

**THE ROYAL GRAMMAR SCHOOL SUPPORT STAFF
PENSION PLAN CHAIRMAN'S GOVERNANCE STATEMENT
YEAR ENDED 5 APRIL 2020**

Introduction

This statement sets out how the Royal Grammar School Support Staff Pension Plan ("the Scheme") has complied with the DC governance requirements introduced in April 2015 under Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, between 6 April 2019 and 5 April 2020 (the 'scheme year')

In preparing this Statement, information has been gathered from the following organisations:

- Clerical Medical; and
- Explore Wealth Management Limited

Consideration has also been given to the Pensions Regulator's 'A quick guide to the chair's statement' and to the Department for Work and Pensions guide on 'Reporting of costs, charges and other information', both published in September 2018.

A copy of the Scheme's latest Statement of Investment Principles (SIP) is attached to this statement for your information (**See appendix 1**).

During the year in question the Scheme has been governed by a trustee board ("the board"), which comprised the following trustees:

- Philip Kramer (Chair)
- Tony Bird
- Dalriada Trustees Limited represented by Chris Roberts

The trustees have ensured that the Privacy Notice, in compliance with the GDPR requirements, has been sent to all new members. All suppliers to the Scheme have been checked for compliance. A [website page](#) is available to keep members informed about charges and transaction costs of the Scheme.

The trustees regularly undertake a DC Governance Review with sections on Administration and Investment Governance, the Business Plan, the Risk Register and the Trustee Training Log. These are examined on a rolling basis at each trustee meeting.

Owing to the impact of COVID 19, the UK entered Lockdown on 23rd March 2020. As such, meetings held since this date have been held via a video conference call. The Scheme rules allow for the Trustee meetings to be held via video conference call.

With the Scheme year ending on 5th April 2020, the majority of the impact of Covid-19 will be reported in the 2021 Chair's statement. However, following the UK Government's Lockdown announcement, Clerical Medical implemented its Business Continuity Plan in this scheme year, as did all other Pension Administrators in the UK. Clerical Medical has been part of the Lloyds Banking Group since 2009, as has Scottish Widows. On 31st December 2015 the 'Scheme of transfer' simplified the business by transferring all policies of certain Scottish Widows Group companies into Clerical Medical Investment Group Limited, which was renamed Scottish Widows Limited.

The Covid-19 updates provided on the Clerical Medical website are a link to the updates provided by Scottish Widows. The Scottish Widows coronavirus (Covid-19) Hub has provided specific Covid-19 guidance, including specific guidance on health (illness) claims, bereavement claims, FAQs, general enquiries, expert sessions, services for vulnerable clients, investment information and pension scams, which the Trustee welcomed.

During the year the trustees took the decision to consult with members about the future of the Scheme.

Strategic Review

Following the strategic review of the Scheme undertaken last year and the agreement in principle to wind up the Scheme and provide an improved alternative for members, the trustees have undertaken further intensive work looking at the details of alternative schemes and the process to make the change. After due consideration of alternative schemes, the Aviva Pension Trust for Independent Schools ("APTIS") was chosen as the best alternative scheme for members. Having decided on APTIS as the preferred new scheme, a consultation exercise was undertaken with affected members between January and April 2020. This consultation process included providing details of the rationale underpinning the change, the proposed alternative provider and the anticipated improved benefits for members. Face to face meetings with groups of members were undertaken as well as one to one meetings for those who requested it.

Following the consultation and after due consideration of all members' feedback, the trustees agreed to proceed and move provider in relation to DC benefits from Clerical Medical to APTIS. Following that decision, work has been undertaken to implement the change. Contributions to the Scheme ceased and contributions commenced into APTIS in August 2020. Due to Covid-19 and the volatile nature of the markets earlier in the year, the transfer of member benefits from the Scheme to APTIS has been temporarily delayed. It is anticipated the transfer will take place in Q4 of 2020. Communications will be issued to members ahead of the transfer about their options for the existing funds held in the Scheme.

For the period of this report the provider was Clerical Medical and all information below relates to the Scheme set up with Clerical Medical.

Default arrangement

The default investment arrangement is provided for members who join the Scheme and do not choose an investment option for their funds. Members can also choose to invest in the default investment arrangement which is set up by the trustees. The default arrangement for the Scheme is the Clerical Medical Balanced Fund.

When deciding upon the design of the Scheme's investment strategy, the Board took into account the fact that most members do not make active investment decisions and therefore most members will be invested in the default investment arrangement, which aims to provide an investment solution that represents good value and secures good outcomes for members over the long-term.

The Board monitors the investment performance of the default investment arrangement regularly to ensure that investment returns (after the deduction of any charges) are consistent with the aims and objectives of the default arrangement and to check that it remains appropriate given the Scheme's membership.

