



# **W A Fairhurst & Partners 1997 Retirement Plan**

## **Chair's Statement**

1 July 2021 to 30 June 2022

# Contents

<b>01</b>	<b>Introduction</b>	<b>3</b>
01.01	Governance and Queries	3
<b>02</b>	<b>Default Investment Strategy and net returns</b>	<b>4</b>
02.01	The default investment option	4
02.02	Reviewing the default investment arrangement	5
02.03	Investment Performance (net returns)	5
02.04	Fund Performance	6
02.05	Self- select funds	6
<b>03</b>	<b>Charges and transaction costs</b>	<b>7</b>
03.01	Investment Manager Charges	7
03.02	An illustration of the charges levied on members	7
03.03	What are the assumptions based on?	8
<b>04</b>	<b>Core financial transactions</b>	<b>9</b>
04.01	Assessing Core Transactions	9
<b>05</b>	<b>Value for Members</b>	<b>10</b>
05.01	Assessment of Value	10
05.02	Service Providers	10
05.03	Data security and accuracy of records	11
05.04	Conclusion	11
<b>06</b>	<b>Trustee Knowledge and Understanding</b>	<b>12</b>
06.01	Knowledge and understanding of the Trustee	12
06.02	Trustee Training	12
06.03	Conclusion	12
<b>07</b>	<b>Conclusion</b>	<b>13</b>

# 01 Introduction

## **This is the Chair's Statement for the W A Fairhurst & Partners 1997 Retirement Plan (the "Plan")**

As the Chair of the Trustee, I provide you with a yearly statement which explains what steps have been taken by the Trustee Board, with help from our professional advisers, to meet the required governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Plan provides Defined Contribution ('DC') benefits to members depending on their membership category and is used as a qualifying scheme to comply with the automatic enrolment legislation in the UK, in relation to current employees. Accordingly, the Money Purchase Section of the Plan has a default investment option, and this is explained further in section 2.

### **01.01 Governance and Queries**

The Trustee is committed to having high governance standards. The Trustee meets regularly to monitor the controls and processes in place in connection with the Plan's investments and administration.

I welcome this opportunity to explain what the Trustee does to help ensure the Plan is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do contact the Trustee at the following address:

#### **The Trustee of the W A Fairhurst & Partners 1997 Retirement Plan**

c/o Alistair Scott, Secretary to the Trust Company

Fairhurst

300 Bath Street

Glasgow

G2 4JR

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**£16.5m**

Total Defined  
Contribution funds  
in the Plan.

# 02 Default Investment Strategy and net returns

## Statement of Investment Principles ("SIP")

A copy of the SIP, which sets out the objectives for the Plan's investment strategy, can found at <https://www.fairhurst.co.uk/site-information/pension-matters/>

### 02.01 The default investment option

The Trustee provides members access to a range of 5 funds, provided by the Investment Managers, Baillie Gifford and Legal & General Investment Management ("LGIM").

Members can choose any of three "Growth" funds according to their risk appetite. As part of the default lifestyling process these will be transferred to the "Protection" funds as shown in the table below.

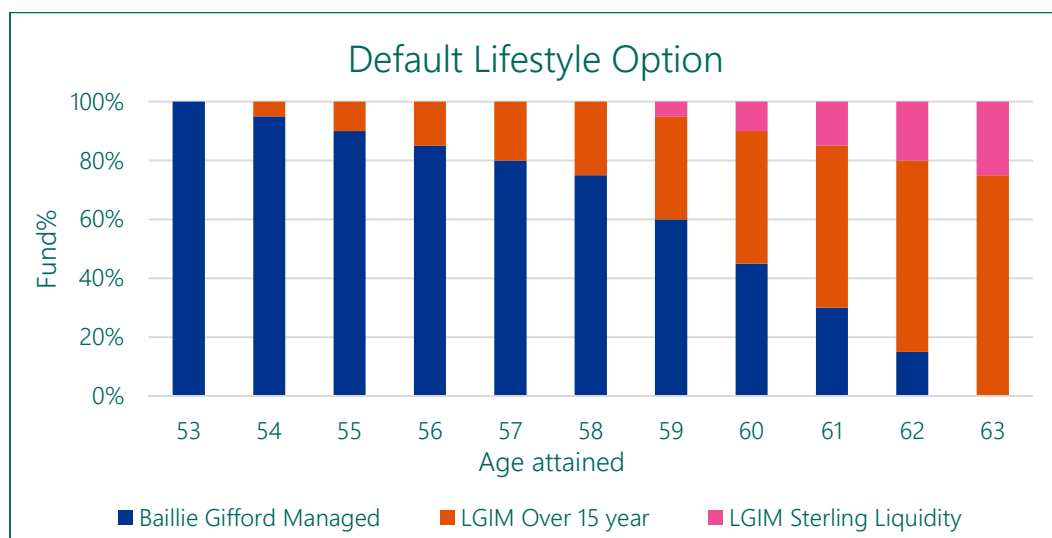
The default option is a combination of the **Baillie Gifford Managed Pension Fund**, the Growth phase, allied with the Protection engine (LGIM Over 15y Gilts Index and LGIM Sterling Liquidity Fund designed to stay in line with the cost of buying an annuity at retirement).

