

ReAssure Trustees Limited

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ReAssure Number Three Executive Pension Plan Annual Governance Statement for the Year 2017

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 ReAssure Number Three Executive Pension Plan. 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 the annual statement is based on when the Scheme Year End falls. However, the ReAssure Number Three Executive Pension Plan comprises of 768 Principal Employers, all of whom have their own Scheme Year End, therefore the annual statement is being based on Calendar Years.



Zahir Fazal, Chair, ReAssure Trustees Limited

**Prepared in Accordance with Regulation 23 of the Occupational Pensions Schemes
(Scheme Administration) Regulations 1996 (The 'Regulations')**

Introduction

From 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 any default arrangements are designed in members interests and kept under regular review;
 - 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
- informing members about the increased range of options they have at retirement

The requirement to produce an annual statement is based on when the Scheme Year End falls. However, the ReAssure Number Three Executive Pension Plan comprises of 768 Principal Employers, all of whom have their own Scheme Year End, therefore the annual statement is being based on Calendar Years. This approach has been discussed with The Pensions Regulator and approved by the Trustees on 28 January 2016.

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

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 *HSBC Global Asset Management* (HGAM). 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 can select funds from a wide range available, which represent the major asset classes. ReAssure allow members 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. 49 % of members' money is held in the diversified Balanced Fund. This comprises approximately 75% equities and invests across a wide range of asset types, industry sectors and geographic areas. A further 22% of customers' money is held in the UK All Company Tracker fund, 13% in the UK Equity fund, 11% in the Global Equity fund, and the other 18% across a range of funds including UK Fixed Interest fund, Defensive fund and in the Money Market fund.

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 have concluded that the investment strategies are designed and executed in the interests of customers and include 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 company who is a member of the Financial Services Compensation Scheme (FSCS). The FSCS protects consumers should an authorised financial firm goes 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.

Transactions Processing

We received management information and reporting from ReAssure to confirm that important financial transactions, such as receipt of contributions, 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

The product charges for existing contributions to the ReAssure Number Three Executive Pension Plan are:

- Bid/offer spread of 5%
- Allocation rates for regular premiums between 65% and 102%
- Allocation rates for single premiums between 100% and 103%

The product charges for existing funds are:

- 1% annual management charge (no additional transaction charges)
- A Loyalty Bonus is payable when taking retirement, early retirement or on death but not on transfer. These are based on a percentage of the bid value of units
 - 10 Years + 2%
 - 15 Years + 3.5%
 - 20 Years + 5%
 - 25 Years + 6.5%
 - 30 Years + 8%

New contributions where a member increases their premium

- Since the business transferred to ReAssure, where a customer increases their existing contribution, the new monies get an allocation rate of 100% with no 'bid offer spread'.

Last year the Master Trust Board reviewed the product charges associated with the ReAssure Number Three Executive Pension Plan, and identified some areas where value for money should be improved. We have worked with ReAssure Limited and are pleased to announce the following:

Charge Capping

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 will be implemented in May 2017 and backdated to take effect from 1 January 2017.

Exit Charge Capping

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.

New Funds

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%.

Trustee Knowledge & Understanding

ReAssure 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.

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: