

**Interplex Holdings Limited Staff and Works Pension Scheme (the "Scheme")**  
**Annual Governance Statement for the Scheme year ending on 30 June 2022**

**Introduction and background**

This statement has been prepared in accordance with regulation 23 the Occupational Pension Scheme (Scheme Administration) Regulations 1996, as amended (the "Administration Regulations"), and related Pensions Regulator guidance.

It relates to the money purchase section of the Interplex Holdings Limited Staff and Works Pension Scheme (the "Scheme") which became paid up on 30 September 2003.

The Scheme has a single investment arrangement in place which is the Scottish Widows PM Managed Fund ("the fund").

Dalriada Trustees Limited (the "Trustee") is the sole trustee of the Scheme. The Trustee and Company are aware of the need for compliance with the Pensions Regulator's DC Code of practice no.13. The Company appointed the Trustee to review the operation of the DC Section of the Scheme and the governance of the Scheme generally.

This statement covers the period from 1<sup>st</sup> July 2021 to the Scheme year end, 30 June 2022.

**Default arrangement**

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 their funds are invested; the only fund available being the Scottish Widows Managed Fund ("the fund"). There is no life-styling option available for members.

The asset allocation in the fund is as follows:

UK Equities	24.90%
Global Fixed Interest	13.10%
North American Equities	13.00%
Europe ex UK Equities	10.20%
Global Emerging Market Equities	9.80%
UK Fixed Interest	7.60%
Global Equities	7.40%
Property Shares	6.70%
Japanese Equities	5.60%
Other	1.70%

The investment objective of the managed fund is to provide a long term total return through investment in a range of asset classes, in any geographical area. The Fund provides members with a broad range of exposure to UK equities, overseas equities (including the emerging markets), the domestic fixed interest and overseas bond markets, property, commodities and cash deposits.

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From 29<sup>th</sup> February 2020, Aberdeen Asset Investments were replaced with Schroders Investment Management as Investment Adviser to this fund. The fund continues to be managed within its existing risk profile and Schroders are responsible for day to day asset management with Scottish Widows continuing to be responsible overall for the fund. Schroders performance will be regularly monitored.

**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 30<sup>th</sup> June 2022.

**Core Financial Transactions**

The Trustee must 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 members) relating to the Scheme are processed promptly and accurately.

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

- Investment of contributions made to the Scheme;
- 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 (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 Dalriada Trustees Limited;
- Investment fund administration and custody of assets is undertaken by State Street Bank and Trust Company Limited;
- Investment management is undertaken by Aberdeen Asset Investment Group Limited;
- 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;
- The Trustee receives and reviews regular administration reports from the Scheme's administrators which set out the administrators' performance against the KPIs in the service level agreement. Regular Trustee meetings are held to review the reports and discuss changes that may be required;
- Daily monitoring of the Trustee bank account is undertaken together with monthly bank reconciliations;
- The administration report also reports any errors identified by the administrators in relation to the processing of core financial transactions, together with the steps taken to rectify those errors and any changes to the administrators' processes which have been implemented to ensure that there are no repetition of such errors.

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All core transaction requirements were met with no issues during the Scheme year.

**Charges and Transaction Costs**

The new governance rules require the Trustee 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 Trustee has calculated the charges and, so far as they were able to do so, the transaction costs, borne by Scheme members for the Scheme 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 Trustee did not receive regular advice on the suitability and value for money of the Fund. They did not review the cost and performance of the Fund and did not negotiate pricing.

*Charges for Scottish Widows Managed Fund*

The fund attracts an Annual Management Charge ("AMC") of 0.35% of assets under management for all members.

The fund charges have been provided by the Investment Manager, Aberdeen Asset Investment Group Limited and are shown below and are an indication of costs:

Fund Charges	Total Expense ratio	Transaction Charges	Annual Management Charge
Scottish Widows PM Managed Fund	0.414%	0.064%	0.35%

As the Scheme 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 Scheme's assets are held in the Scottish Widows Managed Fund. These are insured funds where prices are provided independently by fund managers on a daily basis. The Fund is daily traded and quoted on a recognised 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 Fund 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.

