

## Governance statement for:

### Sommer Holdings Ltd Group Pension and Assurance Scheme. 31/01/2022

1. As trustees of Sommer Holdings Ltd Group Pension and Assurance Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:
  - Code of practice 13: Governance and administration of occupational defined contribution trust-based schemes
  - Regulatory guidance for defined contribution schemes.

These are underpinned by the DC quality features.

2. Based on our assessment and subject to the explanations set out below we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features, which we believe will help deliver better outcomes for members at retirement.

3. Confirmation that price cap is being maintained:

L&G Cash	0.125% amc
L&G Consensus	0.150% amc
L&G UK Equity Index	0.100% amc
L&G World (Ex UK) index	0.220% amc
L&G Active Corp Bond Over 10 years	0.260% amc
L&G Retirement Income Multi Asset	0.350% amc

The Trustees continue to monitor the above funds to ensure they remain suitable for member's lifestyle strategies.

#### Requirements for processing core financial transactions

The Trustees have received assurance from the Scheme's administrator, Scottish Widows, that there were adequate internal controls to support prompt and accurate processing of core financial transactions relating to the Scheme during the Scheme Year. This includes the processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries. Please note that there are no ongoing contributions to the Scheme. (excluding recovery plan)

The Scheme does not have a specific service level agreement ("SLA") in place with the administrator principally as there are a small number of members with the principal functions being lifestyle switches and the production of annual statements.

There have been no known material administration errors in relation to processing core financial transactions; and

all core financial transactions have been processed promptly and accurately during the Scheme year.

Where members do take benefits, those processes form part of the external audit. There is also no additional charge from Scottish Widows for managing the investments.

The Scheme Actuary, Scottish Widows do not form part of this review.

### **Value for members assessment**

The Trustees are required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustees consider that it broadly means:

that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other comparable options available in the market"

that the member borne charges remain significantly below the price cap that applies to Qualifying Workplace Pension Schemes i.e. 0.75% is the cap and the highest charge is 0.35%

The assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

The Trustees reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme.

The date of the last review was 31 Oct 2020. The Trustees note that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment. The Trustee's investment advisers have confirmed that the fund charges are competitive for the types of fund available to members and the Trustees have made their own enquiries.

The Trustee's assessment included a review of the performance of the Scheme's investment funds (after all charges) in the context of

their investment objectives.

The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives and in line with the principal benchmarks.

In carrying out the assessment, the Trustees also consider the other benefits members receive from the Scheme, which include:

Guaranteed Minimum Pension (GMP)

The Trustees have approached third parties previously to consider transferring the members to larger Schemes. This exercise will be repeated but in the past the scheme has been too small to attract any competitive interest from the market.

**The range of investment options and strategies;**

This is no longer a feature that is important judged by current members remaining in the default investment solution.

The Trustees believe the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches. The proximity to their normal retirement age means that the expectation of greater growth is not a reasonable statement to use. The investments remain prudent and aligned to the underpin guarantee.

Overall, the Trustees believe that members of the Scheme are receiving reasonable value for money for the charges and cost that they incur. The Trustees believe this because;

Costs borne by the members are 0.35% at their highest point. At their lowest it is 0.10% (Consensus which is the default is 0.15%)

The Pension charges survey 2020 indicated that average charges for unbundled schemes was 0.49% which remains higher than this Scheme.

Although not like for like, Nest would charge 0.3% and Peoples Pension 0.20% (after rebates due to member fund sizes). This provides a useful benchmark for comparison and demonstrate the value of bulk membership.

Investment returns benchmarked against sector averages are reasonable for the level of risk taken. This statement is in the context of the term to normal pension age and the lifestyling that is currently taking place.

Members retain the ability to transfer out of the Scheme and there are no penalties or reductions applied to any member who wants to. It is our understanding that all members have benefits elsewhere that could, based on a third party providing appropriate advice, be used to consolidate their pension funds into.

Administration and Governance remains appropriate with regards to the size of the membership.

### **Trustee knowledge and understanding**

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. Each Trustee must:

Be conversant with the trust deed and rules of the Scheme, the Scheme's statement of investment principles and any other document recording policy for the time being adopted by the Trustees relating to the administration of the Scheme generally,

Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

In addition, the Trustees of schemes that are subject to the Climate Change Governance and Reporting Requirements in Part 1 of the Schedule to the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 must have knowledge and understanding of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change.

The Trustees has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The Trustees, with the help of its advisers, regularly consider training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raise any changes in

governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material. During the period covered by this statement, the Trustees received training on the following topics:

All the Trustees are familiar with (and have access to copies of) the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments) and key policies and procedures. In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme and, where relevant, deciding individual member cases.

Further, the Trustees consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of other relevant principles relating to the funding and investment of occupational pension schemes and of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change, to fulfil their duties.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustees have completed the Pensions Regulator's Trustee Toolkit (the Trustee Toolkit is a free online learning programme from the Pensions Regulator aimed at trustees of occupational pension schemes and designed to help trustees meet the minimum level of knowledge and understanding required by law).

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme year.

**Signed:** Charles Sommer

by the Chair of the board of trustees.

**Date:**31/01/2022