

CHAIR'S ANNUAL STATEMENT:
Taylor Hobson Limited Pension Plan ("the Plan")
5 April 2021

The Trustee is pleased to provide this Statement which gives you information about the governance of the Defined Contribution section of the Taylor Hobson Limited Pension Plan ("the Plan") and explains how we have looked after the Plan during the year which ended on 5 April 2021.

Plan Background

Pension schemes in the UK are usually either called DC ("Defined Contribution") or DB ("Defined Benefit") schemes, depending on how pensions are built up. The Taylor Hobson Limited Pension Plan has both sorts of pension. The Plan is fundamentally a DB pension scheme. The Plan has only ever accrued DB benefits but some members were entitled to transfer benefits from another pension scheme run by the same employer and these transferred in benefits are DC in nature. So all members of the Plan are entitled to their DB benefits and some members also have DC benefit in addition. The Chair's Statement therefore deals only with the DC benefits.

The Plan was introduced under an Interim Trust Deed dated 30 January 1997 and is now governed by a Consolidated Definitive Trust Deed dated 10 March 2004 and subsequent amendments. It provides retirement and death benefits for the employees and directors of the company.

The Taylor Hobson Limited Pension Plan does not have any contributing members and is not being used as a qualifying scheme for automatic enrolment purposes.

The Plan is not open to DC accrual so there is no new DC benefit accrual. In fact, there has never been any DC accrual in the Plan apart from the one-off transfers into the Plan for a minority of members.

Therefore, all the members of the Plan have already made their choices about which fund(s) they wanted their money to be invested in, or, in the absence of any choice, will already be in the default fund.

The purpose of this Statement

Governance requirements apply to defined contribution ("DC") pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the Plan is required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested
- the requirements for processing financial transactions
- the charges and transaction costs borne by members
- an illustration of the cumulative effect of these costs and charges
- a 'value for members' assessment
- Trustee knowledge and understanding

This statement covers the period from 6 April 2020 to 5 April 2021.

Your DC investments

In summary members could have DC investments in the Plan with one or more of:

- Standard Life
- Zurich

Default investment arrangements

Members who joined the Scheme and who have not chosen an investment option are placed into the Standard Life lifestyling strategy, (the “default arrangement”), which is invested as follows:

- Assets will be invested 100% in the Managed Pension Fund until 10 years before the member’s nominated retirement date.
- In the 10 years before retirement investments are gradually switched so that by retirement age the pension account is invested 25% in the Deposit and Treasury Fund and 75% in the UK Mixed Bond Fund.

The aim of the default strategy is to achieve growth in the early years and steady, low risk returns in the years leading up to retirement. The strategy is designed to be appropriate for individuals who wish to take 25% of their fund as cash at retirement whilst converting the balance of the fund into an annuity. Within the default strategy each fund has its own objectives as set out in the Statement of Investment Principles (“SIP”). The SIP is included as an appendix to this statement.

Other Investments

Members who took up the option to transfer their benefits from the employers DC scheme were offered the same investment choice in the Plan as they were in the DC scheme. (Historically the Plan and the DC scheme invested in the same funds). Each member’s DC entitlement is recorded as a number of units within the main funds in which the Plan invests. The Trustee takes advice on, monitors and reviews these investments regularly.

The DC scheme wound up on 4 November 2013 and so no future transfers will take place. The Trustee is aware that since the time of the last transfer from the DC scheme, the DC landscape has changed with the introduction of greater flexibilities for DC members and a greater emphasis on DC governance. The DC strategy was last reviewed in December 2016.

These DC elements are invested in the same funds and with the same lifestyling strategy as the default strategy for AVC funds.

For members who hold AVC funds with Zurich, their funds are held in one of (or a mixture) of the following 2 funds:

- Zurich With Profits 2 EP Fund
- Zurich With Profits 4 EP Fund

These other investments do not have a default fund as members no longer make contributions to these funds.

Review of Investment Strategy and Performance

The Trustee is responsible for the Scheme’s investment governance, which includes setting and monitoring the investment strategy for the Scheme’s default arrangement. The default strategy was last reviewed in August 2019 and the Trustee is satisfied that the default remains appropriate.

In addition to the strategy review the Trustee also reviews the performance of the default arrangements against their aims, objectives and policies on a regular basis.

The Trustee can confirm that the SL UK Mixed Bond Pension Fund exceeded its benchmarks over one, three and five year periods and the SL Managed Pension Fund exceeded its benchmark over three year period, narrowly failing to meet it's benchmark over the one-year period. The SL Deposit and Treasury fund has met its benchmark over one, three and five year periods. The Trustee is therefore comfortable that that the default funds were performing broadly as expected and is consistent with the aims and objectives of the default as stated in the SIP.

