

The Wade Directors and Managers Pension Scheme (“the Scheme”)

Governance statement for the Scheme’s defined contribution arrangements

1 April 2019 to 31 March 2020

1. Introduction

- 1.1. This statement has been prepared by the Scheme’s trustees (“the Trustees”) to report on compliance with governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 and amended by The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 (“the Regulations”).
- 1.2. These governance standards relate to defined contribution (DC) benefits, also commonly referred to as money purchase benefits.

2. The Scheme’s DC arrangements

- 2.1. The Scheme’s DC arrangements comprise:
 - 2.1.1. A Group Money Purchase Arrangement (GMPA) with Prudential, where all investments are held in the Prudential With-Profits Fund. The Prudential Cash Fund is also available as an investment option but is not currently used by any members.
 - 2.1.2. Additional Voluntary Contributions (AVCs) provided through a ‘bundled’ arrangement (where administration, investment and communication services are provided) with Aviva.
- 2.2. The Scheme is closed to new joiners, and contributions in respect of one active member continued to be paid to the GMPA as at 31 March 2020.
- 2.3. The DC arrangements are designed to “top up” the benefits provided by the DB section of the Scheme.
- 2.4. To put the governance arrangements into context, there are eight members holding assets totalling approximately £300,000 in the GMPA and there are five members holding AVCs totalling approximately £65,000.

3. Default arrangement

- 3.1. The Scheme has no members invested in a default investment arrangement for the purposes of the Occupational Pension Scheme (Charges and Governance) Regulations 2015.
- 3.2. The Scheme is not being used as a qualifying scheme for automatic enrolment purposes.

4. Core financial transactions

- 4.1. The governance standards require the Trustees to ensure that ‘core financial transactions’ are processed promptly and accurately.
- 4.2. For this purpose, the Scheme’s core financial transactions comprise:
 - 4.2.1. investment of contributions
 - 4.2.2. transfers out of the Scheme
 - 4.2.3. payments out of the Scheme

Controls in place

4.3. For both the GMPA and the AVC policies, such transactions would be processed by Barnett Waddingham LLP in conjunction with Prudential and Aviva. These processes involve liaison between the bundled providers and Barnett Waddingham LLP to ensure payments are made and receipts invested in a timely manner.

4.4. The Trustees have Service Level Agreements (SLAs) in place with Barnett Waddingham:

Core financial transaction	Service Level Agreement
Transfer payments (in or out)	3 working days
Investment switches	5 working days
Payments out of the Scheme	5 working days

4.5. The SLAs noted above may be extended in practice based on Barnett Waddingham's interaction with Prudential and Aviva. If any issues arose with the providers in respect of these transactions, Barnett Waddingham would report these to the Trustees through the administration reports.

4.6. Prudential and Aviva work to internal service targets.

4.7. During the Scheme year, Barnett Waddingham provided the Trustees with two administration reports that include cash flow monitoring, records of member transactions, and identify any issues arising regarding administration accuracy.

4.8. Contributions to the GMPA are determined by the Sponsoring Company and form part of the annual audit.

4.9. The controls in place in relation to the accuracy of core financial transactions are:

4.9.1. Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system

4.9.2. the audit of the Scheme's annual report and accounts

4.9.3. the Scheme's membership data is periodically reviewed

4.9.4. Barnett Waddingham's administration processes are subject to a formal external audit for the annual assurance report on internal controls. No concerns have been raised by the audit which have been brought to the Trustees' attention.

4.10. The Trustees believe that these measures enabled them to monitor the promptness and accuracy of core financial transactions.

5. Charges and transaction costs

5.1. Members bear charges deducted from the funds in which their DC benefits are invested. The charges differ between the investment funds available.

Charges in relation to the Group Money Purchase Arrangement

5.2. All members in this arrangement are invested in the Prudential With-Profits Fund. The charges deducted from this fund are reflected in the rate of investment return (or bonus) declared after allowing for the costs of running these funds. Prudential has stated that the With-Profits Fund has an Annual Management Charge (AMC) of broadly 0.8% and a further 0.24% charge to cover additional fees and expenses. Prudential states that "*Charges for With-Profits investment will vary*".