If a member fails to make any choice, then their funds will be invested in line with the default strategy.

Irrespective of which Growth engine the member selects, within 10 years of retirement the Protection engine would be automatically activated. This Protection engine is basically the same "life-styling" process as is already available under the Plan.

The protection engine is a process in which, over the 10-year period from reaching 53 years of age, a member's fund is gradually transferred to the existing Legal & General Gilts and Cash funds, in order to eliminate the risk of a drop in equity values or change in annuity rates immediately prior to retirement.

The funds will be switched each year in line with the chart below:



The proportions in the default investment option have been selected to be consistent with members accessing their benefits in the form of an annuity. The Plan allows members to adapt the lifestyle to reflect their own appetite for risk to suit member's needs.

The Trustee has reviewed the Investment Manager's policy on environmental, social and governance ("ESG") issues and have delegated the ongoing monitoring and management of ESG risks and those related to climate change to the Plan's investment managers. The Trustee Directors require the Plan's investment managers to take ESG and climate change risks into consideration within their decision-making, recognising that how they do this will be dependent on factors including the characteristics of the asset classes in which they invest.

## **Default Investment Strategy and net returns continued**

The Trustee Directors, with the assistance of the investment adviser, monitor the processes and operational behaviour of the investment managers from time to time, to ensure they remain appropriate and in line with the Trustee Directors' requirements.

With regard to the realisation of investments, all of the assets are held in asset classes that are sufficiently liquid if the Trustee or the members should require (i.e. the underlying investments are traded regularly on a public exchange or invested via units in a pooled fund with frequent dealing dates).

### **02.02 Reviewing the default investment arrangement**

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The Trustee is expected to review the investment strategy and objectives of the default investment option at regular intervals. As required under legislation, a review of the default investment option, including a review of the performance of the underlying funds, should be carried out at least every 3 years to ensure it is delivering good value to members.

In the period covered by this statement no review had been carried out. However, the Trustee continually monitors the investment performance and how members are accessing their benefits.

As a result of the monitoring over the period covered by this Statement, along with advice from the Plan's investment advisors, the Trustee concluded that the current default investment option has met its aims and objectives and offers the members 'average' value. The next full review is due this year and there are currently no plans to change the default investment option at this time.

The lifestyling element of the default investment option is kept under review for suitability considering the choices that members make at retirement.

In addition to considering the membership profile, the Trustee also looks at the level of risk and number of investment funds offered to members, changing long-term investment market conditions and the investment products and techniques available in the marketplace and concluded that where the members decide to invest beyond the default option the individual members must bear some responsibility for assessing their own risk for making an informed choice on investments.

During the period covered by the Statement, the Trustee has reviewed the performance of the underlying funds in the default investment option against the aims and objectives set out in the Statement of Investment Principles (SIP). This review included analysis of fund returns measured against their benchmarks and other general market trends and the Trustees continue to believe that the long term performance of these funds meet the aims of the SIP.

### **02.03 Investment Performance (net returns)**

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Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the default arrangement(s) and for each fund which Plan members are, or have been able to, select, and in which Plan members are invested during the Plan year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this Statement is intended to help members understand how their investments are performing.

# Default Investment Strategy and net returns continued

## 02.04 Fund Performance

XPS provide the Trustee with quarterly investment performance information to monitor the Default Investment, which it reviews and challenges in Trustee meetings. The Trustee raises performance questions directly with the investment managers and also with XPS, the appointed investment adviser.

This table shows how the Default Fund has performed for members at three different ages, over the last one, three and five years with a target retirement date of 63.

	1-year return	3-year return (annualised)	5-year return (annualised)
<b>Default</b>	<b>%</b>	<b>%</b>	<b>%</b>
Age 25	-28.00	1.90	4.80
Age 45	-28.00	1.90	4.80
Age 55	-27.23	0.67	3.83

Source: Baillie Gifford. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.

## 02.05 Self- select funds

As self-select funds are constant profiles and unlike the Pre-selects do not lifestyle funds in line with age or time to retirement they can be shown as a single value for each fund. To help members understand how this changes over time, fund performance has been shown for 5 years, 3 years and the last Plan Year.

	1-year return	3-year return (annualised)	5-year return (annualised)
	<b>%</b>	<b>%</b>	<b>%</b>
Baillie Gifford Global Alpha	-23.60	-	8.00
Legal & General Diversified Growth	-5.23	2.90	4.17
Legal & General Over 15 Year Gilts Index	-22.86	-6.29	-1.67
Legal & General Sterling Liquidity	0.35	0.38	0.47

Source: LGIM, Baillie Gifford. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.

# 03 Charges and transaction costs

## 03.01 Investment Manager Charges

The Trustee has selected a range of funds which it believes to be appropriate for members of the Plan. The funds are managed by Baillie Gifford and Legal & General Investment Management (LGIM).

All the funds offered with the exception of the LGIM Diversified Fund and Over 15 Year Gilts Fund are “actively managed”, which means they make regular trades to try to achieve excess returns. Members may self-select their investment strategy, choosing the growth fund that most meets their risk profile and views. Alternatively, if they do not make a choice, their funds will be invested in the default investment option.

## Transaction Costs

Transaction costs are the costs associated with buying and selling of investments and include for example stamp duty and brokerage fees. Transaction costs are incurred when contributions are invested, on switching between funds and when selling investments to take benefits. The following table indicates transaction costs incurred by each of the funds available for investment over assessment periods monitored by the investment manager:

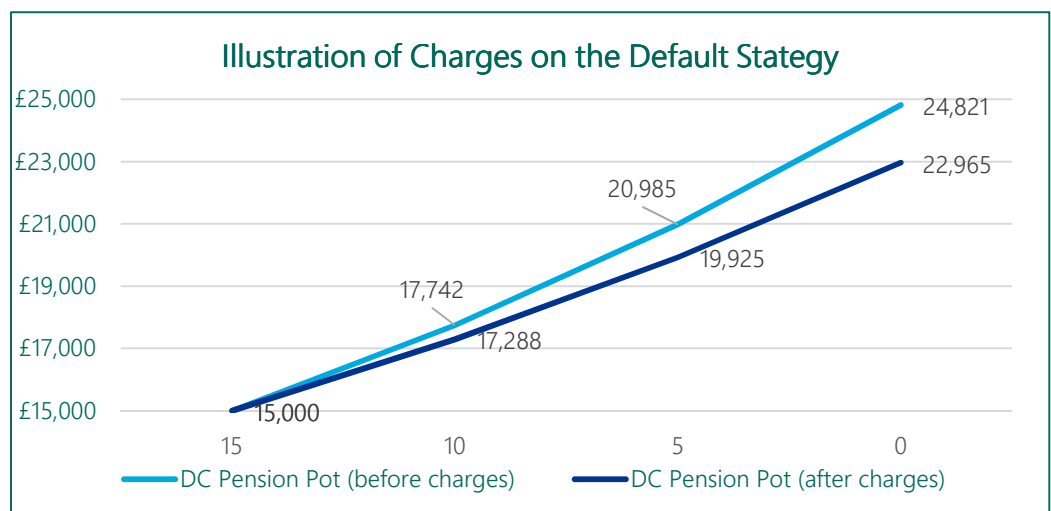
The charges and other expenses applied to the individual funds available to members during the Plan year, were:

Fund Name	Total Expense Ratio (%)	Transaction Costs (%)
Baillie Gifford Managed Fund	0.43	0.122
Ballie Gifford Global Alpha Pension Fund	0.59	0.061
Legal & General Diversified Growth Fund	0.35	0.000
Legal & General Over 15 Year Gilts Index Fund	0.10	0.036
Legal & General Sterling Liquidity Fund	0.21	0.000

Source: XPS Investment – WA Fairhurst & Partners 1997 Retirement Plan  
Costs and charges under the Plan (for investments held as at 30 June 2022)

## 03.02 An illustration of the charges levied on members

Below you can find an illustration of the effect of the Total Expense Ratio and transaction costs met by members. The below is an example pension pot, invested in the default investment strategy, and is in real money terms. Further information is in Appendix B.



