

Chair's Statement

Brammer Services Retirement Benefit Scheme – Defined Contribution Section (the “Scheme”)

1. Introduction

This statement has been prepared by the Trustee of the Scheme (the “Trustee”) in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (“the Administration Regulations”) 1996 (as amended). It describes how the Trustee has met the statutory governance standards in relation to:

- The default arrangement(s);
- Requirements for processing financial transactions;
- Assessment of charges and transaction costs; and
- The requirement for trustee knowledge and understanding,

between 1st January 2018 and 31 December 2018, the 2018 scheme year (“the Scheme Year”).

During the year Independent Trustee Services Limited (ITS) has acted as sole professional trustee to the Scheme.

2. Default arrangement(s)

The following arrangement is the Scheme’s “default arrangement” for the purposes of Administration Regulations:

- The default arrangement invests in the following funds for members over 5 years from retirement:
 - 50% BlackRock DC Diversified Growth Fund; and
 - 50% DC Aquila (30:70) Currency Hedged Global Equity Index Fund.
- This is gradually switched into the following funds over the final 5 years to retirement:
 - 75% BlackRock DC Absolute Return Bond Fund; and
 - 25% BlackRock DC Cash Fund.

2.1 Statement of Investment Principles

Appended to this statement is a copy of the Scheme’s latest Statement of Investment Principles (SIP) governing decisions about investment for the purposes of the default arrangement, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the “Statement of Investment Principles”).

2.2 Review

The Trustee regularly undertakes a review of the performance of the Default arrangement and a formal review is carried out annually.

The Trustee considers that returns have been consistent with the aims & objectives of the Scheme's SIP and the needs of the scheme membership.

The last 3 yearly review of the SIP took place in February 2016. An updated review of the Scheme's default strategy and other funds offered to members is currently underway.

3. Requirements for processing financial transactions

The Trustee regularly monitors core financial transactions of the Scheme via the Scheme administrators' stewardship report. These include the investment of contributions, fund switches, transfers in and out of the Scheme and payments out of the Scheme.

The Trustee's annual Report and Accounts (including financial transactions) are independently audited by the Scheme auditor, PricewaterhouseCoopers LLP, annually.

The Trustee has a bespoke Service Level Agreement in place with the third party administrator, under which the Trustee has delegated the processing of these transactions, and performance is reviewed quarterly.

Based upon the above, the Trustee is satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the Scheme Year.

4. Assessment of member-borne charges and transaction costs

4.1 Level of member-borne charges and transaction costs

The Total Expense Ratio (as at 31 December 2018) and transaction charges (as at 30 June 2018) applied to the Scheme's default arrangement and self-select fund range are as follows:

Fund	TER (%)	Transaction charges (%)
BlackRock DC Balanced Growth Fund	0.61	-0.33
BlackRock DC Index Linked Gilt Fund	0.16	-0.07
BlackRock DC Pre Retirement Fund	0.16	-0.22
BlackRock DC Cash Fund*	0.33	0.02
BlackRock UK Equity Index Tracker Fund	0.21	0.03
DC Aquila (30:70) Currency Hedged Global Equity Index Fund*	0.18	0.00
DC Aquila Emerging Market Equities Index Fund	0.37	0.46
BlackRock DC Absolute Return Bond Fund*	0.48	0.47
BlackRock DC UK Growth Fund	0.61	0.07
BlackRock DC Overseas Equity Fund	0.61	-0.01
BlackRock DC Diversified Growth Fund*	0.63	0.23
BlackRock DC Property Fund	1.03	-0.06
KAMES Ethical Equity Fund	1.04	0.35

*Funds which make up the default strategy

The charges paid by members in the default arrangement are the sum of the charges as shown above based on the proportions invested in the underlying funds.

The impact of the charges on members' pots at retirement is included as an Appendix to this Statement.

4.2 Value assessment

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustee assesses the extent to which charges and transaction costs set out in 4.1 above represent good value for members.

The Trustee is committed to ensuring that members receive value for money from the Scheme. The Trustee, with the support of its advisers, KPMG, undertakes an annual value for member assessment.

In accordance with the Pensions Regulator's DC Code of Practice and with relevant legislation available at the time of this statement, the Trustee concluded that the Scheme's overall benefits and options represent reasonable value for money in comparison to the charges payable by members for the following reasons:

- Charges for the Scheme's default investment strategy are below the charge cap of 0.75% a year;
- Members have access to low investment fund management charges which the Trustee believes are competitive and unlikely to be obtained on the open market e.g. via personal pensions;
- Members do not pay for the Scheme administration costs, professional adviser costs or any costs associated with running the Scheme;
- An investment strategy review was carried out in 2015 to ensure that the default fund and core fund range remain fit for purpose;
- A recent comparison against the charges of associated schemes found that the level on offer is providing value for members;
- A sole professional Trustee maintains a strong governance structure with regular Trustee meetings;
- Salary sacrifice was introduced with effect from 1 January 2017.

The Trustee is satisfied with the quality and accuracy of the administration of the Scheme. To improve value for members, the Trustee has raised three key areas with the Company which the Trustee believes require further attention:

- Member communications
- Retirement support
- Contribution structure

Discussions with the Company are ongoing as to how these improvements might best be implemented.

5. Trustee knowledge and understanding

The Trustee of the Scheme is Independent Trustee Services Limited (ITS). ITS is a professional independent trustee company, established in 1991.

ITS have an overarching governance process whereby two Directors of ITS annually assess the Scheme against a checklist of actions and identify areas of focus and any relevant training needs. ITS also holds monthly meetings of its Directors, which include external training sessions aimed at addressing topical issues and the identified training needs of its staff.

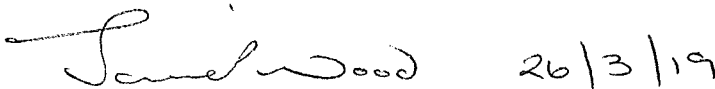
The lead Director, representing ITS on the Scheme, is Janine Wood. Janine is a qualified actuary with over 20 years of experience in the pensions industry.

Janine and the other individuals employed by ITS all have relevant professional qualifications and significant pensions industry experience. Those individuals keep their knowledge up-to-date using a variety of means, including the internal training, referred to above, as well as completion of Continuing Professional Development (CPD) courses in relation to membership of professional bodies. In particular, during the year in question, Janine's training included attending seminars and discussions on the incoming professional trustee standards; developments in DC investments, evolution of default funds and the revised Chair's statement requirements; GMP equalisation issues and the FCA review of the investment market.

The Trustee's own knowledge and understanding, together with the advice which is available through the Scheme advisers (KPMG, Barnett Waddingham and Squires, Patten, Boggs), enables the Trustee to properly exercise its functions as Trustee of the Scheme.

During the Scheme Year, the Trustee therefore considers it met the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding).

Signed on behalf of the Trustee of the Brammer Services Retirement Benefits Scheme

Handwritten signature of Janine Wood and the date 26/3/19.

Janine Wood

Director, ITS Limited

Appendix - Illustrations of the effect of costs and charges

Background

The next few pages contain the required illustrations about the cumulative effect of costs and charges on member savings within the Scheme over a period of time. The illustrations have been prepared having regard to statutory guidance.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained in the Notes section below the illustrations.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what could happen in the future. This means that the information contained in this Chair's Statement is not a substitute for the individual and personalised illustrations which are provided to members each year by the Scheme.

Key points to note

The charts below illustrate the potential impact that costs and charges might have on different investment options provided by the Scheme. Not all investment options are shown - the Trustee has chosen illustrations which they believe will provide an appropriate representative sample of the different investment choices that members can make.

