ensured that the illustrations take into account the following:

- A representative range of pot sizes.
- A representative rate of real term investment returns (gross of costs and charges).
- A representative range of the expected periods of Plan membership, including the approximate duration that the youngest Scheme member would take to reach Normal Retirement Age.

The Trustees have determined not to include future contributions in these illustrations as the arrangement is closed to new contributions. There are no external legacy Additional Voluntary Contribution arrangements associated with the Scheme.

**Phoenix Life NPL Unitised With-Profit Fund and Phoenix NPI Pensions Managed-IG Fund**

The funds of the members of the PMP Executive Pension Plan are invested 50% in the Phoenix Life NPL Unitised With-Profit Fund and 50% in the Phoenix NPI Pensions Managed-IG Fund. These funds have been selected as they are the only Funds within which members invest. The illustrations set out in this table assume that the members are wholly invested in these funds throughout their period of membership.

Years of membership from today	Starting pot size: £10,000	
	Fund size before costs & charges	Fund size after costs & charges
0	£10,000	£10,000
1	£10,246	£10,111
3	£10,757	£10,336

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5	£11,293	£10,567
10	£12,754	£11,168

Note on how to read this table: **The highlighted example shows that if a member has invested £10,000 in this fund today, after 5 years the fund could grow to £11,293 if no charges are applied but to £10,567 with charges applied.**

**Notes**

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to be 1.5% each year.
3. No further contributions are assumed to be paid.
4. Values shown are estimates and are not guaranteed.
5. Charges used in the illustrations are those outlined in this statement.