



# **Peerless Limited Pension Scheme**

## **DC Chair's Statement**

1 September 2018 to 31 August 2019

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#### **Disclaimers, confidentiality and non-disclosure**

This note has been commissioned by the Trustees of the Peerless Limited Pension Scheme. The intended users of this note are the members. Its scope and purpose is to provide the Trustees with a report for members to demonstrate the governance of the scheme in line with legislation to publish an annual Chair's statement. In preparing this Statement and illustrations, the Trustees has had regard to:

- > The Occupational Pension Schemes (Scheme Administration) Regulations 1996;
- > The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018;
- > The Pensions Regulator's Code of Practice number 13 on 'Governance and administration of occupational trust-based schemes providing money purchase benefits'; and
- > The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix.

Any advice has no wider applicability. It is not necessarily the advice that would be given to another client or third party whose objectives or requirements may be different. We retain all copyright and intellectual property rights.

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# 01 Introduction

**This is the Chair's Statement for the Peerless Limited Pension Scheme, (the "Scheme") covering the period 1 September 2018 to 31 August 2019.**

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

The aim of this statement is to provide members with details regarding the steps taken by the Trustees to meet the governance standards that apply to the Scheme's Defined Contribution ('DC') pension arrangements.

The DC Section has a single investment option and this is explained further in section 2.

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**£593K**

Total defined contribution funds in the Scheme.

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## 01.01 Governance and Queries

The Scheme is managed and administered by the Trustees in accordance with the Scheme Rules and relevant legislation.

The Trustees are committed to having high governance standards and we meet regularly to monitor the controls and processes in place in connection with the Scheme's investments and administration.

The Trustees welcome this opportunity to explain what the board of trustees does to help ensure the Scheme 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 Lea-Ching Wan at:

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Sapphire House,  
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Or via email: [l.wan@rpc-group.plc.uk](mailto:l.wan@rpc-group.plc.uk)

The Peerless Limited Pension Scheme ("the Scheme") is governed by the Definitive Trust Deed, dated 22 August 1994, including subsequent amendments.

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## 01.02 Contributions

There are no contributions being made to the Scheme.

# 02 Default Investment Strategy

## No SIP requirement

Schemes with fewer than 100 members are not required to prepare a SIP.

### 02.01 The investment option

As at 31 August 2019, the only section of the Scheme providing members with defined contribution benefits was the DC Section.

The investment fund is the Prudential With-Profits (Cash Accumulation) Fund ("Prudential With Profits Fund"). This invests in a combination of equities, fixed interest investments, property investments and cash. This strategy is not tailored to the individual members and there is no provision to reduce volatility in the years before a member's retirement.

This section is not used for auto-enrolment purposes and therefore is not covered by the auto-enrolment requirements for default funds.

As the Scheme has less than 100 members, there is no requirement for the Trustees to prepare a Statement of Investment Principles (SIP). There is also no requirement to prepare a SIP in relation to the default fund since the DC section was closed to future contribution before the requirement arose.

Within the period covered by this report, 100% of members had their contributions invested in the Prudential With Profits Fund.

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## Winding-up

The most recent review of the fund range and investment strategy and performance was concluded and signed off in December 2019.

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### Reviewing the default investment arrangement

In March 2018, the Trustees began a review of the current arrangement's investment strategy and performance. The review was held as a result of the introduction of the "Freedom & Choice" DC flexible benefit changes and primarily considered whether the current investment option remained appropriate.

This review incorporated an analysis of perceived member needs. During this review, the Trustees took advice from their investment consultant and the Trustees considered the extent to which the return on investments relating to the arrangement (after the deduction of any charges relating to those investments) was consistent with its investment aims and objectives for the current arrangement. This review also included analysis of the fund returns against their benchmarks and consideration of general market trends. The Trustees also considered the membership profile of the DC Section, the risk profile and number of investment funds offered to members, the changing long-term investment market conditions and the investment products and techniques available in the market place.

Following the advice of their investment consultants, the Trustees decided to wind-up the Scheme without altering either the Scheme's default option with the Prudential With-Profits Fund or the range of options available to members. This had been agreed on the basis that Prudential would add four Dynamic Growth Lifestyle Funds to the range of options that would become available to members following the wind up of the Scheme. In addition, members with benefits of less than £18,000 will have the option of taking a Winding Up Lump Sum (WULS).

Subsequently on 11 December 2019, the Principal Company notified the Trustees of its intention to terminate its liability to pay contributions to the Scheme and requesting that the Trustees wind-up the Scheme.

# 03 Charges and transaction costs

## 03.01 Investment Manager Charges

The fund is administered on a DC platform managed by Prudential Administration.

Members had invested their contributions into one fund via the prudential online platform.

The charges and transaction costs applied to the investment fund (which are averaged across the membership based on the split of their investments) were:

Fund Name	Total Expense Ratio (TER)	Transaction Costs	Total Costs
Prudential With Profits Fund	1.25%	0.06%	1.31%

\*TER represents the sum of the Annual Management Charge (AMC) and Additional Fund Expenses (AFEs).

The Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, introduced in January 2018, aim to help investors to better understand and compare the key features, risks, rewards and costs of different investments through access to a short and consumer-friendly Key Information Document (KID).

In producing this statement, the costs and charges shown make reference to this Regulation and, where possible, amalgamate any underlying costs. As a result, the statement does not try to detail all the trades made in the management of the fund but amalgamates this into the overall charges applicable.

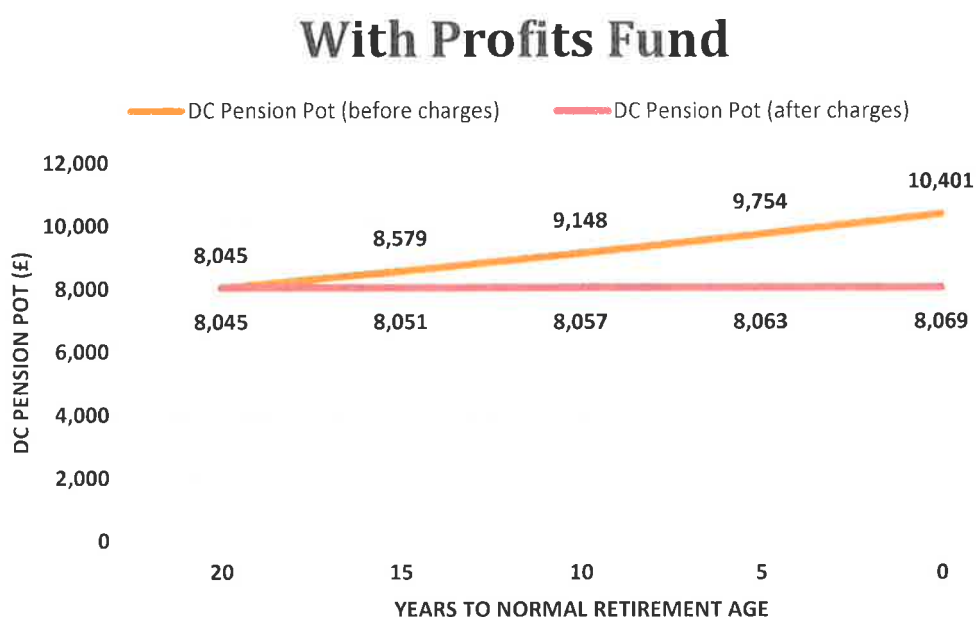
## 03.02 Administration Charge

The members currently meet the administration costs (included in the TERs, above) in relation to the Scheme.

## Charges and transaction costs continued

### 03.03 An illustration of the charges levied on members

Below you can find an illustration of the effect of the total costs met by members on an example pension pot over time.



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

- > The Scheme's investment option (as detailed in section 2)
- > An initial pension pot of £8,045;
- > Average member age of 45;
- > No further contributions being made throughout the period to Normal Retirement Date;
- > Investment returns (before charges) are estimated as 3.83% p.a. for the Prudential With Profits Fund.
- > Inflation of 2.5% p.a.

Illustrations for the fund invested is shown in Appendix A of this Statement.

### 03.04 What are the assumptions based on?

In preparing these illustrations, the Trustees have 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'.
- > Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council and

The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.



# 04 Core financial transactions

## 04.01 Assessing Core Transactions

During the year, the Trustees ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately. For example:

- > There is an agreement in place with Prudential (as Scheme administrator), committing them to defined service level agreements ("SLAs"). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions. The Trustees consider that core financial transactions were processed promptly and accurately during the year.
- > Prudential report on their performance against the SLAs above so that the Trustees can monitor that the SLAs are being met. These reports also provide details of any breaches or complaints identified in the period and explain the action taken.

The Scheme administrator carries out an annual audit to check that internal control procedures are being followed. There were no significant issues identified during the year.

The core financial transactions include:

- > **The transfer of assets relating to members into and out of the Scheme** – The Scheme's administrator maintains and reconciles comprehensive records of fund values.
- > **The transfer of assets relating to members between different investments within the Scheme** – Transfers between Schemes investments are accomplished as quickly as possible.
- > **Payments to members** – All payments out of the Scheme 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 Scheme 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 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 Scheme administrator. This is reported each year to the Pensions Regulator in the online scheme return.

## 04.02 Administration

The Trustees closely monitor the administration function to ensure the best service possible in order to provide good value for members.

# 05 Value for Members

## 05.01 Assessment of Value

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for members when compared to other options available in the market. Good value means different things to different people at different times. What is clear, however, is that it is a balance of costs against benefits (including the features, quality of service etc).

The Trustees, with support from their adviser, XPS Consulting, have undertaken a value for members' assessment. This assessment concluded that the charges and transaction costs shown in this Statement may not represent good value for members having considered the following elements:

- > the **processes that are in place** to ensure the efficient administration and governance of the Scheme (which include those explained in the 'Core financial transactions' and the 'Knowledge and understanding of the Trustees sections of this Statement);
- > the **returns achieved by the investment fund** compared to the charges and transaction costs that are met by members;
- > the **type and range of investment options** the Trustees carried out a full review of the funds last year and considered if it is suitable to make any new funds available to members.
- > The **quality of communications** and other services provided to members on an annual and ad-hoc basis which are provided by the Scheme's administrator within the legal timescales.

The Trustees continue to Review value for members in accordance with the DC Code of practice 13.

## 05.02 Service Providers

Service level agreements with Prudential set out standards for accuracy and the timeliness of processes. They also detail the processes to be followed if these standards are not met. The Trustees receive quarterly reports from the Scheme administrators upon request that enables it to monitor the administration service and, in particular, that agreed service levels are being met.

## 05.03 Communications

### **The range of communication channels used, such as face-to-face, post, email and website**

The Scheme is committed to producing clear and concise communication materials that are appropriate for its members.

Throughout the member's journey, the Scheme provides a range of statutory and non-statutory communications including information on costs and charges, on the investment choices, and on when and how members can access their retirement savings. This information is designed to assist members in understanding the impact of their decisions. The Scheme's main communication channels are online or email, however the Scheme recognises that some members may not wish or be able to communicate with the Scheme in this way. The Scheme therefore allows members to elect for paper communications if they

## Value for Members continued

prefer or they can telephone the Scheme helpline. In addition, members are provided with annual newsletters to provide up to date information and general Scheme news.

### **05.04 Flexibility - accessing benefits**

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The range of options available to members have increased since the introduction of the 'Freedom and Choice' legislation which came into effect from April 2015. This legislation affords members the opportunity to draw their benefits more flexibly than previously possible.