At least every 3 years and without delay after any significant change in investment policy or demographic of membership, the Board carries out a formal strategic review of the default arrangement. However, with the decision to move the DC pension provider to the Aviva Pension Trust APTIS arrangement, the strategy of the default arrangement was not reviewed during the scheme year.

The last full review of the performance and strategy of the default arrangement was in the trustees meetings held on 10th May 2019 and 4th October 2019.

With the Trustees default option for the current Scheme members to transfer to the new Aviva Pension Trust APTIS arrangement, on the wind-up of the Scheme, the Board considered that the default arrangement remains appropriate. The improvements to the default fund investment will be applied in the new Aviva Pension Trust APTIS arrangement.

The Clerical Medical Balanced Fund aims to achieve long term capital growth by gaining exposure predominantly to UK and overseas equities with flexibility to gain a minority exposure to commercial property and fixed interest stocks.

The fund breakdown is below (as at 30 June 2020):

- UK Equity – 54.7%
- UK Fixed Interest – 13.6%
- North America Equity – 7.8%
- Money Market – 3.0%
- Property 7.3%
- Emerging Market Equity – 5.3%
- Global Equity – 4.6%
- Europe (excluding UK) Equity – 3.1%
- Other – 0.6%
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The default fund provided a return of -7.7% for the 12 months to 30 June 2020 (which is the latest available update). This is the return net of the total annual charges and includes the market impact of Covid-19.

By investing in this manner, the trustees expect to deliver growth over the member's lifetime within the Scheme without excessive risk taking. The trustees consider this approach to be in the best interests of relevant members and relevant beneficiaries.

The trustees considered the new options relating to the default arrangement with Clerical Medical relating to the default strategy in May 2019 and in October 2019 when the trustees agreed their approach to the default fund. This formed part of an overall review of the Scheme structure covering:

- Suitability of Clerical Medical;
- Structure of the Scheme;
- Structure of the Trustee Board.

Statement of Investment Principles

The Statement of Investment Principles ("SIP") governs decisions about investments and explains the aims and objectives of the Board which are intended to ensure that the assets are invested in the best interests of members and beneficiaries. It also describes the strategy and objectives for the default arrangement and the self-select funds. It is important to include the fee rebate as part of the overall charge assessment. For the purposes of this statement we will not restate the position on each individual fund choice. The Statement of Investment Principles is attached as an appendix to this statement and has been prepared in accordance with Regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

Self Select Funds

The Board recognises that no single default investment strategy can be designed to suit the needs of all Scheme members. Clerical Medical have 61 funds available to members and also include six Lifestyle funds. The trustees permit members to choose any of the funds available as this provides increased flexibility to align with member requirements as an alternative to the default arrangement.

Members have access to the full range of funds on the Clerical Medical platform as the Board does not wish to restrict members when investing their own savings.

The full fund details are available on the Clerical Medical website by following the following link:

<https://www.clericalmedical.co.uk/business/fundsprices/fundsprices>

The Board monitors the performance of the self- select funds regularly at their meetings.

Core Financial Transactions

The Board has a duty to ensure that "core financial transactions" relating to the Scheme are processed promptly and accurately, and that the controls in place are reported to members. Core financial transactions include, but are not limited to:

- Investment of contributions;
- Transfer of member assets into and out of the Scheme;
- Transfers between different investments within the Scheme; and
- Payments to and in respect of members and beneficiaries.

The Board has, in accordance with its powers under the rules of the Scheme, delegated the day to day administration of the Scheme, including the processing of core financial transactions, to the Scheme administrator, Clerical Medical.

The Board receives reports from the Scheme administrator, which report on the administration of the Scheme over the period and include details of the core financial transactions over the reporting period. The Board reviews these and investigates any errors or delays to decide if any action is required.

Overall, the monitoring and reporting activities undertaken allow the Board to be confident that core financial transactions were processed promptly and accurately during the scheme year.

Charges and Transaction Costs

The Board has a duty to tell you about the member borne charges and transactions costs for the investments used in the default arrangement and the self-select funds, and to assess the extent to which these charges and costs represent good value for money for members.

Charges

The scheme has two charging structures relating to 'Old World' units and 'New World' Units. 'Old World' units relate to contributions made to the scheme up to the 31st August 2004. The only charge is a 1% per annum Annual Management Charge (AMC). 'New World' units relate to contributions made to the scheme after the 31st August 2004. The only charge is a 0.45% per annum Annual Management Charge (AMC) and thus is the charge that all new members incur.

All 'Old World' members are invested in the With Profits fund, as such all members using the default arrangement of the Balanced fund are incurring 'New World' charges i.e. 0.45% per annum.

The table below shows the level of charges applied to the default arrangement and the self-select funds.