# Charges and Transaction Costs continued

This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- > The member is 50 years old at the start of the calculation.
- > The member has an initial pot size of £15,000.
- > The member has a starting salary of £30,000.
- > The member is currently 15 years from Normal Retirement Date.
- > No contributions will be made over the period.
- > Projected values are shown in terms of current prices, i.e. the actual figures will be higher to the extent that there is future inflation. Inflation is assumed to be 2.5% per annum.
- > Charges (including transaction costs) are assumed to remain at the same level (as a percentage of assets) over the period of the projection as they were for the year ending 30 June 2022.
- > Investment returns on the funds the Plan invests in are assumed to be 6.00%.

## 03.03 What are the assumptions based on?

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In preparing these illustrations, the Trustee has had regard to:

- > The Department for Work and Pensions' 'Reporting of costs, charges, and other information: guidance for trustees and managers of relevant occupational schemes' – effective from 1 October 2021;
- > Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council;
- > The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20; and
- > The Occupational Pension Plan (Administration and Disclosure) (Amendment) Regulations 2018).



# 04 Core financial transactions

## 04.01 Assessing Core Transactions

During the year, the Trustee ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Plan Administration) Regulations 1996 were met and that the Plan's core financial transactions relating to the Plan were processed promptly and accurately by:

- > having an agreement in place with XPS Administration (as Plan administrator), committing them to defined service level agreements ('SLAs'). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions;
- > having XPS Administration report on their performance against the SLAs as a means of monitoring that the SLA requirements are being met and to cover what they do to ensure no issues arise; and
- > having the Plan auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

Where any error or issue is identified, the Trustee board takes appropriate steps to resolve and take action as required. We can confirm there were no material issues in the Statement period on which to report. As part of the journey-planning, a risk register is maintained in order to minimise the occurrence of any issues and to understand any root cause.

The core financial transactions include:

- > **The investment of contributions** - The Plan's administrator monitors the payment of contributions to the Plan by the Company, ensuring that these are paid within statutory timescales. Any late payment outside these timescales is reported directly to the Trustees and appropriate action taken. The settlement of all DC funds is actioned promptly by the administrator and the Trustees monitor the service standards of the Plan's administrator.
- > **The transfer of assets relating to members into and out of the Plan** – The Plan's administrator maintains and reconciles comprehensive records of individual member's contributions and fund values. Contributions are invested within 5 working days of receipt. Any investments withdrawn or transferred to another scheme/Plan are processed within 10 working days following receipt of all relevant paperwork, subject to any investigations required where there is evidence of a pensions scam.
- > **The transfer of assets relating to members between different investments within the Plan** – Transfers between Plan investments take place annually and are accomplished as quickly as possible.
- > **Monitoring of bank accounts** – There is a dedicated contribution processing team, checking investment and banking transactions.
- > **Payments to members** – All payments out of the Plan in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Plan rules and legislation and also complies with HMRC rules and guidance. In addition, every effort is made to check for possible pension scams.

Noting the requirement for accurate member data to process contributions and payments correctly, the Trustees are taking steps to continually review and where necessary, correct any problems with the member data which is held by the Plan administrator. This is reported each year to the Pensions Regulator in the online scheme return.

# 05 Value for Members

## 05.01 Assessment of Value

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The Trustee has reviewed Value for Members 'VfM' considering the latest guidance from the Pensions Regulator and Department for Work & Pensions for relevant schemes such as this.

The Trustee has also taken advice from XPS Pensions on the VfM requirements and received a report from XPS Pensions in January 2023 considering whether the Plan provides good value, which the Trustees reviewed in January 2023.

When assessing the charges and transaction costs payable by members, the Trustees are required to consider the extent to which the investment options and the benefits offered by the Plan represent good value for members when compared to other options available in the market. The Trustees have concluded that the charges and transaction costs element represent good value and in addition have considered the following areas:

- > the **processes that are in place** to ensure the efficient administration and governance of the Plan (which include those explained in the 'Core financial transactions' and the 'Knowledge and understanding of the Trustee' sections of this Statement);
- > The **costs and charges that are payable** by members are shown to be providing good value when compared to the comparator schemes within the assessment.
- > The security, accuracy and ongoing review of Plan data. This includes the processes carried out by the administrators (e.g. providing AAF reports and ensuring they are in line with ISO requirements)
- > the **returns achieved by the investment funds** compared to the charges and transaction costs that are met by members (as set out in this Statement);
- > the **type and range of investment options** that are offered as laid out in the Statement of Investment Principles offering different risk rated lifestyles. The Trustee regularly monitor both the performance of the funds and can take action to make changes when required. The performance of the funds is discussed at each meeting including how members' funds are invested. The Trustee discuss whether it is satisfied that the investment funds offered and communications concerning those investment funds are appropriate and offer members the opportunity to maximise the value of contributions to the Plan;
- > the **quality of communications** and other services provided to members on an annual and ad-hoc basis which are provided by the Plan Administrator within the legal timescale;
- > the **Company pays directly** for most services with the exception of small transaction costs.