### **05.05 Conclusion**

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Assessment of value for members is an ongoing process and the Trustees undertake a review each year to assess whether the Scheme offers good value, and that any changes in legislation, market conditions or member views are reflected for the benefit of members. Consistent with the previous year's assessment, the Trustees have concluded that the Scheme is not providing value for members, and partly as a result of this conclusion, the Trustees have commenced wind up of the Scheme. This was begun on 11 December 2019 and it is the Trustees' intention to complete the wind-up as soon as possible.

# 06 Trustees' Knowledge and understanding

## 06.01 Knowledge and understanding of the Trustees

The Trustees are satisfied that they have complied with the knowledge and understanding requirements set out in section 247 and section 248 of the Pensions Act 2004.

The Trustees' board is currently made up of two Trustees, Gillian Doughty and Deborah Hamilton, both of whom are employer nominated. There is currently a vacancy for the position of Member Nominated Trustee.

The Trustees are required to have appropriate levels of knowledge and understanding in order to properly exercise their functions as Trustees. Typically, the Trustee meets these requirements in the following ways:

- > Annual Trustees' meetings at which updates on current issues are provided by advisers, with ad-hoc advice provided in relation to any new requirements as a result of changes in regulation or legislation;
- > Training sessions undertaken at Trustees' meetings as required. The Trustees have a training and development plan in place and their training requirements are considered at each meeting.
- > Ensuring they comply with the Trust Deed and Rules and other key Scheme documents when making decisions in relation to the Scheme, seeking assistance from their legal advisers for complex areas or where there is ambiguity;
- > The Trustees have undertaken a full detailed review of the Risk Register from first principles to ensure all potential risks are captured.
- > Training records are maintained by all Trustees with any knowledge gaps addressed by briefings and formal training. The training undertaken by each Trustees is recorded on their individual training log.

Any new Trustees will be expected to carry out this training and be fully conversant with the Scheme's documentation within six months. A log of Trustees' participation in training is maintained.

The Trustees also makes 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 Trustees.

## 06.02 Conclusion

In the Value for Members section above, the Trustees explained that they assessed the features of the Scheme and concluded that they may not be offering good value for Members due to the single fund option and the relatively high Annual Management Charge. As previously noted, the Trustees are currently undertaking a wind up of the Scheme following advice from their investment consultants

# 07 Conclusion

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“Overall, the conclusion is that the Scheme may not be delivering value for money to the members”

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The annual production of this Statement provides members with a narrative of how the Trustees' 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
- > Core financial transactions
- > Providing value for members
- > Trustees' Knowledge and understanding

The Board of Trustees 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 Scheme was operated and governed appropriately during the reporting period.

Signature



Date

16-1-2020

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**For and on behalf of the Trustees of the Peerless Limited Pension Scheme**

# Appendix A Projections

The chart shows in monetary terms the accumulative effect of charges taken from a member's fund over time.

With Profits Fund (Deferred Member)					
Years from Now	Pension Pot (before Charges)	Pension Pot (after charges)	Years from Now	Pension Pot (before Charges)	Pension Pot (after charges)
1	8,149	8,046	11	9,266	8,058
2	8,254	8,047	12	9,386	8,059
3	8,361	8,049	13	9,507	8,060
4	8,469	8,050	14	9,630	8,061
5	8,579	8,051	15	9,754	8,063
6	8,689	8,052	16	9,880	8,064
7	8,802	8,053	17	10,008	8,065
8	8,916	8,054	18	10,138	8,066
9	9,031	8,056	19	10,269	8,067
10	9,148	8,057	20	10,401	8,069

## Assumptions

Projected pension pots are shown in today's terms and do not need to be reduced further for the effects of inflation. The assumed investment returns before the effect of inflation are:\*

Before Charges: 3.83% until retirement

After charges: 2.52% until retirement

The assumed level of inflation is 2.5% pa

Pension Pot Value at Start: £8,045.

Deferred Member with no future contributions

\* Please note the investment rates are an average over the period to retirement

All the figures illustrated here are only examples and are not guaranteed - they are not minimum or maximum



**Contact us**  
**xpsgroup.com**

**Registration**

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