Fund name	Annual Management Charge % pa
Clerical Medical Balanced Fund (Default fund)	0.45
Clerical Medical Adventurous	0.45
Clerical Medical Balanced	0.45
Clerical Medical Balanced Fund of Funds	1.2
Clerical Medical Cash	0.45
Clerical Medical Cautious	0.45
Clerical Medical Dynamic Return	1.2
Clerical Medical UK Equity Income (Acc)	0.45
Clerical Medical Ethical	0.45
Clerical Medical European	0.45
Clerical Medical Far Eastern	0.45
Clerical Medical Gilt & Fixed Interest	0.45
Clerical Medical Global Equity Tracker	0.45
Clerical Medical Halifax	0.45
Clerical Medical UK Index Linked Gilt	0.45
Clerical Medical International Growth	0.45
Clerical Medical Japanese	0.45
Clerical Medical Non Equity	0.45
Clerical Medical North American	0.45

Clerical Medical UK Property	0.45
Clerical Medical Retirement Protection	0.45
Clerical Medical Target Return	1.2
Clerical Medical UK Growth	0.45
Clerical Medical UK Equity Fund of Funds	1.2
Clerical Medical UK Equity Tracker	0.45
Clerical Medical Smaller Companies	0.45
Clerical Medical With-Profits (Regular)	0.75
Clerical Medical With-Profits (Single)	0.75
CM Blackrock Corporate Bond All Stock	0.45
CM Blackrock Over 15 Year Gilt	0.45
CM Blackrock Over 5 Year Gilt	0.45
CM Blackrock UK Equity	0.45
CM Blackrock World (Ex UK)	0.45
CM Fidelity Defensive Managed	1.2
CM Fidelity MoneyBuilder Growth	1.2
CM Fidelity MoneyBuilder Income	1.05
CM Fidelity Worldwide Special Situations	1.55
CM Invesco Perpetual Distribution	1.3
CM Invesco Perpetual Global Bond	1.1
CM Invesco Perpetual High Income	1.25
CM Boston Company US Opportunities	0.8
CM Newton Multi-Asset Balanced	0.7
CM Newton Continental European	0.8
CM Newton UK Income	0.85
CM Newton UK Equity	0.8
CM Newton International Bond	0.85
CM Newton Global Equity	0.8
CM Newton Multi-Asset Growth	0.7
CM Newton Multi-Asset Diversified Return	1.3
CM Schroder Corporate Bond	1.05
CM Schroder Gilt & Fixed Interest	0.45
CM Schroder Global Equity	0.8
CM Schroder Managed Balanced	0.9
CM Schroder Monthly High Income	0.75
CM Schroder UK Mid 250	1.05
CM UBS Global Allocation	1.3
CM UBS Global Growth	0.7
CM UBS UK Opportunities	0.7
CM UK Smaller Companies	0.7
CM UBS US Equity	0.7
CM Veritas Asian	0.95

Transaction Costs

The charges referred to above do not include transaction costs. These are costs which fund managers incur when buying, selling, borrowing or lending the assets that make up the investment funds. In addition, investment and disinvestment costs are paid when members buy and sell funds. These costs are paid by members.

Additional Expenses e.g. custodian, legal, accounting costs are also payable and included in the Total Expense Ratio (i.e. the total charge).

In respect of the missing transaction costs and additional expenses, the Board has decided not to obtain these because the expectation is that the Scheme will be wound up before the deadline for the next Chair Statement.

Illustration of costs and charges over time

The Board has a duty to provide an illustrative example of the cumulative effect over time of the application of charges and costs on the value of members benefits. The following illustration was prepared in line with guidance issued by the Department for Work and Pensions: Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes (September 2018).

It is important to remember the impact of costs on your fund. The example below shows the impact of the default charge on a notional fund value, and also how higher charges would impact this. This does not relate to any individual members fund.

Example member invested in the default arrangement:

Year	Before Charges	AMC Option 1 (Default)		AMC Option 2	
			0.45%		1%
0	10,000		10,000		10,000
3	20,083		19,885		19,644
5	27,221		26,808		26,312
10	46,647		45,366		43,852
15	68,561		65,855		62,714
20	93,281		88,477		82,997
25	121,166		113,453		104,809
30	152,622		141,029		128,264
40	228,132		205,089		180,608

Notes

1. Based on an initial pot of £10,000, annual contributions of 10% and an initial salary of £30,000.
2. The figures are discounted to today's money with inflation and salary increase assumptions of 2.5%.
3. The growth in fund is assumed as 5% per annum compound.
4. This is an illustrative example and not based on your own fund.

The annual management charges for future contributions are lower than the maximum allowed of 0.75%.

