

## Fellows Limited Retirement Benefits Scheme 5 April 2024 Chair's Statement

### Chair's Statement – 5 April 2024

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 2023 to 5 April 2024 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 5 April 1997.

#### Governance of the default investment arrangement

As at 5 April 2024, the DC funds under management were:

Fund	Funds under Management
Prudential With-Profits Fund (Pre 6 April 1997)	£1,189,356 <sup>1</sup>
Prudential With-Profits Fund (Post 6 April 1997)	£94,582 <sup>2</sup>
Prudential With-Profits Fund (AVCs)	£511,538 <sup>3</sup>
<b>Total</b>	<b>£1,795,476</b>

<sup>1</sup>Value includes a terminal bonus of £722,581 and a market value reduction of £10,633.

<sup>2</sup>Value includes a terminal bonus of £53,587 and a market value reduction of £1,469.

<sup>3</sup>Value includes a terminal bonus of £202,870. Market value reductions are unknown.

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. A formal review of the investment strategy of the DC Section was undertaken in October 2022 and it concluded that 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:

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

Year of Declaration	Period Bonuses Applicable	Regular Bonus %
2024	06/04/24 onwards	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%
2020	06/04/20 – 05/04/21	1.75%

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 \(mandq.com\)](#) 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 2024
Cash	1.9%
Bonds	27.5%
Equity <sup>1</sup>	40%
Property	13.8%
Other (Alternative Assets) <sup>1</sup>	16.8%

<sup>1</sup>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 Plan 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 which sets out the Trustees' aims and objectives relating to investment strategy. The latest Statement is being agreed and an updated version will be available shortly. A copy of the current document is appended to this document and is available online and can be found at <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. The have been calculated on a geometric basis and assume a £10,000 investment fund.

Fund	Annualised returns to 5 April 2024 %		
	1 year	3 years	5 years
Prudential With-Profits Fund	2.0%	1.7%	1.7%

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.

## Fellows Limited Retirement Benefits Scheme Chair's Statement (continued)

### 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 taken into account 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 0.19% 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 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.

### Core financial transactions

The Trustees receive and review reports from the Scheme's administrators, First Actuarial, 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 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
- Change of address – 2 working days

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.



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

The Trustees are satisfied that during the period of this statement, all transactions and payments were completed within the service level agreement.

### 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

Looking at costs and charges, the DC Section are significantly higher than the other DC providers and do not include administration costs that the others do.

The net investment return of the With-Profits fund continues to show underperformance compared to its comparators over the short to medium term 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 significant as is the cost of smoothing returns. This cost 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 improvement to meet the regulators minimum standards for governance and administration. These points are broadly the same as those highlighted in the last years assessments, evidence of trustee training and development and oversight of administration processes and cyber security.

Overall, the assessment concludes that the DC Section does not meet the full requirements laid down by The Pensions Regulator.

To help address this the Trustees will:

- Carry out a review of the administrator's internal processes and cyber security controls and add an annual review to the Scheme's business plan.
- Provide evidence of DC training carried out and time spent on DC matters at Trustees meetings.
- Widen the next DC investment review to consider comparative returns in line with this assessment.

### 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 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.

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

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. However, no specific DC training took place during the scheme year.

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 still 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](mailto:leeds.admin@firastactuarial.co.uk)



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Andrew Laming

Chair of the Trustees of the Fellowes Limited Retirement Benefits Scheme

Date: 5/11/2024

## Fellows Limited Retirement Benefits Scheme Chair's Statement (continued)

### 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	£20,986	£20,744
3	£22,210	£21,448
5	£23,505	£22,177
10	£27,082	£24,108
15	£31,204	£26,207
20	£35,954	£28,489
25	£41,426	£30,970
30	£47,731	£33,667
35	£54,995	£36,599
40	£63,366	£39,786

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 £20,400.
- 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 the With-Profits Fund is 2.87% above inflation.