

WATFORD TIMBER 1994 RETIREMENT SECURITY PLAN

CHAIR'S STATEMENT (Scheme year ended - 31st March 2019)

Background

The Watford Timber 1994 Pension Scheme is a defined contribution (DC) occupational pension scheme as defined in Part 4 of the Finance act 2004.

This is the Chair's Statement as required by the occupational defined contributions trust based pension scheme code of practice.

Contributions are paid monthly to the Scheme in respect of the active members.

This is a CLOSED scheme with four active members still employed by Watford Timber Company. Royal and Sun Alliance shut and capped the scheme in 2004 and Phoenix subsequently bought it.

The Scheme is not used for auto enrolment as the employer has implemented an alternative Qualifying Workplace Pension Scheme to satisfy this requirement, and which has in place an appropriate default investment fund.

Watford Timber 1994 Retirement Security Plan is a With Profit Deferred Annuity contract which is wholly insured and as such, only has one investment fund; the Phoenix Life Limited Scottish Mutual With-Profits Fund.

The premiums paid are pooled with the premiums of other policy holders who have invested in With-Profits and this is used to pay benefits to any With-Profits policy holders.

There are no other investment options or funds available within the Scheme.

The trustees point out that members active and deferred have a guaranteed basic sum at their retirement date irrespective of how the fund has performed which is considered advantageous to normal market eventualities.

Whilst members are advised to obtain quotations from other providers in respect of taking an annuity Phoenix guarantee a 10% minimum level at retirement age. This may be adjusted if taken before that date. The trustees consider this 10% guarantee to be particularly favourable possibly double what would be available on the open market at present.

The Trustees have noted that:-

_ This Phoenix Life Limited Scottish Mutual With-Profits Fund has benefited from annual bonuses in recent years but they are not guaranteed. Current rates are calculated at .05% on both the existing guaranteed basic sum and on existing bonuses.

_ Due to the value of the benefits already guaranteed, it is unlikely that the fund will benefit greatly from annual bonuses in the future.

_ Phoenix may add a Final Bonus at the normal retirement date for pension policies and an element of Final Bonus may be awarded upon surrender. The level of any Final Bonus payment will be dependent on the type of policy and the number of years that the policy has been in force but is not guaranteed.

_ Phoenix advise that final Bonus rates are regularly reviewed but not shown on annual statements.

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_ In July 2016 changes to the commutation rates were made due to changes in life expectancy and interest rates; known as the Enhanced Cash option. The alterations now provide more favourable terms for members who elect to convert part of their pension income for a tax free cash lump sum; or who take an Open Market Option.

Given the changes to the commutation rates it is essential that all members seek alternative quotes on the open market and ultimately take advice prior to drawing their pension benefits.

Phoenix has been asked to provide the information necessary to undertake a 'value for money test' for members against the Enhanced Cash Option and 'guaranteed annual pension income annuity' but Phoenix is unable to provide this information due to market sensitivity. Phoenix also confirmed that the commutation rates used to convert the 'guaranteed annual pension income annuity' to the Enhanced Cash Option will change in accordance with market conditions.

Members receive an annual statement which details the current cash and transfer value, plus an illustrative fund value at retirement and the expected annual pension income.

_ Whilst the Scheme may accommodate small pot payments, flexible access to benefits is only available upon transferring to an alternative pension arrangement.

_ The Trustees considered the information provided by Phoenix in relation to bonuses and to the guarantees provided by the Scheme and are satisfied that the Scheme continues to provide security for the existing members.

The scheme has service level agreements in place for the Pension Provider and all professional advisers to the scheme.

Administration is monitored by the Trustee's who meet throughout the year as and when required, and at the Annual Trustee Meeting.

The in-house Scheme Administrator is RNT Coles who is supported by the Scheme Adviser; Origen Financial Services.

The Scheme Administrator provides regular updates for the Trustees and there have not been any issues regarding the processing of core financial transactions. The Scheme Administrator has confirmed that all premiums have been calculated accurately and have been paid monthly in line with the schedule of contributions.

The scheme's audited annual Trustee Report & Accounts provide an overview of the financial transactions over the scheme year and there were no recorded failures or errors.

The administration report provided by the Scheme Administrator covers such matters as member complaints, transfer enquiries and monitors whether these proceed. This is also the case for members or beneficiaries claiming benefits. This report is reviewed at the annual Trustee Meeting.

Transfer payments are handled by the Scheme Administrator, supported by the Scheme Adviser.

Death benefits are handled by the Scheme Administrator, supported by the Scheme Adviser.

Retirement Benefits are handled by the Scheme Administrator, supported by the Scheme Adviser.

All transactions mentioned above, require Trustee approval.

With regard to the disinvestment and payment, or transfer of benefits, the

anticipated time frame is 5 working days, from the date that all relevant documents are received by Phoenix, which is deemed to be reasonable.

Scheme Charges

The Trustees have been advised that it is not possible to identify the actual costs or charges for the scheme either at a collective or individual level, and the reason for this has been specified by Phoenix, as follows:-

'Master Policy schemes such as the Watford Timber Company 1994 Pension Scheme have no explicit charges. Phoenix recovers the costs of servicing the plans implicitly in calculating the cost of the benefits and determining bonus rates.'

The Trustees requested further information on the transaction costs and Phoenix provided the following disclosure statement:-

a) Direct transaction charges:

- There are no direct transaction costs incurred by policyholders when transacting in the Phoenix Life Limited Mutual With-Profits Fund.

b) Indirect transaction charges:

- As the premiums are treated as pooled investments, indirect costs such as bid offer spread costs and costs charged within pooled investment vehicles, cannot and do not need to be disclosed.

The Industry standard for a modern workplace pension scheme is that member charges should not exceed the Charge Cap of 0.75% per annum.

Phoenix has confirmed to the Trustees that the Scheme is exempt from the Charge Cap due to the third party promise provided by the 'guaranteed annual pension income annuity'.

The employer pays fees in respect of:-

- _ any professional services associated with the Scheme including auditing the annual accounts;
- _ financial advice and;
- _ an annual policy fee to Phoenix; £410.42 2018/2019

The Trustees have concluded that the scheme in securing a 'guaranteed annual pension income annuity' offers certainty and security for scheme members in respect of benefits secured from age 60 onwards.

Trustees requirements for knowledge and understanding

Trustees must possess or have access to sufficient knowledge and understanding. The Trustees take training and development seriously.

This training record is reviewed annually to identify any gaps in the Trustees knowledge and understanding and this allows us to engage with the Pension Provider; Phoenix and our professional advisers to fill in any gaps:-

- _ Pension Consultants
- _ Legal Advisers
- _ Auditors

The Trustees engage regularly with their professional advisers and hold a formal Trustee Meeting each year plus ad hoc meetings when necessary. The formal meeting is typically held at the business premises of the Employer

Newly appointed Trustees have a formal introduction to the Scheme and are provided with a full compliment of relevant scheme documents and information.

A new Trustee is expected to complete all of the relevant modules of the Trustee Toolkit within 6 months of their appointment.

The Trustees engagement with their professional advisers makes it clear that their combined knowledge and understanding together with suitable advice, enables them to properly exercise their functions and as such the Trustees are confident that they have sufficient knowledge and understanding to administer the scheme.

Member Communications

Members will receive the following:-

Personalised Annual Statement from Phoenix

The following will be held on the employer's website for future reference and all members will be directed to these documents:-

Chairs Statement

Important information for Phoenix Life Limited Scottish Mutual With-Profits Fund Customers – The latest information for your policy dated 1st May 2019

Members receive a communication when approaching retirement which explains all of the pension options and sign posts to the free services provided by Pension Wise and The Pensions Advisory Service.

Phoenix provides members with a pre retirement pack 6 months prior to their normal retirement date which includes details of all of the available options including the Open Market Option. A response must be received by Phoenix within 6 months of the member's normal retirement date, or the guarantees will be lost and the member's policy placed on deposit. Members are encouraged to explore the level of annuity income available on the Open Market in this time in order to secure the maximum level of annuity income possible.

The Watford Timber Company 1994 Pension Scheme is limited to providing tax free cash and/or a 'guaranteed annual pension income annuity', from age 65.

Members are aware that they can transfer to a more flexible arrangement at any time but that in doing so they will give up any entitlement to the scheme 'guaranteed annual pension income annuity'.

Signature:..... 

Chair:..... *RAJ COLBY*

Appointed by the Trustees on *31.3.18*