

## **TAYLOR MAXWELL GROUP LIMITED PENSION AND ASSURANCE SCHEME (the Scheme)**

### **1.0 Governance Statement**

- i. As Trustees of the Taylor Maxwell Group Limited Pension and Assurance Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator's:
  - Code of practice 13: Governance and administration of occupational defined contribution (DC) trust-based schemes.
  - Regulatory guidance for defined contribution schemes.
- ii. Based on our assessment, the Trustees continue to work towards adopting the standards of practice set out in the DC code and DC regulatory guidance. The Trustees have agreed an action plan to ensure the Scheme achieves and maintains good practice standards and delivers better outcome for members at retirement. The action plan will be reviewed by the Trustees throughout the year. A key focus has been on ensuring that the Trustees are compliant with the General Data Protection Regulation, and remain so going forward.

### **2.0 Chair's Statement**

#### **i. Governance of the Default Arrangements:**

The Trustees have prepared a statement of the investment principles governing decisions about investments for the purposes of the default arrangement, which is set out below. This was reviewed alongside the Scheme's overall Statement of Investment Principles (SIP) which was signed in June 2019 and is available to members on request.

The Trustees regularly engage with the Scheme's investment consultants, Trigon Pensions Limited (Trigon), who obtain a commercially attractive cost for members and are able to review these costs against the wider defined contribution market. A full DC Fund Review was carried out in July 2017 which covered the following items:

- a) Funds available including lifestyle strategies and corresponding risk ratings and fees.
- b) A review of any changes made to funds over the course of the year.
- c) Performance of the funds with an analysis of underperforming funds and comment on the ongoing suitability of the funds available. Particular focus was placed on the Pre-Retirement Default Fund and the Post-Retirement Default Fund. The Trustees are comfortable that performance of the default arrangements continues to be in line with the aims and objectives of the funds.
- d) Membership summary to ensure funds cover ranging member profiles and demographics. The Trustees are comfortable that, following the introduction of the UK Equity Fund as noted below, the range of funds and subsequent performance is suitable for all membership profiles and demographics.
- e) Value for members was assessed and benchmarked.
- f) DC flexibilities within the Scheme and an industry review of flexi-access drawdown.
- g) Recommendations to introduce a passively managed UK Equity Fund which has since been implemented.

#### **ii. Objectives of the Pre-Retirement Default Fund**

The Pre-Retirement Default Fund is the Balanced Lifestyle Fund (with Legal & General) which initially invests in the Multi-Asset (formerly Consensus) Index Fund. During the final 10 years, the profile gradually switches so that 75% is invested in the Over 15 Year Gilts Index Fund and 25% in the Cash Fund. The objectives of these funds are noted below:

The Multi-Asset (formerly Consensus) Index Fund aims to meet the criteria of the ABI Mixed Investment 40-85% Shares sector. The Fund is expected to have a level of risk which is equivalent to two thirds of the volatility of a global equity portfolio, over the long-term. This Fund is passively managed.

The objective of the Over 15 Year Gilts Index Fund is to track the performance of the FTSE A Government (Over 15 Year) Index to within +/- 0.25% p.a. for two years out of three. This Fund is passively managed.

Finally, the objective of the Cash Fund is to perform in line with 7 Day LIBID, without incurring excessive risk. The Fund is actively managed, and holds sterling deposits with a range of high quality financial institutions. The Fund may also hold UK Treasury Bills or other short dated debt issued by the Government or other public sector bodies.

The aim of the lifestyle fund overall is to reduce the risk of members being inappropriately invested at retirement. In the early years, money is invested in funds with greater growth prospects. As retirement approaches, the individual's account will be gradually and automatically switched into lower-risk investment funds.

Over the course of the year, the Trustees reviewed the Funds available to members and corresponding performance, with particular focus on the Default Fund. The reviews took place during Trustee meetings rather than carrying out a written analysis. The last full DC Fund Review was carried out July 2017 and the next one is due to be carried out in July 2020.

The Trustees are comfortable that the performance of the Pre-Retirement Default Fund remains consistent with the aims and objectives of the overall strategy. As the Trustees consider the Pre-Retirement Default Fund to remain appropriate, no change has been made to the default arrangement over the course of the year. Trustees continue to consider this arrangement to be the most suitable for the membership as a whole.

**iii. Expected Return of the Pre-Retirement Default Fund**

The expected return of the Balanced Lifestyle Fund based on assumptions used to produce Statutory Money Purchase Illustrations is 4.6% p.a. inclusive of charges.

**iv. Realisation of investments**

The assets held by the Investment Managers are readily marketable. Notice for realisation of assets can be given on any working day for any amount. All units issued by the Investment Managers and credited to the Trustees are redeemable at bid prices.

Any redemptions that are made will be disinvested using the authorised price on that given day plus any applicable charges.

**v. Social, Environmental and Ethical Considerations**

The Trustee's duty is to act in the best financial interests of the Scheme's beneficiaries. This includes undertaking due diligence when appointing Investment Managers, by reviewing each potential Investment Manager's policies and procedures regarding Environmental, Social and Governance (ESG) issues. The Trustee believes that a considered approach to ESG issues can enhance the investment processes of the Investment Manager that they employ. They believe that responsibly managed companies are better placed to achieve a sustainable competitive advantage and provide strong long-term growth.

The Trustee expects the appointed Investment Manager, when assessing the financial attractiveness and overall risk of any investment, to have due regard for all relevant issues, including the impact of social, environmental and ethical issues. The Investment Manager has provided a copy of their policies on this subject and the Trustee is satisfied with their approach to socially responsible investment.

The Trustee has delegated to their Investment Manager the exercise of corporate governance issues, including the exercise of voting rights to investments.

**vi. Objectives of the Post Retirement Default Fund**

The post-retirement Default Fund is the Dynamic Diversified Fund (with Legal & General) which invests in a broad range of assets and aims to deliver long-term growth with reduced risk.

**vii. Core Financial Transactions**

The Trustees have a duty to 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 DC section of the Scheme are processed promptly and accurately. The Trustees delegate the processing of these transactions to a third party administrator, Trigon Pensions Limited and their Investment Manager, Legal & General. The Trustees receive quarterly administration reports from Trigon, including service levels (reporting on all services carried out by the Scheme's administrators). The Trustees are therefore able to monitor the timeliness of all core financial transactions and the service provided to members directly. An independent auditor undertakes an external audit of Trigon's administrative processes and controls (AAF 01/06) on a triennial basis which provides further assurance to the Trustees. The Trustees have an Internal Controls Policy/ Risk Register in place to mitigate potential risks relating to core financial transactions and this is reviewed by the Trustees at least annually.

The Trustee bank account is monitored on a regular basis and all transactions are checked by a senior member of the team. In terms of processing core financial transactions, no issues were identified through the year and following the annual audit process.

**viii. Charges and Transaction Costs**

The Administration Regulations require the Trustees to make an assessment of charges and transactions costs borne by DC section members and the extent to which those charges and costs represent good value for money for members. Members pay the fees associated with their investments; the Company pays for all adviser costs, including the opportunity for members to have an individual consultation on an annual basis.

The Annual Management Charge (AMC) for the Pre-Retirement Default Fund will depend on the underlying funds in which the member is invested (ranging from 0.10% p.a. to 0.25% p.a.). This is lower than the charge cap of 0.75% p.a. and the Trustees are satisfied that they have secured a good deal for members having taken advice from investment consultants who are familiar with industry standards and practices.

The AMC for the Post-Retirement Default Fund (Dynamic Diversified Fund) is 0.50% p.a. The AMCs for other funds utilised by members range from 0.10% p.a. to 0.70% p.a. as detailed in the below table:

Legal & General Funds	Fees as at 31 December 2018					
	AMC*	OCF <sup>±</sup>	TER <sup>^</sup>	Bid/mid spread (%)	Mid/offer spread (%)	Other fees
Global Equity (70:30) Index Fund	0.16	0.00	0.16	0.11	0.46	-0.01
UK Equity Index Fund	0.10	0.00	0.10	0.12	0.62	-0.02
Dynamic Diversified Fund	0.50	0.01	0.51	0.20	0.42	-0.01
Multi-Asset (Formerly Consensus) Fund	0.25	0.00	0.25	0.21	0.25	0.00
Property Fund	0.70	0.02	0.72	1.12	5.18	-0.01
Over 15 Year Gilts Index Fund	0.10	0.00	0.10	0.00	0.00	-0.03
Cash Fund	0.13	0.00	0.13	0.00	0.00	0.00

AMC\*: Annual Management Charge

OCF<sup>±</sup> (Ongoing Charges Figure) and TER<sup>^</sup> (Total Expense Ratio) The total charges applied allowing for transition fees, stamp duty costs etc.

Bid/ offer spread - these represent the transition charges that are applied

With regards to LGIM's 'other fees' column, these consist of various charges such as broker costs, stamp duty etc. however also include the anti-dilution levy. This is the amount of benefit to the ongoing holders of the fund to offset the impact of transactions caused by cash flows into or out of the fund. This figure is a negative and for the funds above these have outweighed the other costs within the calculation.

These fees are as at 31 December 2018 as these are the most recent LGIM fees available at this time.

Charges are disclosed to members via the Scheme's Member Booklet. Members are entitled to one investment switch per year without charge, additional switches may incur a fee. The level of charges and transaction costs applicable to the Default Fund and other funds available to members represents good value for members.

Overall, the Trustees are satisfied that the Investment Managers continue to offer a good level of service (and in turn, good value for members) in terms of investment administration and reporting, fund choice and overall charges. Trustees therefore remain comfortable that Legal & General should continue to provide investment management services to the Scheme.

### 3.0 Member Illustrations

In accordance with the Occupational Pension Schemes (Administration and Disclosure) Amendment) Regulations 2018 and relevant statutory guidance, the Trustees have provided an illustrative example using the following elements.

We have provided the illustration for the Pre-Retirement Default Fund (where the most members are invested) and the Funds with the highest and lowest assumed investment returns.

#### i. Contributing members

The schedule below provides an illustration of the real accumulated fund that might be available from the Scheme when a member retires at various time intervals.

The notes below indicate the assumptions used within the illustration to arrive at the real accumulated fund.

The illustrations provide an indication of the values before any charges are incorporated and after all costs and charges are incorporated to assist in seeing the effect of all cost and charges.

### Projected pension pot in today's money

Years	Fund Choice							
	Balanced Lifestyle Fund (default)		L&G Multi Asset (formerly Consensus) Fund		L&G Global Equity (70:30) Index Fund		L&G Over 15 Year Gilts Index Fund	
	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted
1	£39,700.00	£39,600.00	£40,100.00	£40,000.00	£40,300.00	£40,300.00	£38,900.00	£38,900.00
5	£59,900.00	£59,400.00	£60,300.00	£59,800.00	£60,500.00	£60,100.00	£59,000.00	£58,600.00
10	£87,700.00	£86,500.00	£88,200.00	£86,900.00	£88,500.00	£87,300.00	£86,700.00	£85,600.00
20	£153,600.00	£149,600.00	£154,200.00	£150,100.00	£154,500.00	£150,600.00	£152,300.00	£148,500.00
30	£235,900.00	£227,000.00	£236,500.00	£227,500.00	£237,000.00	£228,100.00	£234,300.00	£225,600.00
40	£338,500.00	£321,700.00	£339,400.00	£322,400.00	£340,000.00	£323,100.00	£336,600.00	£320,000.00

#### Notes:

- The projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of inflation.
- The starting pot size is assumed to be £35,000.00. This is the median pot size of members that are currently active in the Scheme.
- Inflation is assumed to be 2.5% each year.
- Contributions are assumed to be paid for the periods shown, start at £4,000 pa (i.e. the current median value of contributions in the Scheme) and increase each year in line with inflation measured by 2.5%.
- All values are estimates and cannot be guaranteed to apply for the future. What happens to your own individual circumstances may vary considerably from these general assumptions.
- It is also important to note that the amount of real accumulated fund will depend on the actual contributions paid, the way in which your own fund is invested and the investment growth it achieves.
- The projected growth rates used for each fund are:

#### Balanced Lifestyle Fund (default):

Before charges: 4.80%  
 After all charges and costs deducted: 4.60%

#### L&G Multi Asset (formerly Consensus) Fund:

Before charges: 5.75%  
 After all charges and costs deducted: 5.50%

**L&G Global Equity (70:30) Index Fund:**

Before charges: 6.50%

After all charges and costs deducted: 6.34%

**L&G Over 15 Year Gilts Index Fund:**

Before charges: 2.50%

After all charges and costs deducted: 2.40%

**ii. No further contributions**

The schedule below provides an illustration of the real accumulated fund that might be available from the Scheme when a member retires at various time intervals.

The notes below indicate the assumptions used within the illustration to arrive at the real accumulated fund.

### Projected pension pot in today's money

Years	Fund Choice							
	Balanced Lifestyle Fund (default)		L&G Multi Asset (formerly Consensus) Fund		L&G Global Equity (70:30) Index Fund		L&G Over 15 Year Gilts Index Fund	
	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted	Before charges	After all charges and costs deducted
1	£15,300.00	£15,300.00	£15,400.00	£15,400.00	£15,500.00	£15,500.00	£15,000.00	£14,900.00
5	£16,700.00	£16,600.00	£17,500.00	£17,300.00	£18,100.00	£18,000.00	£15,000.00	£14,900.00
10	£18,700.00	£18,300.00	£20,400.00	£20,000.00	£21,900.00	£21,600.00	£15,000.00	£14,800.00
20	£23,300.00	£22,500.00	£28,000.00	£26,700.00	£32,200.00	£31,300.00	£15,000.00	£14,700.00
30	£29,100.00	£27,500.00	£38,200.00	£35,600.00	£47,300.00	£45,200.00	£15,000.00	£14,500.00
40	£36,400.00	£33,700.00	£52,200.00	£47,500.00	£69,300.00	£65,300.00	£15,000.00	£14,400.00

**Notes:**

- The projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of inflation.
- The starting pot size is assumed to be £15,000. This is the median pot size of members that are currently preserved in the Scheme.
- Inflation is assumed to be 2.5% each year.
- No further contributions are assumed to be paid.
- All values are estimates and cannot be guaranteed to apply for the future. What happens to your own individual circumstances may vary considerably from these general assumptions.
- It is also important to note that the amount of real accumulated fund will depend on the actual contributions paid, the way in which your own fund is invested and the investment growth it achieves.
- The projected growth rates used for each fund are:

**Balanced Lifestyle Fund (default):**

Before charges: 4.80%  
After all charges and costs deducted: 4.60%

**L&G Multi Asset (formerly Consensus) Fund:**

Before charges: 5.75%  
After all charges and costs deducted: 5.50%

**L&G Global Equity (70:30) Index Fund:**

Before charges: 6.50%  
After all charges and costs deducted: 6.34%

**L&G Over 15 Year Gilts Index Fund:**

Before charges: 2.50%  
After all charges and costs deducted: 2.40%

**4.0 Trustee Knowledge and Understanding (TKU)**

All Trustees have completed the Pensions Regulator's Toolkit and Trustees attend regular pension training events. There is a requirement for all Trustees to complete the Trustee Toolkit within 6 months of appointment. Trustees are also required to have a working knowledge of the Deed and Rules, the SIP and various other policies.

The Trustees combine the knowledge and understanding of the board of Trustees, together with the advice which is available to them through their consultants and advisers, to enable them to properly exercise their function as Trustees of the Scheme.

Trustee training is a standing agenda item and is therefore discussed at every Trustee meeting. If any training needs are identified, these will be arranged as deemed appropriate by the Trustees. The Trustees maintain a training log which is updated throughout the year and is reviewed on an annual basis. The Trustees carried out an assessment of Trustee Knowledge and Understanding in June 2017, a further review will be carried out in due course. At least one Trustee attended the following training sessions over the course of the year:

- The Trigon Pensions Limited Legal Update Training presented by Osborne Clarke on 20 November 2018.
- The Buy In and Buy Out training presented by Trigon Pensions Limited on 10 September 2018.
- The Actuarial Valuation training presented by BBS on 5 June 2018.
- The Pensions Training: Data and GDPR presented by Trigon on 15 May 2018.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Mark Phillips (Chair of Trustees)  
Taylor Maxwell Group Limited Pension and Assurance Scheme

*(This statement will be signed as part of the scheme accounts in October 2019).*