

DC governance statement, covering the period from 6 April 2018 to 5 April 2019

Introduction

Governance requirements apply to defined contribution ("DC") pension arrangements like the Hunting Contracted-out Money Purchase Scheme (the "Scheme"), to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement to describe how the governance requirements have been met in relation to:

- the investment options in which members can invest (including any "default arrangement");
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a "value for members" assessment; and
- trustee knowledge and understanding.

1. Investment options

As the Scheme closed to new contributions prior to 6 April 2015 and has never been used for auto-enrolment compliance purposes, no default arrangement exists.

The Trustee holds insurance policies with Equitable Life Assurance Society to provide members with the money purchase benefits they are entitled to from the Scheme.

Until 8 December 2000, all contributions paid into the Scheme were invested in the Equitable Life With-Profits Fund. All contributions received thereafter, until contributions ceased in March 2003, were invested in the Equitable Life Money Pension Fund. As such, most members have the majority of their benefits invested in the With-Profits Fund. Amounts held in the Money Pension Fund are generally considerably smaller.

Further details of the Trustee's current investment policy are set out in the Scheme's Statement of Investment Principles ("SIP"), signed on 14 May 2019 which is included as Appendix 1 to the financial statements. The next review of the SIP is due to be undertaken in 2022 or sooner in the event of a significant change to the investment strategy.

The Trustee reviews the Scheme regularly to assess whether there are opportunities to move the Scheme holdings away from Equitable Life without disadvantaging members. In June 2018, Equitable Life announced its intention to sell the business to Utmost Life and Pensions (a UK company which specialises in managing closed insurance companies like Equitable Life). The sale is subject to the outcome of a vote, which is scheduled for summer 2019, and approval by the High Court. Assuming the sale is approved, Equitable Life will distribute its reserves to the remaining With-Profits members, which will result in a significant increase to the majority of Scheme members' fund values. The Trustee and Company then intend to proceed with the winding up of the Scheme.

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2. Requirements for processing core financial transactions

The Scheme closed to further contributions on 31 March 2003 and had 1,204 deferred members as at 6 April 2018.

Processing of core financial transactions (eg transfers out of the Scheme, and payments to members/beneficiaries) is carried out by the Scheme's in-house administrators together with the Scheme's insurance provider, Equitable Life Assurance Society. Over the course of the Scheme year the membership reduced by 23, leaving a total of 1,181 as at 5 April 2019:

- 16 retirements (the majority of which drew their benefits as a cash lump sum);
- 3 deaths; and
- 4 transfers to alternative approved pension arrangements.

These transactions were processed promptly and efficiently by both the in-house administrator and Equitable Life.

Equitable Life does not provide specific service level agreements but has pledged (and generally adheres to) completing:

- 95% of payments within 5 days;
- 95% of benefit illustrations within 10 days; and
- 90% of all general servicing within 10 days.

In addition, Equitable Life has produced a detailed statement, which confirms that it has a system of internal controls for ensuring its effectiveness. Although the system is designed to manage rather than eliminate the risk of failure, it does provide reasonable assurance against material loss or misstatement. The Trustee is comfortable that the in-house administration function has in place adequate internal controls to ensure that core financial transactions relating to the Scheme are processed promptly and accurately. All disinvestments during the Scheme year were paid to the Trustee bank account by Equitable Life within five days (as per service level agreement) and the in-house administration team forwarded the proceeds to the beneficiaries promptly. All administration functions are peer reviewed before being actioned to ensure accuracy.

For in-house administration functions, the Scheme has a hosting agreement with NorthgateArinso UK Limited to view all member records. Computer software is upgraded as and when necessary and data files are backed-up daily with the most recent back-up tape taken off-site. Older back-up tapes are held in a fire proof safe. In addition, temporary office space is available if required. In the absence of the Group Pensions Manager cover could be provided by advisers. The Trustee has confirmed there have been no issues or delays in obtaining Scheme information.

The Group Pensions Manager provides updates to the Trustee on Scheme movements, which are reviewed at Trustee meetings. Based on information provided by the administrator, the Trustee is satisfied that over the period covered by this statement:

- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed within a reasonable timeframe.

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3. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges incurred by Scheme members in this Statement. For the purpose of this section “charges” are defined as the annual fund management charges plus additional fund expenses (eg for custody but excluding transaction costs). These charges are also known as the total expense ratio (“TER”). The TER is paid by the members and is reflected in the unit price of the funds.

The Trustee is also required to disclose the level of any transaction costs. These are incurred when the Scheme’s investment managers buy and sell assets within funds but are exclusive of any costs incurred when members invest in and switch between funds.

The annual charges for each fund over the period covered by this Statement, as supplied by Equitable Life, are set out in the following table. When preparing this section of the Statement the Trustee has taken account of the relevant statutory guidance.

Fund name	Annual charge (TER)	Transaction costs
Equitable Life Money Pension Fund	0.5%	0.00%
Equitable Life With-Profits Fund	1.0% ¹	0.01%

Scheme assets invested in the Equitable Life With-Profits Fund benefit from a guaranteed contractual return of 3.5% per annum which is credited after the deduction of charges.

