

The West Twin Silos Pension Savings Plan (the ‘Scheme’) Chairman’s Statement

Governance rules apply to defined contribution (‘DC’) pension arrangements like The West Twin Silos Savings Plan (‘the Scheme’) from 6 April 2015. These are designed to help members achieve a good outcome from their pension savings.

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (the ‘Administration Regulations’), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015, the Trustees (the ‘Trustees’) of The West Twin Silos Pension Savings Plan are required to prepare this statement on governance for inclusion in the Trustees’ annual report.

This document sets out the Statement covering the period 6 April 2020 to 5 April 2021.

The default arrangement

The Trustees recognise that members have differing investment needs and that these may change during the course of members’ working lives. The Trustees also recognise that members have different attitudes to risk and believe that members should ideally make their own investment decisions based on their individual circumstances.

That said, the Trustees acknowledge that members may not believe themselves qualified to take investment decisions and so have made a default investment strategy available via the Scheme, known as the “Prudential Dynamic Growth IV Lifestyle Fund”. In designing the default investment strategy, the Trustees have considered the trade-off between risk and expected returns. Assets invested in the default investment strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member’s portfolio as a whole.

The Trustees chose the Prudential Dynamic Growth IV Lifestyle Fund with the aim to deliver long term growth through investing in a diversified range of assets both in the UK and globally. At any time, the fund will invest at least 40% of its assets in equities but not more than 80%. Investments are managed across asset classes and across world markets with a focus on long run investment potential as forecast on a rolling 10 years basis. The fund may invest in a range of permitted assets which include equities, bonds, property and cash accessed directly or indirectly via appropriate fund vehicles. The fund may include other assets as deemed appropriate by both the manager and current regulations. Ten years from the members’ selected retirement date the strategy starts to de-risk. The default is designed this way to reduce members’ exposure to investment risk as they approach retirement.

Prudential Dynamic Growth IV Lifestyle targeting retirement options



The Trustees are expected to review the strategy and objectives of the default investment arrangement at regular intervals and to take into account the needs of the membership when designing the composition of the arrangement. The last review of the default arrangement was completed in August 2018 in conjunction with Prudential and it is likely that this will be reviewed again in 2022. No review was carried out during the year as no members were invested in the default fund.

It should be noted that this scheme is not used as the company auto-enrolment vehicle and no members are currently invested in the default fund with all members invested in the Prudential With-Profits fund.

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustees must ensure that core financial transactions are processed promptly and accurately. Core financial transactions are (broadly, but not limited to):

- Investment of contributions made to the Scheme by members and their employer(s);
- Transfers out of the Scheme of assets relating to members (transfers in are no longer possible);
- Switches of members' investments between different funds within the Scheme; and
- Payments from the Scheme to, or in respect of, members (e.g. payment of death benefits).

The Trustee operates a system of internal controls aimed at monitoring the Scheme's administration and management. Included in this system are mechanisms for ensuring the prompt and accurate processing of financial transactions, including core transactions such as the payment and investment of contributions, the transfer of member assets into and out of the Scheme and the payment of benefits. As the Scheme is fully insured some of these transactions are delegated to Prudential and this is monitored annually.

There are service level targets in place with Prudential which are based on end-to-end customer journeys. Journey times are calculated by counting the time from when the administrators are first contacted to when they have completed all stages of the request. There are four journey categories: New business; Claims; Bereavements; and Servicing. Each has a different completion target which is measured in days:

Journey	Upper Target Days = 75% of cases completed	Lower Target Days = 95% of cases completed	Tail Target Days = no more than 1% of cases
Bereavements	<= 29	<= 77	> 154
Claims	<= 10	<= 22	> 43
New Business	<= 8	<= 25	> 43
Servicing	<= 8	<= 20	> 154

The Trustees have delegated the administration of Scheme member records to Prudential, who record all member transactions and benefit processing activities in a work management system which assigns the relevant timescale to the task. Prudential aim to complete 95% of cases within the upper and lower target and no more than 1% in tail target.

For the year to 5 April 2021 member movements are detailed on page 2. The only core financial transactions processed were the regular payment of contributions into the Scheme.

The processes adopted by Prudential to help meet the process transactions promptly and accurately include:

- Timeliness of transactions monitored and reported
- Straight through processing for contribution payments - automated system (validations built in)
- Manual processes require a separate processor and authoriser (segregation inbuilt into system)
- Daily monitoring of bank accounts
- Quality audit checks are undertaken on a sample of processes throughout the year.
- Unit reconciliation between investment and administration systems undertaken daily and are checked and approved weekly)
- Payments checked and approved independently by one or more individuals (depending on value)
- Annual reporting on common and conditional data scores, which are reviewed by the Trustees periodically, as at September 2019 these were 100%

The Scheme's Risk Register outlines all of the risks to Scheme members and these are monitored and reviewed on an annual basis. The Payment Schedule sets out timescales for the Principal Employer to remit monthly contributions to the Scheme. These timescales and processes are reviewed by the Principal Employer and any findings shared with the Trustees.

Based on the monitoring and controls in place the Trustees are satisfied the core financial transactions have been processed promptly and accurately during the reporting period.

Charges and transactions costs

As required by the Administration Regulations, the Trustees are required to report on the charges and transaction costs for the investments used in the default arrangement and their assessment on the extent to which the charges and costs represent good value for members.

A charge cap equivalent to 0.75% per year of funds under management, excluding transaction costs, on the default arrangement has been in place through Prudential since 6 April 2015. The annual charges for all self-select investment options, including Passive and Active funds, ranges from 0.64% to 1.37% and are detailed in the table below.

The Total Expense Ratio ('TER') comprises the investment manager's annual charge for managing and operating a fund, but also includes the costs of other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, it excludes other costs that are also member borne and which can therefore have a negative effect on investment performance such as transaction costs and interest on borrowings.

Transaction costs are the expenses associated with a member trading in and out of a fund as well as the investment manager trading a fund's underlying securities, including commissions and stamp duty.

The TERs and transaction costs for funds available to members are shown in the table below, although members are currently only invested in the Prudential With-Profits Fund.

Prudential Fund	TER⁽¹⁾ (% p.a.)	Transaction Costs⁽³⁾ (%p.a.)
Cash	0.720	0.0000
Dynamic Growth II	0.720	0.1089
Dynamic Growth IV	0.720	0.0944
PSP With-Profits CA Fund	-(⁽²⁾)	0.1025
M&G Positive Impact Fund	0.750	Currently not available
Dynamic Global Equity Passive	0.640	0.6200
All Stocks Corporate Bond	0.750	0.0122
BlackRock Aquila All Stocks Corporate Bond Index	0.730	0.0889
BlackRock Aquila UK Equity Index	0.720	0.1256
BlackRock Aquila World ex-UK Index	0.730	0.0356
Discretionary	0.750	0.0567
Dynamic Growth I	0.730	0.1300
Dynamic Growth III	0.720	0.1200
Dynamic Growth V	0.730	0.1078
Fixed Interest	0.750	-0.0100
Global Equity	0.750	0.0078
HSBC Islamic Global Equity Index	0.900	0.0178
Index-Linked	0.750	0.1756
Index-Linked Passive	0.650	-0.0844
International Equity	0.750	0.0956
Long Term Bond	0.650	0.0133
Long Term Growth Passive Fund	0.650	0.0189
Long-Term Gilt Passive Fund	0.650	-0.0578
Overseas Equity Passive	0.650	0.0333
UK Equity	0.810	-0.0344
UK Equity Passive	0.650	0.0978
UK Property	1.370	0.2856

Source: Prudential, as at 11 April 2021, Funds in bold are part of the Prudential Dynamic Growth IV Lifestyle Fund,

¹ TER is made up of the Annual Management Charge (AMC) and additional expenses

² There is no explicit TER for the PSP With-Profits CA Fund, however for the illustrations Prudential assumes a yearly cost of 1.40%.

³ Due to the way in which transaction costs are 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 activity.

All transaction costs borne by members in the period have been provided by Prudential, the other funds and transactions costs are provided for comparative purposes only.

Illustration of the effect of transaction costs and charges on members' benefits

Using the charges and transaction cost data provided by Prudential and in accordance with regulation 23(1)(ca) of the Administration Regulations, as inserted by The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations (Northern Ireland) 2018, Prudential have assisted the Trustees with preparing an illustration detailing the impact of the 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 illustrations, prepared by Prudential have taken into account the following elements:

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

The illustration includes all member costs, including the TER, transaction costs and inflation. It is important to note that the values shown are estimates and are not guaranteed. As members are only invested in the With-Profits Cash Accumulation Fund the Trustees have also included an illustration of the Dynamic Growth IV Lifestyle Fund.