5.3. The annual member-borne charge applicable to the Prudential Cash Fund was 0.75%.

Charges in relation to the AVC policy

- 5.4. Aviva have stated that the member-borne charges for the two funds in use in the AVC policies are as follows:

Fund	Annual member-borne charge
Aviva With-Profit (NU) Pension Standard Series 1 Fund & Aviva With-Profit Guaranteed (NU) Pension Standard Series 01 Fund	0.875% plus a member-specific monthly fee between £3.96 - £4.04
Aviva With-Profit 1 (CGNU) Pension Standard Series 2 Fund	0.60%

Additional transaction costs

- 5.5. In addition to the charges above, transaction costs are incurred in the day-to-day operation of the investment funds, e.g. in relation to an investment fund's trades and switching between investment funds. Transaction costs in particular will vary significantly depending on a fund's investment remit and on the market environment.
- 5.6. Prudential has confirmed that the average of the last five years' transaction costs incurred within the Prudential Pension With-Profits Fund is 0.0825%.
- 5.7. Aviva was not in a position to disclose any transaction costs within the with-profits funds.
- 5.8. The Trustees will continue to engage with Aviva to obtain this information for future governance statements and believe that this, with development in how transaction costs are presented, will enable them to better disclose this information in future scheme years.

6. Impact of costs and charges

- 6.1 To demonstrate the impact of the costs and charges, the Trustees have produced illustrations in line with the February 2018 guidance from the Department for 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 representative cross-sections of the membership of Scheme's DC arrangements.
- 6.2 For the illustrations, the savings pot has been projected twice: firstly for the assumed investment return gross of the costs and charges of the fund; and secondly for the assumed investment return net of the costs and charges of the fund.
- 6.3 To determine the parameters used in these illustrations, the Trustees have analysed the membership of those invested in the Scheme relevant to the reporting period of this statement and ensured that the illustrations take into account the following:
- 6.3.1 A representative pot size based on the median pot size of those held in the Scheme (£7,000) and an illustration relevant to members with larger fund values (£100,000).
 - 6.3.2 The investment returns and charges applied in the Prudential Pensions With-Profits Fund (the only fund in use within the GMPA).
 - 6.3.3 A representative period of membership, covering the approximate duration that the youngest member would take to reach target investment age.
- 6.4 The Trustees have determined not to include future contributions in these illustrations as it would be disproportionately burdensome, the Scheme does not levy charges on contributions, and only one member continues to receive contributions.

- 6.5 The Trustees have determined not to include any illustrations of AVC funds held as this would be disproportionate given the limited assets held.
- 6.6 The illustrations should be read based on the number of years until the member reaches their chosen retirement date.

Prudential Pensions With-Profits Fund

- 6.7 This is the only fund holding monies within the GMPA.

Years from taking benefits	Age: 55 Starting pot size £7,000		Age: 55 Starting pot size £100,000	
	Before charges	Before charges	After charges	After charges
0	£7,000	£7,000	£100,000	£100,000
1	£7,205	£7,128	£102,927	£101,832
3	£7,633	£7,392	£109,040	£105,596
5	£8,086	£7,665	£115,516	£109,500
10	£9,341	£8,393	£133,440	£119,903

Notes to costs and charge illustrative examples

- Projected pot sizes are shown in today's terms, and therefore recognise the effects of future inflation.
- Each illustration assumes up to 10 years of membership (i.e. holding the funds) leading up to the retirement age of 65.
- Values shown are estimates and not guaranteed.
- Each of the illustrations allows for the future impact of inflation which is assumed to be 2.5%.
- The starting date for the illustrations is 31 March 2020.
- The projected growth rates, gross of costs and charges, for the fund is in line with the 2020 Statutory Money Purchase Illustrations (SMPI) this is 5.5% p.a.