Cash Fund

The trustees note that the Cash fund offered by Clerical Medical does not provide positive value to members. The current AMC of 0.45% is lower than the bank interest rate over the period. There is no alternative option available, and it is important that a cash fund is available to members who wish to protect funds from market volatility. Therefore, the trustees will continue to offer this fund but feel it appropriate to note this point. APTIS will also offer a cash fund.

Value for Members (VfM)

Regulations require trustees to make an assessment of charges and transaction costs borne by members and the extent to which those charges and costs represent good 'Value for Members'. The Board considers that charges may be viewed as representing "good value" for members where an optimum combination of cost and quality is achieved for the membership as a whole, relative to other options available in the market.

The Board considered, amongst other factors, four key areas when assessing the value of charges and costs relative to the benefit of membership in the Scheme:

- Scheme management and governance.
- Administration
- Investment governance
- Communications.

The Board is satisfied that the charges on the default fund are within the prescribed limit and that the charges on the other funds are good value. However, it has concluded that the scheme is not offering appropriate value for members, which has influenced the decision to transfer to the new Aviva Pension Trust APTIS arrangement and wind-up the Scheme.

Trustee Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice No.7. The Board therefore has measures in place to ensure compliance with the requirements regarding its knowledge and understanding including investment matters, pension and trust law. This, together with the advice available from service providers, enables the Board to exercise its functions and run the Scheme Plan properly and effectively.

The Board has undertaken the following training during the past scheme year:

- Regular training sessions during each trustee meeting;
- The Professional Trustee attends courses on relevant subjects;
- Trustees are required to complete the Pensions Regulator's Trustee Toolkit modules.

In addition, the Board has obtained legal, accounting, investment and consulting advice as and when required during the past Scheme year.

The trustees completed a Trustee Board Questionnaire as part of their assessment of the skills-set and experience of each member of the current trustee board, taking account of the training undertaken during the past Scheme year, and are satisfied that the combined knowledge and understanding of the trustee, together with the advice which is available from professional advisers, enables the trustee to properly exercise its functions as a trustee of the Scheme. This questionnaire also captured any gaps in the trustees' knowledge, and appropriate support is provided in these areas.

The trustees have received legal updates from Mincoffs LLP on a regular basis during the year and market updates from Explore Wealth Management Limited at each trustee meeting.

Ad-hoc training is provided as and when required. The Board reviews the trust deed and rules, SIP and all other documents setting out the Board's current policies as appropriate to ensure they have a good working knowledge of these documents.

Taking into account the knowledge and experience of the Board together with the specialist advice received from the appointed professional advisors (including the investment consultants, and legal advisers), the Board believes it is well placed to properly exercise its functions as Trustee of the Plan.

The Trustee Directors must be conversant with the Scheme's own documentation including the Trust Deed and Rules and Statement of Investment Principles. The Trustee Directors must also be conversant with any other document recording current policy relating to the Scheme generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustee is able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustee.

This requirement has been met during the course of the Scheme year as the Board have undertaken ongoing training, both as a group and individually to keep abreast of relevant developments.

During the year, the Board completed the following:

Requirement	How met
Trustees must have appropriate knowledge and understanding of the law relating to pensions and trusts and the funding and investment of the assets	<p>The Board consider their annual training plan at each meeting, which includes specific consideration of whether any further training is required in respect of these statutory areas.</p> <p>In addition, the Board receive updates from their advisors at regular Trustee meetings and throughout the year to keep abreast of recent developments in these areas. They are also required to complete The Pension Regulator’s Trustee Tool Kit and any new/revised relevant modules released.</p> <p>During the year the Board undertook ongoing training both as a group within the regular meetings and individually including the process and requirements to wind-up the Scheme, updates required for SIP and Chair’s statements.</p>
Trustees must be conversant with the Scheme’s own documentation including the Trust Deed and Rules, Statement of Investment Principles and current policies	<p>The Board undertook an evaluation of training requirements, which includes specific consideration of whether any further training is required in respect of these documents.</p> <p>The Board has access to all key Scheme documentation.</p> <p>The SIP and Chair’s statement was reviewed and updated during the year and any appropriate scheme documents e.g. business plan/ risk register are considered at every trustee meeting.</p>
Knowledge and resources generally	<p>The Board comprises individuals with diverse professional skills and experiences, reflecting the varied nature of the issues that may arise in respect of DC pensions.</p> <p>The Board is updated on current matters by Mincoffs LLP on a regular basis during the year and market updates are provided by Explore Wealth Management Limited.</p> <p>The Board receive email bulletins and regular updates from its advisors including the latest developments affecting defined contribution pensions, which helps to keep the Board’s knowledge and understanding up to date.</p>

The table above shows how these duties have been fulfilled and how the combined knowledge and understanding, together with the advice which is available to the Board enables them to properly exercise their duties and responsibilities.

Mr P Kramer
Chairman of the Board