With Ongoing Contributions

	Prudential Dynamic Growth IV Lifestyle - Targeting Retirement Options		Prudential PSP UKAEA With Profits CA Fund	
	Before charges	After charges	Before charges	After charges
Growth rates*	2.15%		3.30%	
Yearly Cost	0.82%		1.40%	
End of year	Before charges	After charges	Before charges	After charges
1	7,860	7,790	7,940	7,840
5	19,900	19,300	20,700	19,700
10	36,400	34,600	39,100	35,800
15	54,800	50,800	60,700	53,500
20	75,200	68,100	86,000	72,900
25	97,800	86,600	115,000	94,100
30	122,000	106,000	150,000	112,000
35	150,000	127,000	191,000	142,000
39	175,000	144,000	228,000	168,000

Pot size and assumptions

Projected pension pot values are in today's money which means they have been adjusted for inflation. We have used:

- A starting pot size of **£5,000**.
- Regular contributions of **£2,700** per year, which increase in line with assumed inflation of **2.5%**.
- The term of the investment is from age **21** to age **60**.

* Growth rates for the funds have allowed for the effects of inflation.

Without Ongoing Contributions

	Prudential Dynamic Growth IV Lifestyle - Targeting Retirement Options		Prudential PSP UKAEA With Profits CA Fund	
	Before charges	After charges	Before charges	After charges
Growth rates*	2.15%		3.30%	
Yearly Cost	0.82%		1.40%	
End of year	Before charges	After charges	Before charges	After charges
1	5,100	5,060	5,160	5,090
5	5,540	5,320	5,850	5,470
10	6,150	5,660	6,860	5,990
15	6,820	6,030	8,040	6,560
20	7,570	6,420	9,420	7,190
25	8,400	6,840	11,000	7,870
30	9,320	7,280	12,900	8,620
35	10,300	7,750	15,100	9,440
39	11,200	8,150	17,200	9,950

Pot size and assumptions

Projected pension pot values are in today's money which means they have been adjusted for inflation. We have used:

- A starting pot size of **£5,000**.
- No regular contributions.
- The term of the investment is from age **21** to age **60**.

* Growth rates for the funds have allowed for the effects of inflation.

Illustration of the effect of transaction costs and charges on members' benefits (continued)

About the Illustrations

The aim of these illustrations is to show you an example of how charges and costs can affect returns on investment funds.

The figures in the tables are examples and are not guaranteed – they are not minimum or maximum amounts that you might expect to get back with the level of investment shown. The figures have been calculated as at July 2021.

As the prices of everyday things go up, your money won't stretch as far as the same amount would now. This is called inflation. The figures have been adjusted to allow for inflation using an assumed inflation rate of 2.5% per year. Actual inflation could be more or less than this.

What you might get back depends on a number of factors including:

- how much is paid in;
- how long investments are held for;
- charges and costs; and
- performance of the investment.

For this illustration we show the annual costs as an average of the expected costs which apply over the term of the investment. You will see both the costs and the growth figures clearly shown in the table. More information on the funds you can invest in is available at pru.co.uk/funds

The charges and costs you pay for the funds may vary depending on your scheme conditions. We might change our charges in the future.

The value of investments can go down as well as up so you might get back less than you put in.

For With-Profits funds the actual percentage charged depends on the performance of the With-Profits Fund and may vary over time. These charges cover the costs of any expenses, any profits, implicit costs and other adjustments.

Lifestyling

Lifestyling is an investment strategy which provides automatic switching of pension savings into another fund, or funds which generally have a lower risk profile, as pension holders get closer to their planned retirement age

Trustee knowledge and understanding

In accordance with Article 247 and 248 of the Pensions (Northern Ireland) Order 2005, the Trustees are required to maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to properly exercise their functions and duties in relation to the Scheme.

The Trustees are conversant with, and have demonstrated a working knowledge of, the Scheme Documents such as Trust Deed and Rules, as well as policies and documents setting out the Trustees' compliance as part of the general running of the Scheme in the period to 5 April 2021.