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

- That assets are invested in pooled investments which cover a wide range of investments with different characteristics to spread risk;
- Noting, from the investment reports provided to the Trustee, the Discrete and Cumulative performance of the Fund are adequate;
- Information regarding the service levels provided to members during the past scheme year (see heading "core financial transactions")

As previously noted, the Company appointed Dalriada Trustees Limited as an independent Professional Trustee to the Scheme and the Trustee has given consideration to whether member outcomes can be improved by winding up the DC Section.

To ensure full compliance with the Pensions Regulator's DC Code of practice no.13 there are several areas which would need to be addressed as follows:

- The Scheme does not offer members any choice as to how their funds are invested; the only fund available being the Scottish Widows Managed Fund ("the fund");
- There is no life-styling option available for members;
- The Trustee has not received regular advice on the suitability and value for money of the Fund; and

There have been no previous benchmark reviews of the cost and performance of the Fund and there has been no negotiation on pricing.

Scottish Widows confirmed in a letter dated 30 June 2022 that they would no longer be offering the fund and requested that alternative arrangements be made for the funds invested. In consideration of this, combined with the governance issues identified above, it was agreed between the Employer and the Trustee that a bulk transfer of assets from the DC section to an alternative arrangement will be arranged to facilitate the wind up of the DC section as this should improve member outcomes significantly.

The Trustee appointed Argyle Consulting Limited ("Argyle") to provide advice on a suitable pension arrangement to facilitate the transfer of all members' DC benefits and ultimately discharge the Trustee's liabilities in respect of the DC section. The Trustee have also appointed legal advisers, MacRoberts LLP to assist the Trustee with legal compliance on the closure and bulk transfer of assets.

The Trustee have notified the Pensions Regulator of the intention to transfer the DC members' benefits to Standard Life's Section 32 Trustee Buy Out Plan.

### **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 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 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.

The Trustee has demonstrated a working knowledge of these documents over the period and has taken legal advice on aspects of the Trust Deed and Rules relating to benefit payments to ensure accurate understanding.

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The Trustee also needs to have an appropriate level of knowledge and understanding of matters such as the law relating to pensions and trusts, and the principles relating to investment of pension scheme assets. Dalriada Trustees Limited is an independent trustee has ensured that its representatives are conversant with the Scheme Rules, by reviewing Scheme documents and also have extensive experience of pensions law and practice. The representatives working on this Scheme have attended training sessions on cyber security and GDPR during the period, as well as ESG requirements for investments. All representatives meet the CPD requirements and receive regular knowledge management updates from a dedicated team. The combined knowledge and understanding of the members of the Scheme's team together with available advice enables the Trustee to properly exercise their functions.

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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's Statement, the Trustee has 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 Scheme'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 Trustee has analysed the Scheme 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 Scheme membership, including the approximate duration that the youngest Scheme member would take to reach Normal Retirement Age.

The Trustee has 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.

**Scottish Widows PM Managed Fund Performance**

The past performance of the fund over the last 1, 3 and 5 year periods (mapped against sector returns) is summarised in the table below (with charts included in Appendix 4):

<b>Fund/Sector</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>
SW PM Managed Fund	-8.63%	3.82%	9.61%
Sector: Mixed Investment 40-85% Shares	-10.53%	4.30%	12.41%

The analysis of the fund confirms that it is broadly in line with expectations for a fund of this nature, based on performance and asset allocation. The fund has an equity content at the higher end of the sector range which can result in increased volatility. The fund has underperformed sector over both 3 and 5 year periods.

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**Scottish Widows PM Managed Fund**

The Scottish Widows PM Managed Fund has been selected as it is the only Fund within which members invest. The illustrations set out in this table assume that the members are wholly invested in this fund throughout their period of membership.

Years of membership from today	Starting pot size: £10,000	
	Before charges	After charges
0	£10,000	£10,000
1	£10,317	£10,283
3	£10,982	£10,873
<b>5</b>	<b>£11,689</b>	<b>£11,497</b>
10	£13,664	£13,218
15	£15,972	£15,197
20	£18,669	£17,472
25	£21,823	£20,087

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 £11,689 if no charges are applied but to £11,497 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 2.5% 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.
6. The projected growth rate, gross of costs and charges, for the fund is in line with that produced for the Scheme's 2022 Statutory Money Purchase Illustrations (SMPI) and is based on assumed net investment return of 5.5% per annum.

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**Argyle appendix on past performance of SW fund**

