

Douglas Concrete Limited Retirement Benefits Scheme
Trustee's report and contributions statement
For the year ended 15 May 2021

Annual Chair's Statement

The Occupational Pension Scheme (Scheme Administration) Regulations 1996 require the Trustee to prepare an annual statement regarding governance, which should be included in the Annual Report.

This statement issued by the Scheme covers the period from 16 May 2020 to 15 May 2021 and is signed on behalf of the Trustee by the Chair.

This statement covers governance and charge disclosures in relation to the following:

- The default arrangement
- Processing of core financial transactions
- Member borne charges
- Value for members
- Trustee Knowledge and Understanding ('TKU')

THE DEFAULT ARRANGEMENT

The Trustee is required to design default arrangements in members' interests and keep them under review. The Trustee will need to take account of the level of costs and the risk profile that are appropriate for the Scheme's membership in light of the overall objective of the default arrangement strategy.

The Scheme is closed to new members. Over the statement period, the Scheme continued to have two active members but is not used as a qualifying arrangement for automatic enrolment purposes. There is no formal default investment strategy in place.

The majority of members' funds are invested in a conventional with profits fund whereby the guaranteed fund available at Normal Retirement Date (assuming continued payment of pension contributions) may attract annual bonuses, with the potential for a terminal bonus and a guaranteed annuity rate on some of the funds, when benefits are paid. This fund is the "deemed default arrangement" for the purposes of this statement as over 80% of contributing members utilised this fund as at the relevant date (6 April 2015).

Unit linked funds are also available to the Scheme members although currently only one (deferred) member invests in such funds.

The investment strategy was not formally reviewed during the period covered by this statement. The Trustee last carried out a review of the appropriateness and performance of the investment strategy on 14 December 2018. The review concluded that the investment strategy remained appropriate as the guaranteed annuity rate built into the with profits policies, and the potential for payment of a terminal bonus are features that are likely to be advantageous for members compared to alternative investment options available.

The latest Statement of Investment Principles ("SIP") for the Scheme, dated 25 August 2020, which governs decisions about investments in the default arrangement and is prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, is included in the Appendix to this statement.

The next investment strategy review was due to be completed by 14 December 2021. However, after consulting with its two active employees in the Scheme, the Employer has closed the Scheme to future accrual and on 10 December 2021 wrote to the Trustee triggering the wind-up of the Scheme in line with the provisions of the Trust Deed and Rules. Therefore, the Trustee will be securing all funds outside of the Trust.

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PROCESSING OF CORE FINANCIAL TRANSACTIONS

The Trustee has a specific duty to ensure that core financial transactions (including the 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/beneficiaries) are processed promptly and accurately.

Core financial transactions comprise of monthly contributions for the two remaining active members, transfers out of the Scheme, other payments out of the Scheme and the provision of insured retirement pensions with Scottish Widows.

Scottish Widows have adopted internal control procedures that are designed to ensure that core financial transactions are processed promptly and accurately. There is a generic Service Level Agreement (SLA) in place with Scottish Widows, but no specific SLA at Scheme level. Scottish Widows have confirmed that their current SLA is 7 days from receipt of request. Performance against the SLA is reviewed on a regular basis, at least annually, although the Trustee would like to note that this is not always possible with the small number of requests received for the Scheme. Key processes include:

- A full member and Scheme reconciliation being undertaken annually as part of the annual preparation of the Trustee Report & Accounts
- Operation in line with the business continuity plan and confirmation that the administrator has prioritised core financial transactions during this period.

Following issues discovered as part of the reconciliation undertaken in a prior year (with the incorrect allocation of contributions to the individual funds of the two remaining active members), the Trustee continues to take a more active role in monitoring the administration service. Monthly contribution schedules are provided to the Trustee's advisers who in turn provide these to Scottish Widows to confirm the payments being made. The Trustee's advisers check periodically that the correct contributions are being received, and Scottish Widows provide a premium account report which details the dates and amounts of expected and actual payments made over the period.

As a result of the above, the Trustee considers that the requirements for processing core financial transactions promptly and accurately have been met.