The Trustees undertook a number of activities that involved giving consideration to pensions and trust law, the Scheme's governing documents and Investment Principles. This allowed them to exercise their knowledge and understanding and to further strengthen their capabilities. These included:

- Reviewing and updating the Payment schedule in March 2021;
- Considering the monthly current issues report, which includes briefings on forthcoming changes to Pensions law and their possible impact on the Scheme such as the requirement to publish the Chair's Statement online;
- Completed the 'Toolkit Blitz' training, completing the Pension Regulator's Trustee Toolkit on 4 December 2019 which helped to identify any knowledge gaps;
- Considering and reviewing the input into the Annual Scheme Return, including common and conditional data scoring requirements.

In addition, a record is kept of the training completed by each Trustee and is reviewed annually at each Trustee meeting to identify any gaps in the knowledge and understanding across the Trustee Board as a whole. This allows the Trustees to work with their professional advisers to fill in any gaps. This requirement has been met during the course of the Scheme year as follows:

- The Trustees undertake ongoing training, both as a group and individually, to keep abreast of relevant developments, this is normally carried out as part of the annual Trustee meeting;
- The Trustees have regularly reviewed their training needs;
- Access is available to the TPR training modules as a refresher;
- The Trustees also receive advice from professional advisors and the relevant skills and experience of these advisors is a key criterion when evaluating advisor performance.

The Trustees receive professional advice from Mercer and Pinsent Masons to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules. The advice received along with their own experience allows them to properly exercise their function as Trustees. If there are any ambiguities over the interpretation of the Rules legal advice is sought from Pinsent Masons.

Whilst there have been no changes to the Trustee board during the year, the induction process for new Trustees is as follows:

- Newly appointed individuals to have completed the Pensions Regulator's Trustee toolkit within six months of initial appointment;
- Supplemented with targeted individual training based on analysis of learning needs;
- Facilitate familiarisation with the Scheme, stakeholders, advisers and providers and working methods.

Value for Members

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which these represent good value for members. Value for members is considered annually at each Trustee meeting, this was assessed on 27 October 2021 covering the year to 5 April 2021.

There is no legal definition of "good value", so the process of determining good value is a subjective one. "Value" is not a straightforward concept to quantify and can be open to broad interpretation. In undertaking the assessment, the Trustees recognise that the Scheme is a wholly insured arrangement and therefore as part of their assessment also consider the quality of services provided by Prudential including fund management, administration and communications support.

In the Trustees' opinion, the Prudential charges provide good value for members in relation to the benefits and services offered to members of the Scheme and in relation to the charges which would be levied by other potential pension providers when considering the number of members and size of the assets.

Additionally, the Company pays for all other administration, additional member communications and advisory costs associated with operating the Scheme.

As at 5 April 2021 all members remain invested in the Prudential Cash Accumulation With-Profits Fund.

With regard to the with-profits fund specifically, providing a comparison between a with-profits fund and its peers is extremely challenging. Each with-profits fund offers different terms and guarantees and, hence, will invest very differently from one another, which in turn impacts the performance received through payouts. Indeed, a specific with-profits fund will often provide different guarantees dependent on when a member started contributing or when each contribution was actually invested. The available universe of with-profits funds is not sufficiently alike to enable relative assessments based on just past or even potential performance.

Payouts on surrender and maturity will reflect all charges incurred, though they are not separately identified. Moreover, the actual performance received by members, net of charges, is only ever known upon maturity/surrender, after any augmentation for guaranteed terms and after the effect of 'smoothing'.

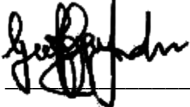
'Smoothing' is an additional comfort factor within with-profits funds. In years when investment performance is high, some of the return is held back to 'top-up' returns when lower performance occurs. Hence, at the point a specific member disinvests, smoothing may reduce or increase the payout relative to the underlying investment performance of the assets, thereby reducing investment risk for the individual investor.

Assessing the value for money of a with-profits fund is directly related to an individual's attitude towards, and capacity for, investment risk. An individual may find comfort in the fact that a with-profits fund provides guarantees; whether that is a guaranteed pension, investment return or "just" capital security. Therefore, we consider it inappropriate to reach a general conclusion on value for money from the Prudential With-Profits Fund, as this will vary by member. The Trustees will continue to review these funds as part of its ongoing oversight.

I confirm that the above statement has been produced by the Trustees to the best of our knowledge.

Chair's declaration

I confirm that the above statement has been produced by West Twin Silos Savings Plan and was approved by the Trustees on 29 November 2021 and signed on its behalf by:

Signature:  _____

Name: Geoffrey William Jordan