3.1 Illustration of charges and disclosure costs

The following table illustrates the impact of charges and transaction costs on the projection of an example member’s pension savings.

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The illustration shows the Equitable Life With-Profits Fund, which is the arrangement with the most members invested in. It is also the fund with the highest expected return and the highest annual member borne costs²;
- The illustration also shows the Equitable Life Money Pension Fund, which is the fund with lowest expected return and the lowest annual member borne costs.

¹ The charges attaching to with profits funds are implicit and deducted before the application of any bonuses.

² The projections have been produced in line with statutory guidance. In practice the returns granted on the Equitable Life With-Profits Fund are after the deduction of all charges.

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from 6 April 2018 to 5 April 2019 (continued)**

3.1 Illustration of charges and disclosure costs (continued)

Projected pension fund values in today's money

Years invested	Equitable Life With-Profits Fund		Equitable Life Money Pensions Fund	
	Before costs	After costs	Before costs	After costs
1	£6,700	£6,600	£6,500	£6,500
3	£6,800	£6,600	£6,400	£6,300
5	£6,900	£6,600	£6,300	£6,100
10	£7,300	£6,600	£6,000	£5,700
15	£7,700	£6,600	£5,700	£5,300
20	£8,100	£6,600	£5,400	£4,900
25	£8,500	£6,600	£5,100	£4,500
30	£8,900	£6,600	£4,900	£4,200
35	£9,300	£6,600	£4,600	£3,900

Notes

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Inflation is assumed to be 2.5% each year.
- The starting pot size used is £6,600, which is the median value of members' fund values.
- No further contributions are assumed to be paid.
- Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility of possible outcomes from each fund. It also does not make any allowance for the impact on With-Profits fund values if the proposed Equitable Life sale proceeds.
- The projected annual returns used are as follows:
 - Equitable Life With-Profits Fund 3.5% pa
 - Equitable Life Money Pension Fund 1.5% pa
- No allowance for active management has been made.

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4. Value for members assessment

The Trustee is required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value for members, compared to other options available in the market. There is no legal definition of “good value” and so the process of determining good value for members is a subjective one. The general policy of the Trustee in relation to value for member considerations is set out below.

It is the Trustee’s policy to review all member borne charges (including transactions costs where these are available) on a regular basis, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Trustee’s investment advisers have confirmed that the fund charges are competitive for the types of fund available to members. The stated charges exclude scheme administration costs since these are not met by Scheme members.

The Trustee notes that value for members does not necessarily mean the lowest fee, and the overall quality of the service received has been considered in the ‘value for members’ assessment.

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 select during the period covered by this statement have been consistent with their stated investment objectives.

The Trustee also considers the other features of the Scheme, which include:

- the oversight and governance of the Trustee, including ensuring the Scheme is compliant with relevant legislation, such as holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the options made available for drawing retirement benefits;
- the quality of communications delivered to members;
- the quality of support services;
- the efficiency of administration processes and the extent to which the administrator met its service level standards for the Scheme year; and
- the potential uplift in the fund values of the majority of Scheme members should the proposed sale of Equitable Life’s business be approved.

As detailed in the previous section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes.

In addition, taking into account the 3.5% per annum contractual guaranteed investment return (after charges) on the With Profits Fund (which holds the vast majority of Scheme assets), the Trustee believes that members of the Scheme are receiving reasonable value for money.

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5. Trustee knowledge and understanding

The Scheme's Trustee Directors are required to maintain appropriate levels of knowledge and understanding.

The Trustee has measures in place to secure compliance with the legal and regulatory requirements regarding its knowledge and understanding including investment matters, pension regulation and trust law. This, together with the advice available, enables the Trustee to properly exercise its functions and run the Scheme effectively.

The Trustee records relevant activity for each Trustee Director in the Trustee Training log, which is maintained in line with best practice. During the period covered by this statement, the Trustee Directors have ensured their knowledge and understanding is up to date by taking part in various group and individual training opportunities. Training in the Scheme year comprised:

- Trustee Directors attending industry and adviser led conferences and trustee training sessions (including the LCP Annual Pension Conference in September 2018 and the LCP DC and Financial Wellbeing Conference in March 2019);
- The Trustee's pension advisers provide relevant DC updates for the Trustee in advance of and for discussion at each Trustee meeting in the form of a "Current issues" paper;
- Trustee Directors have completed the Pensions Regulator's trustee training toolkit; and
- DC topics featured in Trustee meeting agendas throughout the 2018/19 Scheme year, including DC investment, DC member communications, DC governance, relevant developments in relation to Equitable Life and the future of the Scheme including winding-up considerations.

All the Trustee Directors are familiar with the Scheme governing documentation, including the Trust Deed & Rules and SIP. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme.

The Trustee Directors have a broad range of experience. Two of the Trustee Directors have relevant financial experience through their roles as Finance Directors; one is a Pensions Manager; and another is a retired pensions lawyer.

Considering the knowledge and experience of the Trustee Directors with the specialist advice received from the appointed professional advisors, the Trustee believes it is well placed to properly exercise its functions as Trustee of the Scheme.

This Statement was approved by the Trustee and signed on their behalf by:

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D.L. Clark (Chairman)

..... 1/8/2019
Date: