

Fellowes Limited Retirement Benefits Scheme
5 April 2019
Chair's Statement

Fellowes Limited Retirement Benefits Scheme ("the Scheme")

Chair's Statement – 5 April 2019

In accordance with the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations'), the Trustees are required to provide a statement relating to the governance of the defined contribution benefits within the Scheme. This statement covers the period from 6 April 2018 to 5 April 2019 and has been prepared by the Chair of the Trustees – Andrew Laming.

Introduction

The Scheme is a defined benefit scheme which means that the benefits under it are calculated on a pre-determined basis specified in the Scheme Rules. The Scheme also has a defined contribution section, which provides benefits to members who have accrued pre 97 benefits with a Guaranteed Minimum Pension (GMP) underpin i.e. the greater of their defined contribution fund and their GMP is paid on retirement. In addition, members are able to make additional voluntary contributions (AVCs) on a defined contribution basis to provide additional benefits at retirement.

Governance of the default investment arrangement

As at 5 April 2019, the defined contribution funds under management were:

Fund	Funds under Management
Prudential With-Profits Fund (Pre 6 April 1997)	£1,192,636
Prudential With-Profits Fund (AVCs)	£396,164

The Scheme currently only provides one investment option – the Prudential With-Profits Fund. As a result 100% of member funds are invested in this investment fund and it is, therefore, the Scheme's default investment arrangement, as defined in the Regulations.

The Trustees are keen to ensure that assets are invested in the best interests of members and beneficiaries. During the 2016/17 Scheme year, the Trustees formally reviewed the investment strategy of the defined contribution benefits to assess its appropriateness for members. This review took into account the fact that currently, in the majority of cases, the GMP benefit is paid on retirement rather than the value of the defined contribution fund. This review identified that Prudential are unable to offer extra fund choice options to members.

The Trustees have also considered the available information about the investment performance of the fund in which members of the Scheme are currently invested. The Trustees are satisfied that the investment performance (net of fees) remains consistent with the stated objectives for this fund.

The Trustees have prepared a Statement of Investment Principles which sets out the Trustees' aims and objectives relating to investment strategy. A copy of this SIP is appended to this statement.

Core financial transactions

The Trustees receive and review reports from the Scheme's administrators on a 6-monthly basis in order to monitor the level of administration services being provided to members.

Fellowes Limited Retirement Benefits Scheme Chair's Statement (continued)

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The processing of core financial transactions is monitored by the administrators, who have implemented internal control procedures to help ensure that such transactions are processed promptly and accurately. These activities include procedures to ensure the accuracy of contribution submissions, benefit calculations, settlements and the prompt resolution of any inconsistencies identified.

The Trustees are satisfied that during the period of this statement, there have been no significant delays in processing these transactions.

Charges and transaction costs

The With-Profits Fund available to members is subject to an ongoing investment management charge of 1.0% per annum. This charge is taken into account when declaring annual bonus rates rather than being an explicit charge deducted from members' funds. Members are also subject to a paid up fee of £10 per annum which is deducted from their fund.

In addition to these member charges, members may also incur transaction costs (incurred as a result of buying, selling, lending or borrowing investments). Prudential have confirmed their transaction charges as being 0.05% pa.

A Market Value Reduction may be applied to the With Profits Fund on transfer or encashment before maturity. This ensures that members who choose to leave the fund before their normal retirement date do so on terms that properly reflect the underlying value of their policy. Currently a Market Value Reduction does not currently apply although this can change at any point in the future.

Members are also eligible to receive a terminal bonus at maturity. The amount of terminal bonus may be lower, or nil, on transfer or encashment before maturity.

The Trustees are aware that, in February 2018, the DWP issued guidance for trustees of occupational schemes regarding the disclosure of costs and charges information for scheme years ending after 5 April 2019. The Trustees have taken full account of these requirements when preparing this year's Chair's statement.

In addition to the above member-borne costs and charges, the sponsoring employer meets the cost of ongoing governance and administration services. In assessing value-for-money, the Trustees have only considered the costs and charges met by members.

Cumulative costs and charges

The Trustee has conducted an analysis of the cumulative impact of the member-borne costs and charges within the With Profit fund for typical members of the Scheme, which is set out in Appendix A.

Value for Members

The Trustees wish to ensure that the Scheme provides good value for members. Within its latest draft DC Code of Practice, the Pensions Regulator has set out its expectations of trustee boards in a number of areas including the assessment of value for members. The Trustees have taken these expectations into account when considering value for members of the Scheme.

A review was last carried out by the Scheme's professional advisers in June 2016 to assess the costs of those benefits/services which are met by members.

Fellowes Limited Retirement Benefits Scheme Chair's Statement (continued)

Fellowes Limited Retirement Benefits Scheme ("the Scheme")

Based on the DWP Pension Charges survey 2016, the Scheme's charges borne by members are in line with other With Profit based arrangements. The employer meets all administrative charges.

A further review will take place in the Autumn 2019 to ensure that value and charges continue to be aligned.

The Trustees are aware of the requirement to engage with members in order to assess their priorities and thus feed into the value for money assessment. Currently, SMPI statements are regularly issued showing that in the majority of cases the GMP underpin applies. Communications will be reviewed as part of the next assessment.

The Trustees are satisfied that the value-for-money that the Scheme provides for members of the DC section is satisfactory compared to similar schemes of a comparable size for deferred members.

Trustee Knowledge & Understanding

It is important that the Trustees continue to have sufficient knowledge and understanding to fulfil their duties. All new Trustees are expected to undertake training following their appointment, including use of the Pensions Regulator's Trustee Toolkit.

The Trustees are supported by independent and professional advisers who ensure that they are kept abreast of the latest legislative, regulatory and market developments that apply to the Scheme. These advisory appointments are also periodically reviewed.

Appropriate and relevant training is delivered during Trustee meetings when the Trustees are considering issues that require additional knowledge and understanding. Training regarding GMP equalisation and the effect of DC underpins were covered at the most recent valuation meeting. All training received by the Trustees is recorded and the training needs of the Trustees are regularly reviewed by the Trustees and their advisers to identify any relevant gaps in knowledge.

Where further clarification is required about the Scheme's governing documentation, the Trustee takes legal advice from Wrigleys. These advisory appointments are also periodically reviewed.

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As a result of the training activities that have been completed and taking account of the professional advice available to the Trustees, it is my opinion that the Trustees are able to fulfil their role to the required standard.

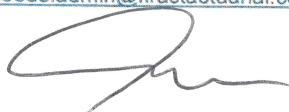
**Fellowes Limited Retirement Benefits Scheme
Chair's Statement (continued)**

Fellowes Limited Retirement Benefits Scheme ("the Scheme")

How to contact the Trustees

If you have any further queries regarding the Scheme, please contact:

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Andrew Laming

Chair of the Trustees of the Fellowes Limited Retirement Benefits Scheme

[date] 4th November 2014

Fellowes Limited Retirement Benefits Scheme Chair's Statement (continued)

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Appendix A

The Trustee has taken account of the statutory guidance when preparing these illustrations. The assumptions used to calculate the cumulative pension costs are based on actual scheme information and are as set out below:

Years	With Profits Fund	
	Before charges	After all costs and charges
1	£16,412	£16,245
3	£17,482	£16,954
5	£18,622	£17,694
10	£21,808	£19,688
15	£25,538	£21,906
20	£29,906	£24,375
25	£35,022	£27,122
30	£41,012	£30,178
35	£48,028	£33,578
40	£56,243	£37,362

Assumptions:

- 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) The starting pot size is assumed to be £15,902
- 3) Inflation is assumed to be 2.5% each year
- 4) Contributions are assumed from age 25 to 65 and increase in line with assumed earnings inflation of 2.5% each year
- 5) Values shown are estimates and are not guaranteed
- 6) The projected growth rate for each fund are as follows:

With Profits Fund	3.21% above inflation
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