MEMBER BORNE CHARGES

The Trustee should regularly monitor the level of charges borne by members through the funds. These charges comprise:

- *explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund managers as part of the Total Expense Ratio (TER).*
- *transaction costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.*

The requirement for fund managers to calculate and disclose transaction costs using a method prescribed by the Financial Conduct Authority was introduced on 3 January 2018. Fund managers calculate transaction costs at fund-level not scheme-level therefore the Trustee requested details of transaction costs for the period 16 May 2020 to 15 May 2021 from the Scheme's provider.

The prescribed method of calculating transaction costs states the trading cost is arrived at by comparing the price at which the transaction was actually executed with the price when the order to transact entered the market. Therefore, when selling into a rising market or buying into a falling market, the calculation produces a credit that may outweigh the other 'explicit' transaction costs, resulting in negative overall transaction costs.

The Total Expense Ratio (TER) and transaction costs (TC) for the unit linked funds are shown in the table below. Scottish Widows has been unable to provide the transaction costs over the specific period covering the Scheme year, so the closest available figures have been used as covered in the notes below the table:

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Fund / Provider	TER (%)	TC (%)	Total (%)
Scottish Widows as at 15/05/2021			
With Profits	Not disclosed ⁽¹⁾	0.27 ⁽²⁾	1.270
Scottish Widows Cash	0.875	0.01 ⁽²⁾	0.885
Scottish Widows Fixed Interest	0.875	0.09 ⁽³⁾	0.965
Scottish Widows Indexed Stock	0.875	0.09 ⁽³⁾	0.965
Scottish Widows International	0.875	0.19 ⁽²⁾	1.065
Scottish Widows Mixed	0.875	-0.07 ⁽²⁾	0.805
Scottish Widows Property	0.875	0.00 ⁽²⁾	0.875
Scottish Widows UK Equity	0.875	0.26 ⁽³⁾	1.135

Notes:

- 1) The charges on the Scottish Widows With Profits Fund are not explicit and are accounted for when the bonus rate is declared. The Trustee is continuing to seek more detail from Scottish Widows and a TER of 1% has been assumed for the purposes of this statement.
- 2) Scottish Widows has provided transaction costs over the period 01/07/2020 to 30/06/2021 for this fund as the latest available.
- 3) Scottish Widows has provided transaction costs over the period 01/06/2020 to 31/05/2021 for this fund as the latest available.

There is a further charge applied if more than one fund switch is made by a member in a rolling twelve-month period. The first switch is free, any subsequent switch costs 0.5% of the switched amount, with a minimum charge of £15 and a maximum charge of £35.

Illustration of the cumulative impact of costs and charges on member fund value over time

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of charges and transaction costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs. As part of the changes, the Trustee is required to illustrate the cumulative effect over time of the application of transaction costs and charges on the value of a member's benefits.

The Trustee has produced the following illustrations in line with the statutory guidance to demonstrate the effect of the above costs and charges on the funds of typical members representative of the Scheme's membership.

The With Profits Fund is the only default investment arrangement within the Scheme and so the Trustee has illustrated typical representatives of the Scheme's membership. As the Trustee has been notified the Scheme will be closing to future accrual no allowance for future contributions has been included in the illustrations.

The following assumptions have been made for the purposes of the below illustrations:

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. Inflation is assumed to be 2.5% each year.
3. No further contributions are paid to the Scheme.
4. Values shown are estimates and are not guaranteed.
5. The assumed growth rate (net of costs and charges) is 3.00% p.a.
6. For the purposes of the illustrations, the Trustee has used an assumed TER of 1% for the With Profits fund based on charges disclosed by similar With Profits funds.
7. The transaction costs used in the illustrations should be based on an average of the previous five years' transaction costs or, where data is available for fewer than five years, an average of transactions costs over the years for which data is available. Currently, transaction cost information is available for the last three years since the date the requirements to include them came into force and therefore transaction costs used within the illustrations reflect the average

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transactions costs over the last three years. As time progresses, we expect to be able to average transaction costs over a longer period. A floor of 0% p.a. has been used for the transaction costs if these were negative in any year so as not to potentially understate the effect of charges on fund values over time.

