R C Warren Packers Limited Retirement Savings Plan

Chair’s Statement for the Period 6th April 2023 to 5th April 2024

**ANNUAL GOVERNANCE STATEMENT BY THE CHAIR OF THE TRUSTEES**

# 1.0 Introduction

1.1 Governance rules apply to defined contribution pension arrangements like the R C Warren Packers Limited Retirement Savings Plan (the “**Plan**”) from 6 April 2015. These were designed to help members achieve a good outcome from their pension savings.

1.2 As Chair of the Trustees, I have to provide you with a yearly statement which explains what steps have been taken by the Trustees, with help from our professional advisers, to meet the governance standards. The law sets out what information has to be included in my statement.

1.3 The Trustees are committed to having high governance standards and we have a number of measures in place, use the services of experts and meet regularly to monitor the controls and processes in connection with the Plan’s investments and administration. A Plan review was carried out in conjunction with our advisers in March 2020 and further analysis on receipt of Plan information from Phoenix Life and Royal London in September 2020. Due to the ongoing requirement to fund a Guaranteed Minimum pension (GMP) the scheme has no realistic alternative to remaining with Royal London since they share the liability for the GMP with the Scheme. Moving the scheme would also mean losing this valuable guarantee and as such we believe this would not be in the best interests of the members.

1.4 We welcome this opportunity to explain what the Trustees do to help to ensure the Plan is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please contact me to discuss further.

# 2.0 Plan Summary

2.1 Contributions to the Plan ceased on 31st July 2007. The Plan consists of two sections invested with Royal London and Phoenix Life with some members having funds invested with both pension providers. The Plan is not used by R C Warren Packers for auto-enrolment of current employees as it is closed.

2.2 The membership and investment details for the year are analysed and discussed by the Trustees and discussed each year at the Trustee meeting. The Trustees are satisfied this section of the Plan is appropriate and fit for purpose and welcome the formal governance and reporting process.

2.3 A copy of the Chair’s Statement and defined contribution section investment details will be included in the Annual Report and Accounts for the period 6th April 2023 to 5th April 2024.

# 3.0 Default investment arrangement

3.1 The default investment arrangement is provided for members who join the Plan and do not choose an investment option for their contributions. 100% of Phoenix Life members are invested in the default investment option and 100% of Royal London members had their contributions invested in the default investment arrangement.

# 4.0 Setting an appropriate investment strategy

4.1 The Trustees are responsible for investment governance. This includes setting and monitoring the investment strategy for the Plan’s default arrangement.

4.2 The default investment option for the Phoenix Life section of the Plan is the Phoenix Century Crown Managed Fund.

4.3 In summary, the key points to note in relation to the Phoenix Century Crown Managed Fund, the default investment choice, are as follows:

4.4 The Phoenix Century Crown Managed Fund reflects the long-term nature of the pension for the majority of members.

4.5 The Phoenix Century Crown Managed Fund aims to achieve long-term capital growth through investment in a managed portfolio of world-wide equities, fixed interest securities, property and cash deposits. In doing so this means accepting the risk of some capital loss and members may not get back the original amount invested, however the broad range of stocks provides some diversification to reduce investment risk.

4.6 The default investment option for the Royal London section of the Plan is the Balanced Retirement Investment Strategy.

4.7 In summary, the key points to note in relation to the Royal London Balanced Retirement Investment Strategy, the default investment choice, are as follows:

4.8 The Balanced Retirement Investment Strategy reflects the long-term nature of the pension for the majority of members.

4.9 The Balanced Retirement Investment Strategy is designed to invest in a range of stock market linked investments in return for the potential for capital growth in real terms (i.e. above the rate of inflation). In doing so this means accepting the risk of some capital loss and members may not get back the original amount invested, however the broad range of stocks as a member approaches retirement provides diversification to reduce investment risk.

4.10 The fund has a ‘lifestyle’ strategy attached. The Lifestyle Stage starts 15 years before the start of the normal retirement age of 65 and recognises that a member’s priorities may change as retirement approaches. It assumes members will buy an annuity to provide themselves with an income when they retire. Royal London will start switching investments out of the UK Equity Fund and into their Managed Fund 15 years from retirement. The Managed Fund invests in a broad range of investments to diversify and reduce potential volatility. 10 years from retirement Royal London starts switching investments out of the Managed Fund and into the Fixed Interest Fund and Deposit Fund. In the final year before retirement, members are invested 75% in the Fixed Interest Fund and 25% in the Deposit (cash) Fund. The Fixed Interest Fund and Deposit Fund give members more certainty about the level of annuity they will be able to buy when they retire and further reduce volatility.

4.11 Some members have investments in the Crest Secure section of the Scheme and are invested in the Royal London Deposit Fund and there are no other investment options available in this section. As mentioned in paragraph 1.3, a Guaranteed Minimum Pension (GMP) applies to this section, therefore any shortfall would be met by the Plan and Royal London.

# 5.0 Review of the default investment arrangement

5.1 The Trustees are expected to:

* review the investment strategy and objectives of the default investment arrangement at regular intervals, and at least once every three years; and
* take into account the needs of the Plan membership when designing the default arrangement.
  1. Due to the fact that the scheme has a GMP to fund, there are very limited investment options available to the Trustees. Indeed, the Value for Money requirements effective 31st December 2021 are to be viewed against the context of the value of the GMP underpin. This means that the Trustees have no realistic alternatives to continuing the current investment scenarios.

The Crest Secure fund has bonus rates declared each year. In the period the fund declared a bonus of 0.25%. These rates are declared after receiving actuarial advice. The rates declared will reflect the actual performance of the assets backing Royal London, after allowance for the expenses incurred and after a smoothing adjustment. The smoothing adjustment results in the rate of bonus that is declared each year being more stable than the rate of return on the underlying assets. For example, in good years the rate of bonus that is declared may be less than the return achieved. In bad years the rate of bonus may be more than the return achieved. Over the long term the intention is that these adjustments will cancel each other out.

* 1. The Crest Secure fund declared bonus rate as at 31st December 2023 remained at 0.25%. The impact of market volatility and reduction in interest rates due to Covid-19 measures has had a significant negative result on the declared bonus rate. The Trustees will continue to monitor the performance as market conditions change and the impact of Covid19 reduces.

* 1. The following table shows the cumulative annual performance since 2018 of the funds applicable to the Balanced Retirement Investment Strategy and also the Phoenix Century Crown Managed Fund. Performance is shown alongside each funds relative benchmark performance. Performance is as at the date of this statement rather than 5th April 2024, the end of the period.

**Cumulative Performance**

|  |  |  |  |
| --- | --- | --- | --- |
| **Fund Name** | **1-Year** | **3-Years** | **5-Years** |
| Royal London UK Equity Fund | 12.46% | 17.43% | 29.63% |
| Benchmark – UK All Companies | 16.30% | 19.72% | 31.88% |
| Phoenix Century Crown Managed  Fund | 11.8% | 8.5% | 20.69% |
| Royal London Managed Fund | 13.7% | 10.9% | 30.0% |
| Benchmark - Mixed Investment  40%-85% Shares | 13.5% | 6.8% | 27.4% |
| Royal London Fixed Interest  Fund | 2.7% | -22.5% | -18.9% |
| Benchmark – Sterling Fixed  Interest | 3.9% | -20.9% | -15.5% |
| Royal London Deposit Fund | 4.7% | 9.4% | 8.4% |
| Benchmark – Deposit and  Treasury | 4.6% | 9.1% | 8.6% |

Source: Trustnet

5.6 A Statement of Investment Principles has not been produced by the Trustees as there is no regulatory requirement to do so due to the size of the Plan and the Trustees believe that the current governance measures are sufficient for a pension plan of this size and type.

## 6.0 Charges and transaction costs paid by members

6.1 The annual management charge for each stage of the Balanced Retirement Investment Strategy is 1% without any other ongoing charges. The annual management charge for the Phoenix Century Crest Managed Fund is also 1% without any other ongoing charges. In the event of a member transferring the transfer value is likely to be less than the current value.

6.2 The level of charges and transaction costs applicable to the Plan’s default arrangement during the last Plan year were:

* 1% annual management charge
* Nil transaction costs
* Nil policy fee

6.3 The range of the level of charges and transaction costs applicable to the funds offered under the Plan which are not part of the Plan’s default arrangement during the Plan year were:

* 1% annual management charge
* Nil transaction costs
* Nil policy fee

## 7.0 Good value for members

7.1 The Trustees appreciate that occupational defined contribution charges in the market can be lower than the annual management charge levied here, but also recognise the limited market for accepting a bulk transfer of this size and without any future contributions.

7.2 The usual process for assessing value for money has to be considered alongside the reality that Royal London have an obligation to fund a guaranteed minimum pension for members. This in effect makes the transfer of provider unrealistic. As a starting point to assessing good value, we have compared the level of charges in each fund with the levels of return they have delivered to members. We have also considered how the charges and transaction costs borne by members (the costs of membership) compare against the services and benefits provided by the Plan (the benefits of membership). The benefits of membership include (amongst other things): the design of the default arrangement and how this reflects the interests of members; the range of investment options and strategies; the efficiency of administration processes and the extent to which Royal London as pension provider and investment managers met and exceeded its service level standards for the Plan year; the quality of communications delivered to members; and the quality of support services and Plan governance.

7.3 We have assessed members’ investment returns and overall fund performance to ensure that the transaction costs borne by the members (e.g. costs associated with investment trading) are reasonable for each fund we offer under the Plan and the outcomes expected from investment. We considered, in particular, that higher transaction costs in specialist funds are usual and in the case of the funds we offer, justified.

7.4 Based on our assessment, taking into account the value of the GMP underpin, we concluded that the Plan represents good value for members. Any shortfall between investment performance and the GMP is met by either the Plan and/or Royal London. An underpin from an insurer provides good security for the Plan and members and could not be achieved with an alternative pension provider.

7.5 Pension funding requirements are such that R C Warren Packers Ltd must provide funding for the Plan to cover all guaranteed minimum pensions for members, despite Royal London underpinning the element that applies to service with them, therefore this offers valuable security for members, not available with an alternative provider.

7.6 The Plan fits the objectives of the Trustees to provide secure pension with a guarantee in place for most of its members and at a level that is affordable for R C Warren Packers Ltd.

7.7 The Trustees recognise that information flow, such as member statements, can be slow and there is no online access for members. However, the Trustees believe that the underpin of the guaranteed minimum pension is of such value that the arguably outdated information flow is worthwhile tolerating when considering the interests of all members.

## 8.0 Core financial transactions

8.1 The Trustees are required to report to you about the processes and controls in place in relation to the “core financial transactions”. The law specifies that these include the following:

* investing any contributions paid into the Plan;
* transferring assets related to members into or out of the Plan;
* transferring assets between different investments within the Plan; and
* making payments from the Plan to or on behalf of members.

8.2 We must ensure that these important financial transactions are processed promptly and accurately. In practice, we delegate responsibility for this to the Plan Administrator. Our Plan administration is delivered by Titan Corporate Benefits Ltd. The Plan Administrator provides regular reports to the Trustees which allows us to assess how quickly and effectively the core Plan financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

* 1. Annual statements are attached to this Chair Statement.
  2. The Trustees confident that the processes and controls in place with the Plan Administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

## 9.0 Trustee knowledge and understanding

9.1 The law requires the Trustees to possess, or have access to, sufficient knowledge and understanding to run the Plan effectively. We take our training and development responsibilities seriously and record training completed by each member of the board. This training record is reviewed periodically to identify any gaps in the knowledge and understanding of the Trustees. This allows us to work with our professional advisers to fill in any gaps.

9.2 This statement has been produced based on the information supplied by Royal London and Phoenix Life and our advisers and taking into account the current situation at the date signed.

**Signed for and on behalf of The Trustees of the R C Warren Packers Ltd**

**Retirement Savings Plan**

# Anthony Warren

**........................................................... Date: 12 December 2024**

**Anthony Warren, Chair of the Trustees**