## 05.02 Service Providers

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In addition to assessing the costs charged by service providers, the Trustee keep providers' service levels under review.

The Trustee monitors XPS Administration's performance on a biannual basis against its agreed 90% SLA. This provides the Trustee comfort that the Plan is being administered competently and in-line with its expectations. During the period XPS' performance met this SLA. The Trustee therefore believes that XPS Administration provide a service which offers good value for members and core financial transactions were accurate and timely.

# Value for Members

## continued

### 05.03 Data security and accuracy of records

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The security, accuracy and ongoing review of data is the foundation of any pension arrangement, as it drives the provision of accurate benefits.

The Trustee has ensured that Plan members data is secure and is processed in accordance with the requirements of the Data Protection Act 2018. The Plan administrator has provided an AAF report and is compliant with ISO requirements.

The Plan also has a GDPR risk register, privacy statement and up to date breach policy.

### 05.04 Conclusion

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Assessment of value for members is an ongoing process and the Trustee undertakes a review each year to ensure the Plan continues to offer good value, and that any changes in legislation, market conditions or member views are reflected for the benefit of members.

The review reported that the Trustee met all their legal obligations but that improvements could be made in certain areas. Any change should take a pragmatic approach and overall, the Trustee deemed that the Plan does provide members with good value.

# 06 Trustee Knowledge and Understanding

## 06.01 Knowledge and understanding of the Trustee

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The Trustee is satisfied that they have complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004.

The Trustee has knowledge of the law relating to pensions and trusts, principles of investment and the requirements for funding a pension scheme. This is evidenced by the Trustee interaction with its advisors as shown in the Trustee meeting minutes, and the governance framework established by the Trustee to review the performance of the Plan.

The Trustee has exercised their discretions and powers in line with the Trust Deed and Rules, current legislation and, where required, legal advice has been taken, demonstrating its working knowledge of the Plan's Trust Deed and Rules.

Upon appointment and subsequently each trustee director is required to maintain appropriate levels of trustee knowledge and understanding, both individually and collectively. This is managed in a number of ways including:

- All Trustee directors are required to complete the Pensions Regulator's eLearning trustee toolkit
- The regular reviews of Trustee training requirements with action as appropriate
- Additional Trustee training provided by our advisers, as required.

## 06.02 Trustee Training

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In-house training is offered, use of the Pensions Regulator's (TPR's) online Trustee Toolkit is encouraged, and Trustee's attend external seminars and updates. The Trustees' advisors provide in-meeting training on new legislation and literature published by TPR relating to its Codes of Practice, in particular Code of Practice no. 13.

The Trustees also make use of a team of expert advisers. Investment advisers, representatives from the third-party administrator, and other experts including legal advisors regularly attend meetings of the Trustee's.

## 06.03 Conclusion

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The Trustee has also appointed professional advisers who provide advice and support to ensure the Trustee is able to manage the Plan properly. Therefore the Trustee is comfortable that it has sufficient knowledge and understanding of the law relating to pensions and trusts, sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes, and that the Trustee Directors' combined knowledge and understanding, combined with the advice it receives, enables it to properly exercise its functions.

# 07 Conclusion

“Overall, the conclusion is that the Plan is continuing to deliver good value for money to the members”

The annual production of this Statement provides members with a narrative of how the Trustee Board looks after members’ interests, especially in the areas of the five key elements within this Statement listed below.

- > Default investment strategy
- > Charges and transaction costs, and net investment returns
- > Core financial transactions
- > Providing value for members
- > Trustee Knowledge and understanding

The Board will continue to monitor these key areas and report to members both via the annual Chair’s Statement and other communications as appropriate. In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair’s Statement requirements, in the belief that the Plan was operated and governed appropriately during the reporting period and provided good value to members.

Signature



Date

16 March 2023

Name

M Peden

Qualification

Chairman of the Trustee  
WA Fairhurst & Partners 1997  
Retirement Plan