8. Data used is as at 15 May 2021.

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 and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, they are not a substitute for the individual and personalised illustrations which are provided to members in their annual benefit statements.

Example 1 – Deferred member who is 50 years old

Age	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs)	Effect of charges (TER and TCs) £
50	25,000	25,000	0
55	27,200	25,600	1,600
60	29,500	26,200	3,300
65	32,000	26,900	5,100

Example 2 – Deferred member who is 60 years old

Age	Estimated fund value (before charges) £	Estimated fund value (after TER and TCs)	Effect of charges (TER and TCs) £
60	129,000	129,000	0
65	140,100	132,200	7,900

VALUE FOR MEMBERS

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by DC section and AVC members and the extent to which those charges and costs represent good value for money for members.

The Employer and Trustee has determined that value can be better provided to members outside the Trust. After consulting with its two active employees in the Scheme, the Employer has closed the Scheme to future accrual, and on 10 December 2021 wrote to the Trustee triggering the wind-up of the Scheme in line with the provisions of the Trust Deed and Rules. Therefore, the Trustee will be securing all funds outside of the Trust.

TRUSTEE KNOWLEDGE AND UNDERSTANDING ('TKU')

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 funding of occupational pension schemes, 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 7.

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The Trustee recognises the importance of having and maintaining sufficient levels of individual and collective knowledge. During the year there has been an increase in dialogue between Trustee Directors compared to previous years, with a knowledge sharing session between Trustee Directors to review the most appropriate future of the Scheme. Post year-end a Trustee meeting has been held to further discuss the future structure of the Scheme, with specialist advisers in attendance and providing input as required. Whilst acknowledging that a deficiency continues to exist but to a lesser extent than prior periods, the Trustee believes some of the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) have been met during the Scheme year through the following measures:

- All Trustee Directors are encouraged to complete the Pensions Regulator's Trustee Toolkit (which includes modules on trust and pensions law) as it applies to DC arrangements which is a free, online learning programme aimed at trustees of occupational pension schemes to help them meet the minimum level of knowledge and understanding required by pensions legislation.
- Working with high quality professional advisers who provide training input on specific matters as they arise, for example on changes in pension regulations and legislation. Each Trustee takes personal responsibility for keeping up to date with relevant developments and training undertaken by their professional advisers:
 - Over the year there has been specific training in relation to the Scheme, with professional advisers providing training on the regulatory requirements for trustees of DC pension schemes, covering what is expected of trustees, scheme reporting, investment, disclosure and administration requirements. There was also training on the main steps for consideration if winding up the Scheme was deemed appropriate.

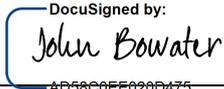
In addition to the knowledge and understanding of the Trustee, the Trustee has engaged with their appointed professional advisers regularly throughout the year to ensure that they run the Scheme and exercise their functions properly and have also:

- Discussed the future structure of the Scheme in great detail with their professional investment and legal advisers. Discussions have covered:
 - the potential options available to the Trustee including receiving legal advice around the winding-up options and potential to maintain any future guarantees with Scottish Widows
 - in-depth reviews of the Scheme Rules
 - proposals for compensation for active members as a result of any loss of guaranteed annuity rates on part of their benefit
 - the full process for winding up the Scheme and associated considerations so the Trustee is aware of the steps necessary
 - the tracing of members where addresses are unknown
 - the drafting of communications to clearly inform members of the proposals
- Actively monitored payment of member contributions on a monthly basis working with the administrator and its advisers
- Ensured that the auditors provide a statement about contributions in the Trustee's report and contributions statement
- Maintained a regime for proper governance - reviewing and updating the Chair's Statement and value for members assessment

Considering the training activities completed by the Trustee together with the professional advice available, the Trustee considers that it meets the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) and is confident that the combined knowledge and understanding of the Trustee, together with the input from its specialist advisers, enables it to properly exercise its functions as the Trustee of the Scheme.

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Signed by the Chair on behalf of the Trustee of the Douglas Concrete Limited Retirement Benefits Scheme

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Signature	 AD58C0EE020D475...
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