

# The Jenkins IP Ltd 1987 Retirement Savings Scheme

## Chair's statement regarding the governance of defined contribution arrangements

Scheme year - 1 April 2022 to 31 March 2023

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### 1. Introduction

- 1.1. This statement has been prepared by the Trustees of The Jenkins IP 1987 Retirement Savings Scheme ("the Scheme"), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. This statement covers the scheme year 1 April 2022 to 31 March 2023.

### 2. The Scheme's DC arrangements

- 2.1. The Scheme only provides benefits on a DC basis. The Scheme is run on a fully insured basis with earmarked benefits with Aviva as the sole provider. Aviva provide administration and investment services together with annual benefit statements.
- 2.2. The Principal Employer, Jenkins IP Limited, uses the Scheme as a 'Qualifying Scheme' in order to satisfy its auto-enrolment obligations for its employees who are active members of the Scheme.

### 3. Default investment arrangements

- 3.1. The Scheme operates a single investment strategy, a 'With-Profits' fund operated and managed by Aviva (Aviva Life & Pensions UK Ltd FLC With-Profits Sub-Fund), which constitutes the default fund (the Default) for the Scheme.
- 3.2. As the Scheme is a 'fully insured' scheme, the Trustees are not responsible for deciding the investment objectives and strategy adopted by the Scheme.
- 3.3. Under the current contract with Aviva, it would not be possible to make significant changes to the structure and services without forfeiting the current terms of the With-Profits Fund. In view of this, the Trustees' ability to make changes to the Scheme is limited.

#### Aims and objectives of the default

- 3.4. As outlined in points 3.2 and 3.3, Aviva operates a single investment strategy, the objectives of which the Trustees are unable to influence. In addition, should the Trustees and/or members seek to transfer funds away from the Scheme Aviva may apply penalties or 'Market Value Adjustments' (MVA) to member funds. In some cases, the annual bonus rates which are attached to member's accounts could be lost. Currently, Aviva are not applying a Market Value Adjustment.

#### Review of the default

- 3.5. As a result of these factors, the default investment strategy offered to members has not been formally reviewed by the Trustees. The Trustees receive and review the annual reports relating to the Aviva With-Profits fund, which can be found here: <https://www.aviva.co.uk/investments/investment-products/select-investment/fund-guides/#flc-with-profits>

## Further information on the default

3.6. Details of the Default can be found in the attached Statement of Investment Principles that has been produced by the Trustees, in compliance with Section 35 of the Pensions Act 1995 and regulation 2 of the Occupational Pension Schemes (Investment) Regulations 2005. The SIP and Implementation Statement have been updated in the 2022/23 Scheme year.

## 4. Core financial transactions

4.1. The Trustees have a duty to ensure that 'core financial transactions' are processed promptly and accurately.

4.2. Core financial transactions comprise the following:

- 4.2.1. investment of contributions
- 4.2.2. transfers into and out of the Scheme
- 4.2.3. investment switches within the Scheme
- 4.2.4. payments out of the Scheme

4.3. Core financial transactions are undertaken by The Scheme administrator, Aviva.

## Controls and monitoring arrangements

4.4. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:

4.4.1. Aviva are unable to provide the Trustees with scheme-level Service Level Agreements (SLA) but are able to provide limited reporting against internal SLAs that Aviva have with the subcontractor for the administration of the scheme, Capita.

Service Level Agreement	Total	Percentage in Target
Scheme amendments	1	0%
Policy servicing – VIP	7	86%
Retirement options	3	100%
Transfer out quote	3	100%
DB – RSS – formal complaint	1	100%
Policy enquiry - bankruptcy	2	100%
Policy enquiry – multiple request	2	100%
Policy enquiry – benefit alteration	4	75%
Policy servicing – change of address	1	100%

Service Level Agreement	Total	Percentage in Target
Policy servicing – change of personal details	31	94%
Premium amend – PUP	6	50%
Retirement payment – full encashment	1	100%
Retirement payment – open market option	1	100%
Transfer out payment	1	0%

They are also able to provide RSS Capita Scheme level reporting, with the most recent data as at 31 July 2022.

Service Level Agreement	Turnaround time (days)	12 month average
Process general enquiry, amendment	5	96.03%
Process terminate policy and money out	3	88.30%
Produce projection, valuation, servicing quotation	3	95.36%
Calls answered by the contact centres before the customer abandons the call	N/A	92.96%
Achieving FCA deadlines for complaint handling	40	99.89%

All of Aviva's processes (including core financial processes) have process guides and workflows for the processors to follow to ensure the correct processes are adhered to. These documents are for internal use only, and scheme-specific information is not available. As such the Trustees do not have a monitoring framework with Aviva in place.

- 4.4.2. The Trustees operate a Bank Account and process all payments via this account. The account is monitored monthly to ensure all payments are made accurately and promptly.
- 4.4.3. Payments are made electronically by BACS or CHAPS, and there is no facility for straight through processing.
- 4.4.4. An annual review is carried out which updates values for every scheme member and ensures all premiums received for the year have been allocated. However, the service is carried out by Capita through a third party agreement with Aviva and so the Trustees receive little information regarding this process.

## Performance during the scheme year

- 4.5. During the reporting year core financial transactions, including payment of contributions, transfers out of the Scheme, and settlement of benefits at retirement are, as far as the Trustees are concerned, processed accurately. The Trustees continue to ask Aviva for more detailed reporting to ensure the Scheme is administered compliantly.
- 4.6. One formal complaint has been registered during the reporting period.
- 4.7. Aviva's reports have not identified material issues with the accuracy of core financial transactions.

## Assessment

- 4.8. In view of the controls and monitoring arrangements, and the lack of material issues experienced during the scheme year, the Trustees believe that core financial transactions have been processed promptly and accurately.

## 5. Member-borne charges and transaction costs

- 5.1. Members bear charges and transaction costs, which will differ depending on the investment options in which their pension savings are invested:
  - 5.1.1. Charges: these are expressed as a percentage of the value of a member's holdings within an investment fund, and can be made up of a combination of charges, e.g. annual management charge and additional expenses. We refer to the total annual charge as the Total Expense Ratio (TER).
  - 5.1.2. Transaction costs: these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

### Charges in relation to the DC Section

- 5.2. The following table provides details of the charges and transaction costs for each of the investment options provided through the DC Section over the scheme year (data sourced from each relevant investment manager):

Investment option	TER (p.a.)	Transaction costs (p.a.)
Aviva Life & Pensions UK Limited FLC With-Profits Sub-Fund (default investment arrangement)	0.70%	0.0140%

### Impact of costs and charges

- 5.3. To demonstrate the impact of charges and transaction costs on members' pension savings over time, Aviva have produced illustrations and these are set out in Appendix 1.

## 6. Net investment returns

- 6.1. The Trustees are required to disclose returns, net of charges and transaction costs, for the default investment arrangement and for each fund that members are able, or were previously able, to select and in which members' assets were invested during the Plan year. When preparing this section of the statement the Trustees have taken account of the relevant statutory guidance.
- 6.2. For the default investment arrangement, the underlying funds used and therefore the net returns changes over time.

## Default investment arrangement – Aviva With-Profits Fund

Extra Credit	Annualised Return – 1 year to 01 April 2023	Annualised Return – 5 years to 01 April 2023	Annualised Return – 10 years to 01 April 2023
0%	4.00%	5.50%	4.74%
8%	12.00%	7.04%	5.52%

### 7. Value for members

- 7.1. Regulations require the Trustees to assess the extent to which the Scheme provides value for members.
- 7.2. The method to be used for this assessment changed for schemes with assets of less than £100m that have been operating for three years or more, effective for scheme years ending after 31 December 2021. The Scheme fits these criteria.
- 7.3. The assessment comprises three components:
  - 7.3.1. An assessment of costs and charges relative to the average costs and charges for three comparator schemes.
  - 7.3.2. An assessment of net investment returns relative to the average net investment returns for three comparator schemes.
  - 7.3.3. A self-assessment across seven key metrics of scheme administration and governance.
- 7.4. For the relative assessments, costs and charges and net returns for default arrangements should be compared with those for the default arrangements of the comparator schemes. In addition, costs and charges and net returns for popular self-select funds should be compared with those for the nearest comparable funds in the comparator schemes (or, where there is no comparable fund, a comparator scheme's default arrangement).
- 7.5. The value for members assessment was undertaken in accordance with the statutory guidance for the scheme year. Analysis was undertaken by Barnett Waddingham LLP and presented to the Chair of Trustees on 3<sup>rd</sup> October 2023. The findings are due to be considered by the remaining Trustees of the Scheme at a meeting in October 2023.
- 7.6. The following comparator schemes were used for the relative components of the assessment: Aegon Master Trust, Aviva Master Trust and Legal & General WorkSave Mastertrust.
- 7.7. The outcomes of the three components of the assessment were:
  - 7.7.1. Giving greater weight to the default investment arrangement, in which all assets are invested, costs and charges for the Scheme were significantly higher than the average for the comparator schemes. The Trustees therefore concluded that the Scheme provides poor value for members in relation to costs and charges. It should be noted that the charges levied are comparable for With-Profits arrangements, but for comparator purposes these could not be included.
  - 7.7.2. As the With Profits fund is the only fund option, the net returns for the Scheme were significantly higher than the average for the comparator schemes. The Trustees therefore concluded that the Scheme provides good value for members in relation to net investment returns.
  - 7.7.3. The Trustees considered all seven metrics across scheme administration and governance. The Trustees identified that during the reporting period governance activity had been below the levels required and detract from the value rating. During the scheme year, the Trustees have begun efforts to improve the governance of the Scheme, including the creation of a risk register, as well as

