

# ***Admin Re Trustees Limited***

Windsor House, Telford Centre, TF3 4NB

Telephone (0800) 073 1777 Fax: (0870) 709 1111

National Pension Plan for Working Wives of General Practitioner Dentists

## **Annual Governance Statement for the Year Ending 31 March 2016**

This statement is being made by the Chair of Admin Re Trustees Limited on behalf of the Trustee Board in respect of the National Pension Plan for Working Wives of General Practitioner Dentists. This is in order to comply with the requirement of The Pension Regulator and in accordance with Regulation 23 of the Occupational Pensions Scheme (Scheme Administration) Regulations 1996 (The 'Regulations') which states that all money purchase schemes must produce an annual governance statement telling members how governance standards have been met within this Scheme.

This regulation came into effect from 6 April 2015 and so our first Chair Statement will cover the period 6 April 2015 to 31 March 2016, the scheme year end. Future Chair Statements will cover the full scheme year.



Zahir Fazal, Chair, Admin Re Trustee Limited

## Introduction

The National Pension Plan for Working Wives of General Practitioner Dentists is a fully insured scheme which is closed to new employers and new members.

On the 10 April 2015, Admin Re Trustees Limited replaced ReAssure Limited as the Trustees of the The National Pension Plan for Working Wives of General Practitioner Dentists (the Plan). Admin Re Trustees comprises five members, the majority of which (including the Chair) are independent. We act solely in the interests of members, with any potential conflicts of interest considered, in accordance with the conflict of interest policy, to ensure they do not interfere with our capacity to act independently of ReAssure.

Added to this since the 6 April 2015, trustees of defined contribution (DC) schemes like yours, need to meet new requirements on governance standards, charge controls (subject to certain exceptions) and communicating about pension flexibilities.

The requirements include:

- appointing a chair of trustees who signs the annual statement
- meeting certain governance standards and explaining this in an annual chair's statement, which include:
  - that core financial transactions are processed promptly and accurately;
  - that the value of charges and transaction costs borne by scheme members is reasonable;
  - that any default arrangements are designed in members interests and kept under regular review; and
  - that the trustee board has the knowledge and understanding necessary to run the scheme properly
- informing members about the increased range of options they have at retirement

The Trustee Board recognises the importance of good scheme governance and sets out below details of our findings.

## **Transactions Processing**

We received management information and reporting from ReAssure to confirm that important financial transactions, such as investment allocations, charges and the payment of benefits, have been processed promptly and accurately.

ReAssure presented details of the governance framework in place to ensure appropriate monitoring and oversight.

Policy transactions on the system are processed in a timely manner according to Customer Services' service level agreements. Any breaches due to delays or incorrect administration are logged and dealt with in agreed timescales. The identification, tracking and rectification of issues is done through a well-governed process, including the establishment of root causes and trends to help prevent future breaches. This is managed by the Compliance function with appropriate monitoring and escalation in place, as necessary.

ReAssure advise us of any late payments made by employers in line with The Pensions Regulator requirements. There has been no instance of late payment reporting made to the Trustees.

## Charges and Transaction Costs for the Unit Linked Funds

There are no contributions being paid into the National Pension Plan for Wives of General Practitioner Dentists.

The product charges for existing funds are:

- 0.75% annual management charge on accumulation units
- 4% annual management charge on initial units
- A fixed policy fee of £1.00 each month for regular premiums

New contributions where a member increases their premium

- There has been no new business since 2002

### Transaction Costs

ReAssure's *Investment Management Charges* (IMCs) are charges or expenses incurred when trading or maintaining the underlying investments, including taxes. Trading costs currently include such items as stamp duty and dealing commission, while administration costs primarily include investment management and custodian fees.

IMCs vary by fund and over time, as each fund bears its own charges, based on the transactions made within each fund. ReAssure's approach is to group funds with similar investment mandates into a single base fund. This pooling of investments increases the size of funds and hence reduces the impact of IMCs through economies of scale.

The IMCs for the three funds are between 0.15% and 0.17% with custody costs accounting for less than 0.01%.

Transaction costs have been considered in assessing the impact of all charges, in totality. Based on available information, the Master Trust Board has not seen any evidence to suggest these are not reasonable for the nature of the investment, though it recognises the difficulties in ensuring that transaction costs in their entirety have been captured. We are aware that the FCA and the industry is currently working on some standardised methods for the assessment of transaction costs and we will therefore be looking at this area in more detail during 2016/17.

## **Charges and Transaction Costs for the With Profits Fund**

Charges and transaction costs are applied to the fund before the bonus rates are declared. The National Pension Plan for Wives of General Practitioner Dentists is invested in a With Profits fund which gives a guaranteed rate of 5.75% which is in excess of the returns the underlying fund made during year.