7. Value for members

- 7.1 Regulations require the Trustees to assess the extent to which the charges and transaction costs borne by members represent good value.
- 7.2 In relation to the Scheme's DC arrangements, the member-borne charges and transaction costs relate to:
- 7.2.1 investment services
 - 7.2.2 Aviva's administration and communication services for the AVC policies.
- 7.3 The annual Value for Members analysis was undertaken by the Trustees' professional advisers, Barnett Waddingham LLP, as at 31 March 2020. The Trustees considered the assessment methodology and analysis, and adopted the assessment.
- 7.4 The assessment considered:
- 7.4.1 in relation to investment services:
 - 7.4.1.1 the range of investment options available
 - 7.4.1.2 the arrangements for monitoring the performance of the investment funds
 - 7.4.1.3 the governance arrangements
 - 7.4.2 in relation to the additional services provided by Aviva:

7.4.2.1 the accuracy and efficiency of administration services

7.4.2.2 the range and quality of communication materials

7.5 The Trustees concluded that the Scheme's DC arrangements offer reasonable value in relation to the charges and transaction costs borne by members. In reaching this conclusion, the Trustees recognised:

7.5.1 low cost does not necessarily mean better value

7.5.2 FCA regulated advisers and investment managers have been appointed to the Scheme.

7.5.3 For members who hold with-profits funds, there are a number of other sources of potential value in the with-profits funds that are worthy of consideration:

7.5.3.1 The value of smoothing and investment returns – some of the investment returns in good years may be held back with the aim of using this to support bonus rates in years where investment return has been lower;

7.5.3.2 The level of investment returns achieved – this usually has the biggest impact on the amount of pay-out and depends on the performance of the different assets types used by the fund with an overall aim of securing the highest total return whilst maintaining an acceptable level of risk to the fund; and

7.5.3.3 The value placed on the various facets of with-profits funds will differ from member to member.

7.5.4 Work the Trustees have undertaken in understanding the security of members' assets and monitoring the bonus rates applied to funds.

7.6 The nature of the with-profits funds, which comprise all the funds held on a DC basis in the Scheme, mean there is little scope for the Trustees to make further changes to increase value without impacting guaranteed terms or potentially incurring market value reductions.

7.7 No areas were considered to detract value within the assessment.

7.8 The assessment considered just those services for which members bear or share the costs. Factors that were not considered but that add value include:

7.8.1 the services fully paid for by the Wade Furniture Group ("the Company"), e.g. the services of legal advisers, consultants and auditors; and

7.8.2 the operation of the trustee board, with a duty to act in the best interest of members (includes the services of a professional trustee).

8 Trustee knowledge and understanding

The Trustee Board

8.1 The Trustees comprise two trustees, one of whom is nominated by the members.

8.2 The Company appointed trustee is a professional trustee, the Trustee Corporation Limited, bringing a high degree of pensions experience, knowledge and expertise.

Trustee knowledge and understanding requirements

8.3 The Trustees have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets to enable them to properly exercise their functions.

8.4 The Trustees address the requirements through a combination of training and taking professional advice.

8.5 The Trustees are conversant with the Trust documents and policies and address the requirements through a combination of reviews and taking professional advice. The Statement of Investment Principles is reviewed on an annual basis and was updated in September 2019. The Trustees are reviewing the benefit provisions and options available to them under the Scheme's Trust Deed and Rules in relation to the GMPA and AVCs at a future meeting.

Trustee training

8.6 The Trustees consider Trustees' knowledge and understanding at each Trustees' meeting during which they consult with professional advisers.

8.7 This includes on-going assessment by the Trustees to identify knowledge gaps and training needs in relation to emerging legislation, Scheme changes and upcoming matters.

8.8 The Trustees supplement the training at each Trustees' meeting with activities such as attending seminars and conferences, and reading pensions-related articles. The Independent Trustee received regular training as part of their professional role, including as Chair of a DC Governance Committee.

8.9 The Trustees training included training on ESG matters.

8.10 No new Trustees were appointed during the scheme year.

Access to professional advice

8.11 The Trustees consult with professional advisers as and when required, for example on consultancy, governance and legal matters. Their professional advisers alert the Trustees, and where appropriate provide training, on relevant changes to pension and trust law.

8.12 The Trustees' professional advisers provide support in relation to understanding and application of the Scheme's documents, e.g. trust deed and rules and statement of investment principles.

8.13 During the period covered by this statement, the Trustees took professional advice on undertaking the annual value for members assessment and monitoring the annual bonus rates applied within the With-Profits Funds. The also considered the security of assets underlying the Scheme's DC arrangements.

Assessment

8.14 The Trustees consider that their combined knowledge, skills and understanding together with the advice which is available to them from their advisers enables them to properly exercise their trustee functions in relation to the Scheme's DC arrangements.

26 October 2020

Vivien Cockerill, Chair of the Trustees

Date