In each of the illustrations, the "Before charges" column gives the hypothetical value of the investments if members were able to invest in funds at no cost. However, there will always be some cost to investing. This is because the organisations which manage the funds charge fees for their services, and also because buying and selling the stocks and shares which drive the funds' performance also has a cost. The "After all costs and charges deducted" column reflects the performance of the funds after these costs have been deducted.

In the illustrations, we have shown the projections for the following:

1. The default lifestyle strategy
2. The component underlying funds in the default strategy
3. The fund with the highest charges (Kames Ethical Equity Fund)
4. The fund with the lowest charges (BlackRock DC Pre Retirement Fund)
5. As all funds are assumed to have the same long term return assumptions based on the SMPI illustrations methodology, there is no separate requirement to show the impact of charges on the fund with the lowest and highest returns.

Youngest member projections – the default lifestyle arrangement

Active member – ongoing contributions assumed invested in the default lifestyle strategy		
Years from 31/12/18	Before charges (£)	After all costs and charges deducted (£)
1	50,230	49,978
3	54,503	53,704
5	58,950	57,542
10	70,866	67,644
15	84,024	78,519
20	98,550	90,224
25	114,589	102,765
29	128,614	112,655

Youngest member projections – the underlying funds of the default strategy

Active member – ongoing contributions assumed in each of the underlying component funds of the default strategy								
Years from 31/12/18	BlackRock DC Diversified Growth		BlackRock DC Aquila (30:70) Currency Hedged Global Equity Index		BlackRock Absolute Return Bond		BlackRock DC Cash	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	50,230	49,812	50,230	50,145	50,230	49,766	50,230	50,061
3	54,503	53,181	54,503	54,232	54,503	53,036	54,503	53,965
5	58,950	56,627	58,950	58,469	58,950	56,375	58,950	57,999
10	70,866	65,592	70,866	69,758	70,866	65,034	70,866	68,683
15	84,024	75,080	84,024	82,115	84,024	74,156	84,024	80,279
20	98,550	85,123	98,550	95,641	98,550	83,765	98,550	92,866
25	114,589	95,752	114,589	110,448	114,589	93,887	114,589	106,527
29	128,614	104,700	128,614	123,295	128,614	102,373	128,614	118,291

Youngest member projections – the funds with the lowest and highest charges

Active member – ongoing contributions assumed investing in the fund with the lowest and highest charges				
Years from 31/12/18	BlackRock DC Pre Retirement Fund		BlackRock KAMES Ethical Equity	
	Before charges	After all charges + costs deducted	Before charges	After all charges + costs deducted
1	50,230	50,259	50,230	49,553
3	54,503	54,597	54,503	52,374
5	58,950	59,115	58,950	55,229
10	70,866	71,250	70,866	62,520
15	84,024	84,687	84,024	70,036
20	98,550	99,567	98,550	77,785
25	114,589	116,043	114,589	85,773
29	128,614	130,489	128,614	92,341

Notes on member illustrations

1. The youngest member of the Scheme is 36 and the projection is to age 65 (i.e. in 29 years' time)
2. The starting pot size for the member is assumed to be £48,156 which is the median pot for the Scheme membership
3. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
4. Inflation is assumed to be 2.5% each year
5. The illustrations assume ongoing contributions of £1,100 pa
6. Salary is assumed to increase each year at 0.0% above inflation
7. Values shown are estimates and are not guaranteed
8. Transaction costs have been estimated based on the data available from Aegon and the underlying fund managers
9. The projected growth rates for each fund are shown in the table below. These are consistent with the rates used in the SMPI Assumptions when preparing the annual benefit statements

Fund	Return assumption above inflation (% pa)
BlackRock DC Diversified Growth Fund	2.0
BlackRock DC Aquila (30/70) Currency Hedged Global Equity Index Fund	2.0
BlackRock DC Absolute Return Bond Fund	2.0
BlackRock DC Cash Fund	2.0
Kames Ethical Equity Fund	2.0
BlackRock DC Pre Retirement Fund	2.0

