

Fellowes Limited Retirement Benefits Scheme

5 April 2021

Chair's Statement

Fellowes Limited Retirement Benefits Scheme ("the Scheme")

Chair's Statement – 5 April 2021

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 2020 to 5 April 2021 and has been prepared by the Chair of the Trustees – Andrew Laming.

Introduction

The Scheme is a hybrid scheme with a defined benefit section 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 the value of their GMP is paid on retirement or on transfer out of the Scheme. There are no active members and therefore no new additional voluntary contributions (AVCs) made to provide additional benefits at retirement.

Governance of the default investment arrangement

As at 5 April 2021, the defined contribution funds under management were:

Fund	Funds under Management
Prudential With-Profits Fund (Pre 6 April 1997)	£1,332,658*
Prudential With-Profits Fund (AVCs)	£438,979*

*includes terminal bonus application.

The DC Section 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. The last formal review by the Trustees of the investment strategy of the defined contribution benefits to assess its appropriateness for members took place in the scheme year 2016/17. The review took into account the fact that in the majority of cases, the GMP benefit is paid rather than the value of the defined contribution fund. This continues to be the case. The review also identified that Prudential were unable to offer extra fund choice options to members. First Actuarial intend to discuss the investments with the trustees at an upcoming meeting and re-approaching Prudential to see whether their position is unchanged.

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 bonus rate currently applying is 1.50% with a final bonus added depending on the member's contribution history.

Further information about the bonuses payable can be found at [Annual Bonus Rates Table February 2021 \(pru.co.uk\)](#).

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

Fellowes Limited Retirement Benefits Scheme ("the Scheme")

The Trustees have prepared a Statement of Investment Principles which sets out the Trustees' aims and objectives relating to investment strategy. The Statement was last updated in September 2019 and an addendum was added in August 2020. A copy of these documents are available online and can be found at <https://www.fellowes.com/gb/en/support/retirement-benefits-scheme.aspx>.

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.

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 and 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 assumed annual management charge (AMC) 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 (on average 0.1025% over the last 5 years) are incorporated into the AMC.

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.

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 Profits Fund for typical members of the Scheme, which is set out in Appendix A.

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

Fellowes Limited Retirement Benefits Scheme ("the Scheme")

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, no review has since taken place.

A further review was due to take place in the Autumn 2019 to ensure that value and charges continue to be aligned, however, this did not take place because a Market Value Adjustment was being applied at the time, so any review would result in the assets remaining within the With-Profits arrangement. This review was planned to take place during the Scheme Year however this did not take place but will be completed during Q4 2021.

The Trustee is aware of the requirement to engage with members in order to assess their priorities and thus feed into the value for money assessment. Other than making a Summary Funding Statement available in September 2020, no specific DC communications were issued although Statutory Money Purchase Illustrations (SMPI) statements are issued annually showing that in most cases the GMP underpin applies. SMPI shows how much a member's pension benefits are worth now and what they could grow to by the time they reach retirement based on a series of assumptions.

The latest DWP Pension Charges survey published in January 2021, shows the charges borne by members for occupational DC arrangements. Whilst they do not directly align for schemes holding With Profit investments, given the fact that the assumed AMC has already been factored into the bonus rate declared, these assumed charges are now slightly above the level for schemes of a similar size.

Pending the outcome of the review, 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 given the guarantees that the With Profit Fund provides.

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 usually delivered during Trustee meetings when the Trustees are considering issues that require additional knowledge and understanding. 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. Whilst structured DC training did not take place during the scheme year, training on the new Regulations affecting DC schemes will be included in the October 2021 Trustee meeting.

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

Fellowes Limited Retirement Benefits Scheme ("the Scheme")


The Trustees are supported by independent professional advisers who ensure that they are kept abreast of the latest legislative, regulatory and market developments that apply to the Scheme. Where further clarification is required about the Scheme's governing documentation, the Trustee takes legal advice from Wrigleys Solicitors LLP. These advisory appointments are also periodically reviewed.

Taking into account the existing level of knowledge and level of professional advice available to the Trustees, it is my opinion that the Trustees are able to fulfil their role to the required standard.

How to contact the Trustees

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

First Actuarial LLP
Second Floor
Mayesbrook House
Lawnswood Business Park
Leeds
LS16 6QY
Tel: 0113 818 7300
Email: leeds.admin@firastactuarial.co.uk



Andrew Laming

Chair of the Trustees of the Fellowes Limited Retirement Benefits Scheme

[date] 10/1/2022

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	£24,440	£24,200
3	£25,469	£24,728
5	£26,541	£25,267
10	£29,424	£26,665
15	£32,620	£28,142
20	£36,163	£29,700
25	£40,091	£31,344
30	£44,445	£33,080
35	£49,272	£34,911
40	£54,624	£36,844

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 £23,941
- 3) Inflation is assumed to be 2.5% each year
- 4) No further contributions are assumed.
- 5) Values shown are estimates and are not guaranteed
- 6) The projected growth rate for each fund is as follows:
 With Profits Fund 2.08% pa above inflation.