The Trustee will continue to keep the performance under review.

Core financial transactions

The Trustee has received assurance from the Scheme's administrator Broadstone Pensions and has taken steps to try and ensure that there were adequate internal controls to ensure that core financial transactions relating to the Scheme were processed promptly and accurately during the Scheme Year. This includes the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members.

The Scheme has a service level agreement ("SLA") (generally, ten working days for most events) in place with the administrator which covers the accuracy and timeliness of all core financial transactions. The key processes adopted by the administrator to help it meet the SLA are as follows:

- Broadstone employ a workflow management system to ensure that tasks are completed on time, that nothing gets missed and that a full checking process is followed before any tasks are completed. The checking process involves all automated calculations being checked by an administrator and then reviewed by a senior administrator who is independent of the doing stage.
- Monthly SLAs are reported to the administration manager who in turn reports back to the Board of Directors at Broadstone each month. Some work will also be selected for audit on a sampling basis. Broadstone annually conducts a quality audit, performed by a person of appropriate seniority, who chooses a selection of cases at random from across its schemes, for detailed second-checking. The quality audit is also reported to the Directors of Broadstone.
- Broadstone are aware of the requirement to complete core financial transactions promptly and therefore these items are given higher priority than other events.
- Directors of Broadstone will ensure a sample of work is audited to ensure compliance with the SLA, internal standards and external legislative requirements. Broadstone's ISO9001 accreditation requires them to carry out monthly audits to ensure their quality controls are in place and correctly adhered to. The quality controls are also audited on an annual basis by an accredited, independent company.
- To ensure the work undertaken is accurate, the Trustee receives Broadstone's internal AAF01/06-style report on an annual basis to check their controls have been operating effectively throughout the period.
- The Trustee also reviews member complaints and any breaches to ensure service is being delivered in line with expectations. We have not received any member complaints and SLA performance remains in line with expectations.

The Trustee has a close working relationship with the administrator and is able to escalate any issues to a senior member of staff to ensure that any issues arising are dealt with promptly if they were to arise.

The core financial transactions include:

- The investment of contributions to the Plan

- The transfer of assets relating to members into and out of the Plan
- The transfer of assets relating to members between different investments within the Plan
- Payments from the Plan to, or in respect of, members

The Trustee receives reports every 6 months about the administrator's performance and compliance with the SLA; using information provided by the administrators, the Trustee is satisfied that over the period covered by this statement.

Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds.

The charges and transaction costs have been supplied by Aberdeen Standard Investments who are the Scheme's investment managers.

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

Default arrangements

The default arrangement is Standard Life lifestyling strategy. The default arrangement has been set up as a lifestyle approach, which means that members' assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member borne charges for the Scheme's default arrangement complied with the charge cap.

Investment Funds	AMC (annual management charge)	Additional charge	Total Expense Ratio (TER)
	% pa	% pa	% pa
10 years to retirement	0.50	0.025	0.525
5 years to retirement	0.40	0.018	0.418
At retirement	0.23	0.011	0.249

In addition to the default arrangement, members also have the option of investing in the 3 funds in whatever proportions they may so choose. The annual charges for the constituent funds are set out in the tables below:

Investment Funds	AMC (annual management charge)	Additional charge	Total Expense Ratio (TER)
	% pa	% pa	% pa
Standard Life Managed Pension Fund	0.50	0.025	0.525
Standard Life UK Mixed Bond Pension Fund	0.30	0.012	0.312
Standard Life Deposit and Treasury Fund	0.15	0.009	0.159

The "additional charge" arises as a result of buying and selling the funds' underlying investments in order to achieve their investment objective or to raise or invest cash. These charges are

comprised of both explicit and implicit components and include payments such as stockbroker commissions, custodian fees, and transaction taxes such as stamp duty. The transaction charges are not identified separately but they are contained within the “additional charge” and therefore this information does provide the overall level of expenses for each fund.

The Zurich With Profits Funds are not held in the main Plan assets and do not explicitly state their charges. The charges taken from the fund vary with different groups of plans, but have remained on average less than 0.5% of the fund’s value. AMCs of 0.5% have been assumed in the illustration overleaf. As there is no lifestyling applied to the Zurich funds, transaction costs are not applicable.

The level of charges applicable to these funds represents reasonable value for these funds. We believe that the combination of the level of performance and the level of the charges is reasonable.

Following a review of the investments with Standard Life, the Trustees took the decision to transfer the Plan’s assets to funds where all the investment charges (including AMCs) are invoiced to the employer so that members do not bear this cost. The funds are mirror funds to the existing funds except the pricing reflects the fact that the charges fall separately outside the fund. The change took place on 3 April 2017.

As the Zurich With Profits funds are not held in the main Plan assets, the members bear the cost of all expenses on these funds.

Illustration of charges and transaction costs

Over a period of time, the charges and transaction costs that are taken out of a member’s pension savings can reduce the amount available to the member at retirement. The Trustee has set out below illustrations of the impact of charges and transaction costs on different investment options in the Scheme. The illustrations have been prepared in accordance with the DWP’s statutory guidance on “Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes” on the projection of an example member’s pension savings.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below:

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The transaction cost figures used in the illustration are based on those provided by the managers over the past five years.
- The illustration is shown for the default arrangement and for the Zurich with-Profit Funds.

Projected Pension Pot in Today's Money					
		Investment approach			
Term until retirement	Comparator with no investment	SL Default Lifestyle		Zurich With-Profit Funds	
		Before charges	After all charges & costs deducted	Before charges	After all charges & costs deducted
1	34,146	34,584	34,580	35,116	34,941
3	32,501	34,119	34,105	35,349	34,822
5	30,935	34,130	34,104	35,584	34,704
10	27,342	36,046	35,980	36,178	34,410
15	24,166	39,513	39,391	36,782	34,118
20	21,359	43,313	43,126	37,397	33,829
25	18,879	47,479	47,215	38,021	33,543
30	16,686	52,046	51,692	38,656	33,259
35	14,748	57,052	56,593	39,301	32,977
40	13,035	62,539	61,959	39,957	32,698

Notes:

1. The projected pension values are shown in today's terms and take into account the effect of future inflation, which we've assumed will be 2.5% pa.
2. The starting pot size is assumed to be £35,000 and that no further contributions will be made.
3. Lifestyle strategies reduce how much exposure is placed upon the retirement savings the closer the member gets to their chosen retirement age. The SL Default Lifestyle is invested in the Managed Pension Fund in the early years and the closer they are to retirement, are gradually switched into the UK Mixed Bond Pension Fund and Deposit and Treasury Fund. Whilst this reduces their exposure to more volatile markets, the expected growth rate can change depending on how long is left until retirement. Within these projections we've calculated we've allowed for the changes to the expected growth rate over the years to retirement.
4. The projected growth rates are as follows:
 - Standard Life Managed Pension Fund: 1.90% pa above inflation
 - Standard Life UK Mixed Bond Pension Fund: 1.10% pa below inflation
 - Standard Life Deposit and Treasury Fund: 2.20% pa below inflation
 - Zurich With Profits Funds: 0.34% pa above inflation
 - No investment: Zero growth, ie. 2.5% below inflation
5. Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

Value for Money Assessment

The Trustee has undertaken a value for money assessment by comparing the charges paid by the member against the benefits provided by the Plan.

The Trustee recognises that low cost doesn't necessarily mean good value.

Members currently receive annual statements as required by law, and then a statement outlining their retirement options six months before their Normal Retirement Date.

Members have a range of funds available to them. Members investing with Standard Life have a choice of 3 unit-linked funds. There is also a default lifestyle option. Zurich members are invested in a choice of with-profits funds.

The Trustee feels that the annual management charges are reasonable for the Zurich investments, whilst they employer bears the cost in relation to the Standard Life arrangements.

Overall, the Trustee feels that members are getting good value from the investment managers, but will keep this under review.

The Trustee recognises that the fund choices are rather limited and discussions have arisen as to whether to make a wider range of funds available to members, possibly through the introduction of a new manager.

Knowledge and understanding of the Trustee

The Trustee consists of a corporate trustee which is made up of three lay directors and a professional trustee. The trustee company has a number of directors, all of whom keep their knowledge up to date by attending seminars and reading material from the Regulator and other pension service providers.

Broadstone Pensions Limited, Clifford Chance LLP and Barnett Waddingham LLP provide professional advice to the Trustee and support them in reviewing the performance of the Plan and in governing the Plan in line with the Trust Deed and Rules.

The Trustee is aware of their training requirements and have a policy on "Trustee Knowledge and Understanding". The Trustee also seeks advice on their arrangements from their appointed professional advisers.

The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules by having access to the documents on their online directory and providing decisions in line with the Rules. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Plan's legal advisers.

The Trustee is conversant with, and has a working knowledge of, the current SIP. The Trustee has sufficient knowledge of investment matters to be able to challenge their advisor.

Name Keith Lewis

Position Chair of Trustees

Date 19 October 2021