

# ***ReAssure Trustees Limited***

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## **National Pension Plan for Working Wives of General Practitioner Dentists**

### **Annual Governance Statement for the Year Ending 31 March 2017**

#### **Introduction**

This is the second year that I have prepared a statement as Chair of ReAssure Trustees Limited (previously 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 Chair Statement covers the period 1 April 2016 to 31 March 2017 and deals with the following key areas:

- the investment strategies followed
- that core financial transactions are processed promptly and accurately;
- that the value of charges and transaction costs borne by scheme members is reasonable; and
- that the trustee board has the knowledge and understanding necessary to run the scheme properly



Zahir Fazal, Chair, ReAssure Trustees Limited

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

### **Transaction 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

<b>Charges During Scheme Year 1 April 2016 to 31 March 2017</b>	
Bid/Offer Spread	5%
Loyalty bonus	n/a but a Terminal Bonus may be payable on the With Profit Fund
Initial units	Premiums allocated to initial units for first 2 years of payment
Annual management charge on ordinary units	0.75%
Annual management charge on initial units	4.0.0%
Investment Management Charge	n/a
Policy fee – regular premium	£1.00 per month fixed
Policy fee – single premium	n/a

<b>Charges from 1 January 2017</b>	
<b>Charge Capping</b>	We have agreed with ReAssure that your policy will be subject to a cap on ongoing charges on accumulation units of 1%, including the bid offer spread or similar explicit transaction costs incurred. This was implemented in May 2017 and backdated to take effect from 1 January 2017
<b>Exit Charge Capping</b>	In addition, a 1% exit charge cap was introduced on the 19 January 2017 for customers who want to take or move their benefits once they reach 55 years of age
<b>New Funds</b>	Finally, ReAssure have included details of three new funds available to you in the annual statement they send you. These funds have an Annual Management Charge of 0.65%, and no 'bid offer spread'. These funds do bear their own investment expenses which vary over time, the charges at present range between 0.06% and 0.09%.

## **Transaction Costs**

Charges and transaction costs are applied to the fund before the bonus rates are declared.

Transactions 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 2017/18

## **Value for Money**

As trustees we have a legal duty to assess whether you are getting value for money. As part of this assessment it is important that we not only look at the charges, but also at the scope and quality of the services provided to our members across the core areas of customer service, customer proposition, investment performance and scheme governance and management.

In assessing the value for money, we as trustees have taken into account the following.

### **Customer Service**

ReAssure have provided us with a set of agreed customer service standards and they report to us quarterly on how they are doing against these service standards. Across the vast majority of these, ReAssure have met and exceeded the agreed service standards for our members'. Also, their customer satisfaction rating is above the industry average.

### **Customer Proposition**

When members come to retirement ReAssure provides help in making sure our members make the most of their pension funds by:

- introducing members who want to buy an annuity to LV=, a specialist annuity provider who give our members access to the best annuity rates available in the market from a panel of annuity providers
- making available a simple, low cost, flexible drawdown product, the Retirement Account.
- offering members access to the ReAssure Retirement Planning Tool which allows our members to explore their retirement options on-line.

### **Investment Performance**

The National Pension Plan for Working Wives of General Practitioner Dentists is invested in a With-Profit fund which gives a guaranteed rate of 5.75% which is in excess of the returns the underlying fund made during the year. 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.

Taking the above factors and the charge capping that has been implemented with effect from 1 January, ReAssure Trustees Limited believe that your scheme offers you value for money.

## **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 and Performance

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.

The Windsor Life With-Profit 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-Profit business held in the fund. A PPFM was first published in April 2004 and the latest version of the PPFM can be found on [ReAssure.co.uk](http://ReAssure.co.uk).

The ultimate responsibility for the management of ReAssure's With-Profit 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 includes 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-Profit 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 2016. 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-Profit business and how it addressed the conflicting requirements of different groups of policyholders and shareholders. The latest report can be found on [ReAssure.co.uk](http://ReAssure.co.uk).

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 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.

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 Trustees will receive minutes and reports of the BIC on a quarterly basis to ensure that appropriate monitoring of investment performance is ongoing.

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. The Trustees are satisfied that robust monitoring is in place and action is taken where appropriate.

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.

## **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 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. 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. 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.

The Trustee Board intends to build on this year’s activity and continue to serve its purpose and act in the interests of ReAssure’s members of the National Pension Plan for the Working Wives of General Practitioner Dentists.

On behalf of the trustees:

Signature: .....

Title: .....

Date: .....