## **Value for Money**

The Master Trust Board have reviewed the product charges being paid by members of the National Pension Plan for Wives of General Practitioner Dentists, and the benefits they receive in return for such payments. For example:

- Quality of the administration services provided;
- Quality and value of the Trustee Board and various Governance Committees oversight
- Timeliness and accuracy of communications and
- Quality of investment governance and decision making

and identified some areas where value for money could be improved.

We believe the ongoing costs of the National Pension Plan for Wives of General Practitioner Dentists are acceptable for the With Profit investments due to the underlying guarantees on the fund. However, the ongoing costs for the Unit Linked funds are higher than we would like.

We have agreed with ReAssure to include a mailing in all of the annual statements to offer you the opportunity to move your funds to a more cost effective investment which will provide you with improved value for money. We are monitoring the response to this mailing before taking further action.

## **Default Funds**

The Plan does not offer a specific default fund and there is no evidence of money being placed into specific funds by default. This means that members had to make an active investment choice from the range of funds available and were not automatically placed into a default fund.

## Investment Strategies

There are six members of The Plan. All members have some of their funds invested in the Windsor Life With Profit fund with three members also having investments in unit-linked funds.

The element of the With Profit fund in which they are invested is more like a Deposit Administration fund in that it provides a 5.75% guaranteed return with an additional rate being declared at times. In October 2015 there was an additional rate of 0.5% added to this fund giving an overall return of 6.25% each year.

The Windsor Life With Profits fund is governed by ReAssure Limited ("ReAssure" or "the Company") who maintain a document known as the Principles and Practices of Financial Management ("the PPFM"). This sets out the Principles and Practices that guide the management of the with-profits business held in the fund. A PPFM was first published in April 2004 and the latest version of the PPFM can be found on the ReAssure website.

The ultimate responsibility for the management of ReAssure's with-profits business resides with the ReAssure Board ("the Board"). However, a sub-committee of the Board, known as the Fairness Committee, perform a number of functions on behalf of the Board in relation to the Company's with profits business. This included monitoring compliance with the PPFM, reviewing its contents and approving any proposals to alter it.

An annual report to policyholders examines the management of the with profits business in the Windsor Life With-Profit Fund ("the Fund"). The report sets out, with reasons, how ReAssure complied with the obligations associated with the PPFM for the Windsor Life With Profit Fund during the course of 2015. These include the requirement to maintain appropriate governance arrangements designed to ensure that the Company complies with, maintains and records a PPFM. The report also describes the way in which ReAssure exercised discretion in the conduct of its with profits business and how it addressed the conflicting requirements of different groups of policyholders and shareholders. The latest report can be found on the ReAssure website.

For the unit-linked funds, evidence has been provided that the characteristics and net performance of all the unit-linked funds are regularly reviewed by ReAssure's *Board Investment Committee* (BIC) to ensure that they are aligned with the interests of members. Their terms of reference include reviewing historic performance figures, including volatility of returns relative to benchmarks.

The Fund Manager is *Aberdeen Asset Management* (AAM). The investment strategy in place for policyholder assets aims to outperform benchmarks over the medium to long-term, which is considered as a period of at least three years.

Members who are only invested in the with profit fund have no other investment choice. However, the three members with unit linked funds could select funds from the available range, which represent the major asset classes. ReAssure allows these customers to switch funds free of charge, but fund switch volumes are minimal. ReAssure has been taking action to drive greater customer engagement with fund selection by making available richer information on funds and their risks and performance (via *Morningstar*) and making fund switches easier to do online or by phone.

The three customers invested in unit linked funds have monies invested in the diversified Managed Pension Accumulator Fund as described below. One member also has monies invested in the Equity Pension Accumulator Fund and the High Yield Pension Accumulator Fund.

#### Managed Pensions Accumulator Fund

The Managed Pensions Accumulator Fund is diversified and holds equities (both UK and International), property, fixed interest and cash. The fund gains its exposure to these asset classes through investment in a range of bespoke mandates managed by Aberdeen Asset Management. The fund has the capability to flex its equity exposure between set parameters to achieve its objective of steady long-term returns whilst safeguarding the fund against unnecessary risks and this is reflected in its ABI Mixed Investment 40% - 85% Sector classification.

#### Equity Pension Accumulator

The Equity Pension Accumulator fund invests primarily in a wide range of UK equities, held via both collective vehicles and direct equities. The fund has an element of active management through investments in a range of bespoke mandates managed by Aberdeen Asset Management. The fund is classified by the ABI as UK All Companies and focuses on long-term capital growth. As with all single asset class equity funds an element of volatility is to be expected.

