

Fellowes Limited Retirement Benefits Scheme

5 April 2025

Chair's Statement

Fellowes Limited Retirement Benefits Scheme ("the Scheme")

Chair's Statement – 5 April 2025

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 ("DC") benefits within the Scheme. This statement covers the period from 6 April 2024 to 5 April 2025 and has been prepared by the Trustees and signed 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 ("DC") 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 DC fund and the value of their GMP is paid on retirement or on transfer out of the Scheme. Currently the GMP underpin benefit is paid rather than the value of the DC fund.

There are no active members and therefore no new contributions or Additional Voluntary Contributions ("AVCs") paid to provide additional benefits at retirement. Contributions ceased on 30 June 2018.

Governance of the default investment arrangement

As at 5 April 2025, the DC funds under management were:

Benefit	Fund Value	Terminal Bonus	Market Value Reduction	Transfer Value
Prudential With-Profits Fund (Pre-6 April 1997)	£458,161	£707,353	£8,042	£1,157,472
Prudential With-Profits Fund (Post 6 April 1997)	£42,779	£55,382	£1,158	£97,003
Prudential With-Profits Fund (AVCs)	£299,166	£210,934	Unknown	£510,100
Total	£800,106	£973,669	£9,200	£1,764,575

The DC Section currently only provides one investment option – the Prudential With-Profits Fund. This is the default arrangement as defined in the Occupational Pension Schemes (Investment) Regulations 2005.

The Trustees are keen to ensure that assets are invested in the best interests of members and beneficiaries. A formal review of the investment strategy of the DC Section was undertaken in October 2022 and concluded the fund remained appropriate for 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 regular bonus rates for the last 5 years are shown below:

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Year of Declaration	Period Bonuses Applicable	Regular Bonus %
2025	06/04/25 onwards	3.00%
2024	06/04/24 – 05/04/25	3.00%
2023	06/04/23 – 05/04/24	2.00%
2022	06/04/22 – 05/04/23	1.50%
2021	06/04/21 – 05/04/22	1.50%

A final bonus would also be added depending on the member's contribution history.

Further information about the bonuses payable can be found at [Annual Bonus Rates Table | Prudential \(mandg.com\)](#) in the Corporate Pensions section.

The asset allocation of the default fund is shown below. Prudential have been unable to provide this information in line with the full statutory requirements.

Asset	% allocation as at 31 March 2025
Cash	1.6%
Bonds	28.9%
Equity †	38.2%
Property	13.8%
Other (Alternative Assets) †	17.5%

†Prudential have been unable to confirm whether there are any assets held in private equity or provide an appropriate breakdown of the 'alternative assets' allocation.

Within the default investment arrangement there have been no performance-based fees incurred during the Scheme year, which would be calculated in accordance with Regulation 25(1)(a) of the Administration Regulations 1996.

The Trustees have prepared a Statement of Investment Principles ("SIP") in accordance with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. The SIP sets out the Trustees' aims and objectives relating to investment strategy. The SIP was published in April 2023 and revised in August 2024. A copy of the latest SIP (and the Scheme's Implementation Statement) is available at the following website: <https://www.fellowes.com/uk/en/resources/retirement-benefits-scheme>.

Net investment returns

The following table reflects the performance of each fund over varying periods based on investment after charges have been deducted and has taken account the statutory guidance when preparing this section of the statement. They have been calculated on a geometric basis and assume a £10,000 investment fund.

Annualised returns to 5 April 2025 %			
Fund	1 year	3 years	5 years
Prudential With-Profits Fund	3.0%	2.0%	1.9%

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Please note that these returns are based on annual bonuses only and do not include any final bonuses that may be payable and could boost overall net returns.

The Trustees are satisfied that the investment performance (net of fees) remains in line with the stated objectives for the funds available to members.

Charges and transaction costs

The With-Profits Fund available to members is subject to an assumed annual management charge (AMC) of 1.00% per annum. This charge is considered when declaring annual bonus rates rather than being an explicit charge deducted from members' funds. Members are no longer subject to a paid-up fee of £10 per annum. This fee was removed in 2017.

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 0.12% 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 have taken full account of the DWP cost and charge disclosure 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 Trustees have 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.

Core financial transactions

The Trustees receive and review reports from the Scheme's administrators, First Actuarial, on a 6-monthly basis 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 processes to ensure the accuracy of benefit calculations and settlements and the prompt resolution of any inconsistencies identified.

In First Actuarial's role as administrator, their standard Service Level Agreement applies. For most tasks this is 10 working days, except for:

Transfer settlement – 5 working days

Death claims – response to notification – 2 working days

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As the DC Section is closed with no ongoing contributions, the volume of transactions is low. There have been no transfers and switching funds is not possible as there is only a single fund available.

In the 6-month period to 30 September 2024, the Service Level Agreement was met in 96% of cases. In the 6-month period to 31 March 2025, this fell to 81% due to a short-term increase in workloads. Where possible, members were notified of any delays and kept up to date.

Overall, the Trustees are satisfied that during the period of this statement, transactions and payments were completed promptly and accurately.

Value for Members

Under the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021, trustees of 'specified schemes' providing DC benefits are required to carry out an assessment of their scheme's value for members.

Following the Department for Work & Pensions guidance, the assessment considered the following aspects of the DC Section:

- Costs and charges
- Net investment performance
- Governance and administration

The DC Section charges are significantly higher than the comparator DC providers and do not include administration costs, whereas the other providers include both the investment and administration costs.

The net investment return of the With-Profits fund continues to show underperformance over the medium term against the comparators and the GMP underpin is expected to bite for a number of members. Comparing a With Profits fund versus a comparator default can be difficult, however the difference in returns is material, as is the cost of smoothing which has impacted member returns. However, it does provide albeit lower stable growth to cover GMPs. It does not provide de-risking glidepaths in volatile markets.

Finally, there are several areas of the governance and administration where improvement is required to meet The Pensions Regulator's minimum standards.

Overall, the assessment concludes that the DC Section does not meet the full requirements laid down by The Pensions Regulator. The Trustees will review the areas where changes can be made and the options available to them to improve value where possible to do so. This includes exploring the potential wind up of the DC Section. It is the Trustees' understanding that due to the size and structure of the DC Section, no other provider would be willing to take on the assets. Therefore, winding-up the scheme would not in itself improve the value for members unless the current benefits can be restructured to enable this to happen. A proposal regarding benefit restructuring is being considered by the Trustees to help improve member outcomes further.

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.

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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:

With-Profits Fund		
Years	Before charges	After all costs and charges
1	£19,852	£19,635
3	£21,003	£20,324
5	£22,220	£21,036
10	£25,582	£22,929
15	£29,453	£24,992
17	£31,161	£25,869

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 £19,300.
- 3) Youngest member age is 48 years old
- 4) Inflation is assumed to be 2.5% each year.
- 5) No further contributions are assumed.
- 6) Values shown are estimates and are not guaranteed.
- 7) The projected growth rate for the With-Profits Fund is 2.86% above inflation.