

# The OTRA UK (1995) Group Pension Scheme (the “Scheme”)

## **Chair’s Annual Governance Statement for the year ending 31 March 2024 in respect of the Scheme’s Defined Contribution (“DC”) benefits.**

### **Introduction**

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the ‘Administration Regulations’), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustees are required to prepare a statement showing how they have met governance standards in relation to the DC benefits provided by the Scheme.

The Scheme predominantly provides pension benefits on a ‘defined benefit’ basis, but provides benefits in respect of one member on a defined contribution basis. During the Scheme Year to 31 March 2024, the two members of the Scheme who held AVC benefits on a DC basis through ReAssure retired and withdrew their AVC savings. As such, there are no longer any members of the Scheme that hold AVCs with ReAssure. The one remaining DC member is also in correspondence with the administrator in relation to taking their benefits from the Scheme. Once this is complete, the Scheme will no longer provide any benefits on a DC basis.

This statement covers these principal areas:

- The default investment arrangement
- Core financial transactions
- Value from member borne deductions
- Long-term investment returns, and
- The Trustees’ compliance with the statutory knowledge and understanding (TKU) requirements.

This statement does not include disclosure in relation to the asset allocation of the Scheme’s default arrangement as the Scheme does not operate a default strategy to which this would apply.

This statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, they can visit the Money Helper website: <https://www.moneyhelper.org.uk/en/getting-help-and-advice/financial-advisers/choosing-a-financial-adviser>. If you choose to use a financial adviser, please be sure to check their area of expertise. The adviser will inform you of any charges that apply in return for their advice.

### **The Default Investment Arrangement**

The Trustees are responsible for setting the Scheme’s investment strategy and for appointing investment managers to implement that strategy.

The Scheme’s DC benefits are invested in the LGIM Sterling Liquidity Fund alongside the Scheme’s DB investment portfolio with Legal & General Investment Management (“LGIM”). There is no option for the member to select their own investment approach within the Scheme.

The Scheme does not operate a default investment arrangement within the meaning of the Pensions Act 2008, the Occupational Pension Schemes (Charges and Governance) Regulations 2015 or the Occupational Pension Schemes (Investment) Regulations 2005 in relation to the money purchase benefits. The Scheme is not an auto-enrolment scheme in respect of the DC members.

For this reason, the Trustees believe that the disclosures required in the Regulations with regard to default investment arrangements are not applicable to this statement. Therefore, the Trustees’ Statement of Investment Principles (SIP) does not contain wording relating to default investment arrangements.

However, for completeness, a copy of the Scheme’s Statement of Investment Principles (SIP) dated December 2021 is appended to this statement and available online via the following link: <https://www.marloweholdings.co.uk/wp-content/uploads/2022/11/OTRA-UK-Statement-of-Investment-Principles-Dec21.pdf>. The SIP covers the Trustees’ aims and objectives in relation to the Scheme’s investments as well as the Trustees’ policies relating to matters such as risk and diversification.

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## Core Financial Transactions

As required by under regulation 24 of the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately.

The Trustees undertake monitoring of the administration service that members receive across the Scheme as a whole.

The Trustees undertake the following activities to help undertake requirements are met by:

- Having Service Level Agreements (SLAs) in place with the Scheme’s Administrator, which cover all core administration processes.
- Ensuring that detailed disaster recovery plans are in place with the Administrator, other relevant third parties, and within the sponsoring employer.
- The Administrator monitors the Trustees’ bank account daily, with at least two individuals checking all investment and banking transactions.
- The Trustees also monitor the accuracy of the Scheme’s common data at least annually. A summary report is received from the Administrator. Reasons for any decline in common data score are considered as are the remedial measures available to trustees, for example, the Trustees regularly carry out address tracing exercises where an address is not held by the Scheme’s administrators.
- Maintaining and monitoring the Scheme Risk Register, which monitors the risks faced by the Scheme.
- The Trustees monitor these SLAs on a regular basis via administration reports, details of those SLAs that relate to core financial transactions are shown in the table below.

Case type	Agreed SLA (working days)	Comment
Retirement quotations	15	
Retirement settlements	15	Relies on receipt of all documentation
Transfer out quotations	15	
Transfer out settlements	15	Relies on receipt of all documentation
Divorce quotations	15	
Divorce settlements	15	Relies on receipt of all documentation
Death quotations	2	
Death settlements	2	Relies on receipt of all documentation

The Trustees recognise that delay and error can cause significant losses for members. The Trustees therefore operate measures and controls aimed at ensuring that all financial transactions (such as benefit payments) are processed promptly and accurately.

The Trustees receive administration reports produced by the Administrator, which are reviewed at each Trustees meeting. The administration reports enable the Trustees to monitor the processing of core financial transactions.

During the Scheme Year 96.3% of all administration transactions were completed within the Scheme’s SLA for the relevant task.

The Trustees appointed Mercer as their pension administrator and have delegated the day to day running of the Plan and management of the Plan’s bank account to Mercer. On 1 January 2024, Aptia purchased Mercer’s UK pension administration business. As a result, Aptia became the Scheme’s administrator with effect from 1

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January 2024. The same team and processes have been used to support the Scheme’s administration through this period.

The administrator records all member transactions and benefit processing activities in a work management system, which assigns the relevant timescale to the task. They must disclose quarterly to the Trustees their performance against these agreed timescales.

In addition, disaster recovery plans are in place with the administrator, other relevant third parties and within the sponsoring employer and a professional firm (KPMG) who are appointed to undertake an annual audit of the administrator’s internal controls.

The Scheme is closed to future accrual and therefore no further contributions are paid. No timescales are therefore required in relation to contribution payments.

With regard to the provision of DC benefits, there were two members with AVC benefits that retired during the year and the final member with DC benefits is also in the process of retiring.

Overall during the period, the Trustees were satisfied with the Administrator’s performance against agreed service levels, and with the processing of core financial transaction over the period to which this Statement relates.

## Charges and Transaction Costs

The Trustees are required to report on the charges and transaction costs for the investments under the Scheme.

The range of the levels of charges and transaction costs applicable to the default arrangement during the period are detailed in this section. In relation to transaction costs, we note that when buying and selling investments, transaction costs can be incurred. Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading.

At the end of 2021, it was agreed that the Scheme should pay all the ongoing expenses from the Scheme’s assets. Therefore, during the year to 31 March 2024, all expenses, other than the annual management charge were paid by the Scheme itself. The growth in the member’s DC savings is currently determined by reference to the LGIM Sterling Liquidity Fund. The charges and transaction costs for this fund and the Cash Fund that members held AVC investments in with ReAssure are shown in the table below (noting that both members invested with ReAssure retired during the Scheme Year). There are no performance related fees applied to DC savings in the Scheme.

Fund	Total Expense Ratio (% pa.)	Transaction Costs year to 31 March 2024 (% pa.)
LGIM – Sterling Liquidity	0.14*	-0.10
ReAssure Cash 6 Pension Accumulator Fund (AVC investments)	0.51**	**

*\*Charges are based on a tiered fee, based on the size of the assets under management held by LGIM.*

*\*\*ReAssure data as at 23/10/2024. ReAssure did not provide details of transaction costs at the time of writing.*

*Legal & General data as at 31/03/2024*

*Source: Legal & General, ReAssure*

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## Long-Term Net Investment Return

The member’s DC benefits receive a return that is based on the return achieved on the Scheme assets during the year.

Regulations require the Trustees to report on the net investment returns for each fund that members are invested in or are able to select. Whilst members do not have an investment choice, and returns are declared each year based on Scheme returns, in the spirit of this requirement we show the net investment returns on the Sterling Liquidity Fund that is used to determine the return received by the member. These returns are net of all transaction costs and charges.

Fund	Annualised net returns (% p.a.)	
	1 Year	5 Years
LGIM – Sterling Liquidity (to 31 March 2024)	5.10	1.58
ReAssure Cash 6 Pension Accumulator Fund (to 23 October 2024)	4.92*	1.71

*\*ReAssure data as at 23/10/2024 as that was provided by the provider, despite request for data to 31 March 2024. Both members invested with ReAssure withdrew their AVC savings during the Scheme Year.*

*Legal and General net of charges returns are the standard fund performance returns excluding all standard charges*

*Source: Legal & General, ReAssure*

## Illustrating the effect of costs and charges on DC benefits

In accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared an illustration detailing the impact of implicit and explicit costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples. The below illustration has taken into account the following elements:

- Savings pot size;
- Real terms investment return gross of costs and charges;
- Adjustment for the effect of costs and charges, and;
- Time

To make this representative of the membership, the Trustees have based this on a typical member. The Scheme is closed to future DC contributions therefore no further contributions are paid into the funds or assumed within this illustration. As the members who held AVC benefits with ReAssure retired during the Scheme Year, and the limited amount of information given by this provider, we have not shown illustrations in relation to ReAssure. We have provided an illustration of the LGIM Sterling Liquidity Fund noting that the member is in the process of retiring.

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Projected pot in today's money		
Year-end	LGIM Sterling Liquidity Fund	
	Pot size with no charges incurred	Pot size with charges incurred
1	£6,020	£6,015
2	£6,050	£6,039

**Notes:**

- i) *Projected pension pot values are shown in today's terms, so do not need to be reduced further for the effect of inflation.*
- ii) *Starting pot size is assumed £5,990 for the LGIM Sterling Liquidity Fund as at 31 March 2023.*
- iii) *Values are estimates and are not guaranteed.*
- iv) *The projected growth rate is 0.50% per annum above inflation and before the deduction of fees for both funds.*
- v) *The Transaction Costs relate to an average of transaction costs over five years up to 31 March 2024 for the LGIM Sterling Liquidity Fund.*

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## Value for members

The Trustees are required to assess the extent to which the Scheme delivers good value for members across three key areas as shown in the table below.

Assessment area	Type of assessment
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.
Governance and administration	Standalone assessment of the Scheme’s governance and administration arrangements, covering: core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest

The Trustees have carried out a value for members assessment as at 31 March 2024. The conclusions of this assessment are set out in the following table.

Assessment area	Conclusion
Costs and charges	The level of charge for the default arrangement is significantly lower than the comparators. We note however that the Scheme’s investment option is a cash fund, which would be expected to have lower fees.
Net investment performance	<p>The Scheme’s net investment returns across all ages have been significantly lower than that of the comparator arrangements across all periods assessed.</p> <p>However, in the context of the Scheme, with the DC member being close to retirement and in the process of settling their benefits, the Trustees are currently holding these investments in the LGIM Sterling Liquidity Fund. The aim of this is to preserve the capital value of the member’s savings in light of their value and as such the likelihood that the member will withdraw these savings as cash.</p>
Governance and administration	The Scheme’s governance and administration arrangements have been assessed as providing reasonable value for members in their current form. Whilst a number of activities in the DWP guidance to assess value in this area are not being undertaken, the Trustees have clear reasons for this in the context of the Scheme.
<b>Overall</b>	Our overall assessment is that the Scheme offers reasonable value for members, based on the assessment criteria shown. We note however that there is only one member remaining in the Scheme, who is past their Normal Retirement Date at the time of writing.

As the Scheme has not been deemed to offer good value, the Trustees are expected to either pursue a transfer of DC benefits outside of the Scheme, or put an action plan in place in order to improve value offered for members. In the context of the Scheme with the final DC member being in the process of deciding how to use their savings, there is limited value in this.

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Should the member fail to choose how to take their benefits, the Trustees will consider alternative approaches for securing the member’s benefits outside of the Scheme.

## **Trustees Knowledge and Understanding**

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustees are required to maintain an appropriate level of knowledge and understanding which, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

- In the context of the Scheme where DB benefits have been bought in and the final member with DC benefits is in the process of retiring, the Trustees have not been undertaking a training program in the way they would when the Scheme was operating on a ‘business as usual’ basis and instead have focussed on driving activity to secure members’ benefits.

The Trustees are conversant with, and have a working knowledge of, the Trust Deed and Rules and the policies and documents setting out the Trustees’ running of the Plan. If there are any ambiguities over the interpretation of the Rules legal advice is sought from the Scheme’s legal adviser. The Trustees are conversant with, and have a working knowledge of, the current SIP. The Trustees undertake regular training on investment matters and review the investments held by the Scheme at each meeting. The Trustees have sufficient knowledge of investment matters to be able to challenge their advisors.

The Trustees receive professional advice from Mercer and other advisors to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules, and the relevant skills and experience of Mercer is a key criterion when evaluating advisor performance or selecting new advisors. The advice received by the Trustees, along with their own experience allows them to exercise their function as a Trustee Board.

This Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (together ‘the Regulations’) and I confirm that the above statement has been produced by the Trustees and is correct to the best of my knowledge.

Approved by and signed for on behalf of the Trustees of the Otra UK (1995) Group Pension Scheme.

Roger Goddard

Name (Chair)

Date: 31 October 2024