#### High Yield Pension Accumulator Fund

The High Yield Pension Accumulator Fund is a managed fund with the investments spread over all the major areas, equities (UK and foreign), gilts and other fixed interest stocks, property and cash deposits. The fund is invested in line with a bespoke mandate managed by Aberdeen Asset Management. The fund is classified by the ABI as a Mixed Investment 40% to 85% Shares and focuses on long-term capital growth whilst safeguarding the fund against unnecessary risks.

The trustees have received quarterly data showing the investment performance of each underlying fund compared to the investment benchmark of its constituent assets. The average investment return (weighted by the total value of funds under management) has been above benchmark over the last five years but has underperformed over shorter periods. ReAssure's BIC monitors performance and we have seen evidence of action being taken where medium-term underperformance has persisted. The Trustees will receive minutes and reports of the BIC on a quarterly basis to ensure that appropriate monitoring of investment performance is ongoing.

Overall, we consider that each investment strategy is designed and executed in the interests of customers and includes clear statements of the funds' aims and objectives.

## **Security of Assets**

Each member has their own 'money purchase pot' into which monies are paid. Each pot forms part of a fully insured fund(s) backed by ReAssure part of the Swiss Re group. ReAssure is an authorised insurance company which is covered by the Financial Services Compensation Scheme (FSCS). The FSCS protects consumers should an authorised financial firm go bust. This means that in the event that ReAssure was unable to pay out your accumulated pot of money, the FSCS can pay compensation up to 100% of the claim amount.

## **Trustee Knowledge & Understanding**

The trustees were carefully selected to ensure that, individually and collectively, we have the appropriate skills, knowledge and experience in relation to acting as Trustees, to be able to execute our duties, and assess and make judgements on trustee responsibilities.

Independent trustees were sourced from leading professional services firms providing such skills to the well-established Defined Benefit Pension Scheme trustee market. An open and transparent recruitment process was implemented, which involved the Chair of trustees in the appointment of other trustees, to ensure credibility and independence.

### **Short Biographies for each of the Trustees**

- **Zahir Fazal - Chair**

Zahir is a Chartered Accountant and a Director of BESTrustees plc. His current appointments cover a wide range of pension schemes, both defined benefit and defined contribution, and diverse industry sectors. He has several appointments as Chair of Trustees, is a trustee of a Master Trust and also Chairs two Governance Committees for contract based pension arrangements.

- **Giles Payne**

Giles has over 25 years' experience in pensions, having worked for consultancies, an insurance company, an asset manager and now as an Independent Trustee. Giles chairs 5 schemes and works with another four investment sub-committees. Before joining HR Trustees, he worked for 10 years for Legal & General Investment Management as a client manager, looking after a range of schemes covering various investment mandates, including both defined benefit and defined contribution.

- **Andrew Parker**

Andrew is involved in a number of pension trustee boards of varying sizes and complexity, in both defined benefit and defined contribution areas. He chairs several of these trustee boards. He joined Law Debenture from BT Group where he was a sponsor-nominated trustee director of the BT Pension Scheme (BTPS). Andrew is also a director of Law Debenture Governance Services and leads the governance services practice across corporate and pension trustee boards. Andrew is a solicitor by training.

- **Paul Parsons**

Paul has worked in Management and Executive positions within the Customer Services and Information Technology functions of ReAssure and other group companies for the past 30 years. During that time he has contributed towards the implementation of the key business administration and system strategies of the Company and played a key operational role in historic business acquisitions and migrations

- **Simon Thomlinson**

Simon is an actuary and has over 25 years of experience in financial services in both mutual and proprietary organisations. He joined ReAssure in 2006 with the acquisition of the GE Life group of companies, where he was responsible for the development of individual pensions business. He sat on the Trustee Board of the defined benefit pension scheme, with particular focus on the terms on which schemes were merged.

The independent Trustees have completed the Pension Regulator’s toolkit and undertaken sufficient CPD to meet the requirements of the Association of Professional Pensions Trustees. The two non-independent trustees were selected to bring valuable in-depth ReAssure policy -specific knowledge and understanding to the work of the Trustee Board. They are bound to act in the interests of scheme members, in their capacity as trustees. However, they will also be working through The Pensions Regulators Trustee Toolkit training to ensure they have the latest knowledge around their responsibilities as trustees.

Membership will be reviewed on a regular basis, to ensure that the independent trustees continue to be independent and the balance of expertise is appropriate. Action would be taken if it is considered that any trustee has subsequently taken on other responsibilities that compromise their independence. Single fixed terms of no longer than five years (with a cumulative maximum duration of ten years if reappointed) ensure trustees continue to be able to challenge effectively.

This satisfies the requirements to ensure current trustees have the appropriate skills and expertise. ReAssure provided good support to the Trustee Board during 2015. The Trustee Board intends to build on this first year of activity and continue to serve its purpose and act in the interests of ReAssure’s members of the Master Trust.

On behalf of the trustees:

Signature: .....

Title: .....

Date: .....