undertaking training. In addition the legacy administration platform operated by Aviva and poor administration from Capita have contributed to the value for member rating.

- 7.8. Taking the three components into account, the Trustees concluded that overall the Scheme provides moderate value for members.
- 7.9. Whilst the Value for Member's assessment offers poor value in some areas, the Trustees will continue to undertake remedial action to improve the governance and administration of the Scheme and ensure that the scheme operates in compliance with the DC Code of Practice and put into place an Effective System of Governance and Own Risk Assessment as soon as possible. In addition, the Firm and the Trustees have also begun to undertake a strategic review regarding the accrual of future benefits.
- 7.10. The method of assessment is prescribed. Factors that were not considered include:
  - 7.10.1. members have access to IFA advice paid for by the Firm;
  - 7.10.2. Aviva operates a single investment strategy, the objectives and approach to which the Trustees are unable to influence, change or add to within the existing framework;
  - 7.10.3. the smoothing effect of the With Profits Fund has ensured above inflation returns on a consistent long-term basis.

## 8. Trustee knowledge and understanding

### The Trustee Board

- 8.1. The Trustee Board comprises ten trustees, seven of these are employer nominated trustees, all of whom are equity partners of RGC Jenkins & Co., and three were nominated by the membership during the Scheme year, all of whom are active members of the Scheme.
- 8.2. One of the Firm appointed trustees, Katie Cameron, is the current Chair of Trustees for the Scheme.

### Trustee knowledge and understanding requirements

- 8.3. Trustees are required to be conversant with a scheme's main documents, and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

### Approach

- 8.4. The Trustees aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the statement of investment principles, the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the scheme year and access to professional advice.
- 8.5. The Trustees aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets through a combination of training, taking professional advice.
- 8.6. Trustees complete the Pensions Regulator's Trustee toolkit. They also complete a Conflict/Bribery and Corruption training annually as part of the Firm's L&D requirements.
- 8.7. The Trustees consult with professional advisers as and when required, for example on consultancy, investment, and legal matters. The professional advisers are engaged to pro-actively alert the Trustees on relevant changes to pension and trust law. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending trustee meetings and often in the delivery of training at these meetings.

## Activities over the scheme year

- 8.8. The Trustees reviewed the Scheme's Statement of Investment Principles (SIP). The SIP was updated in October 2022.
- 8.9. The Trustees reviewed the following Scheme documents:
  - 8.9.1. the risk register;
  - 8.9.2. annual report and accounts.
- 8.10. The Trustees received training at a trustee meeting during the scheme year on the following topics:
  - 8.10.1. effective systems of governance;
  - 8.10.2. wind up considerations.
- 8.11. Three new member nominated trustees were appointed.
- 8.12. During the scheme year, the Trustees took professional advice on:
  - 8.12.1. reviewing the training needs of the trustee;
  - 8.12.2. undertaking the annual value for members assessment;
  - 8.12.3. disclosure of costs, charges and investments;
  - 8.12.4. legislative updates.

## Assessment

- 8.13. The Trustees consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions. However, The Trustees identified a number of gaps in their knowledge during the previous Scheme year and have since implemented a plan to review all scheme documentation and update the governance structure in line with the proposed Consolidated Code of Practice.



Katie Cameron, Chair of the Trustees



Date

