



# **Society of St Vincent De Paul (Northern Ireland) Pension and Life Assurance Scheme**

## **Chair's Statement**

1 January 2021 to 31 December 2021

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**Disclaimers, confidentiality and non-disclosure**

This note has been commissioned by the Trustees of the Society of St Vincent De Paul (Northern Ireland) Pension and Life Assurance Scheme. The intended users of this note are the members. Its scope and purpose is to provide the Trustees with a report for members to demonstrate the governance of the Scheme in line with legislation to publish an annual Chair's statement.

In preparing this Statement and illustrations, the Trustee has had regard to relevant legislation including:

- >The Occupational Pension Schemes (Scheme Administration) Regulations 1996;
- >The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018;
- >The Pensions Regulator's Code of Practice number 13 on 'Governance and administration of occupational trust-based schemes providing money purchase benefits'; and
- >The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix.

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# 01 Introduction

**This is the Chair's Statement for the Society of St Vincent De Paul (Northern Ireland) Pension and Life Assurance Scheme covering the period 1 January 2021 to 31 December 2021.**

As the Chair of the Trustees, I provide you with a yearly statement which explains what steps have been taken by the Trustees, with help from our professional advisers, to meet the required new governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Scheme is a defined contribution ('DC') arrangement.

The Scheme has a default investment option and this is explained further in Section 2.

## 01.01 Governance and Queries

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The Trustees are committed to having high governance standards.

I welcome this opportunity to explain what the Trustees do to help ensure the Scheme is run as effectively as it can be.

If you have any questions about anything that is set out below please do contact XPS Pensions at:

1<sup>st</sup> Floor, Flax House  
83-91 Adelaide Street  
Belfast  
BT2 8FE

I, Patrick Friel, was appointed as the Chair of Trustees in 2021 and am signing this Statement in that capacity.

# 02 Default Investment Strategy

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## Statement of Investment Principles (SIP)

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A copy of the SIP, which sets out the objectives for the Scheme's investment strategy, can be found in Appendix A

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## May 2019

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A review of investments was undertaken in 2019

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### 02.01 The default investment option

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The default investment strategy, the Lifestyle Cash Fund, is a combination of the M&G Discretionary Fund, M&G Episode Income Fund and M&G Cash Fund. The strategy aims to protect the monetary value of a member's fund by gradually transiting toward all investments being in the Cash Fund, on the assumption that a member will take their fund as cash at retirement.

To meet this objective the asset allocation of the Lifestyle Cash Fund changes over time. It invests fully in the Discretionary Fund until 10 years before the Scheme's Normal Retirement Age of 65. During the next 7 years, the allocation is automatically switched into both the Episode Income Fund and the Cash Fund until the fund is invested 80% in the Episode Income Fund and 20% invested in the Cash Fund 3 years before Normal Retirement Date. During the final 3 years up to Normal Retirement Date the allocation is automatically switched so that at Normal Retirement Age it is invested 100% in the Cash Fund.

A copy of the latest Statement of Investment Principles ('SIP') prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 is attached in Appendix A.

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### 02.02 Reviewing the default investment arrangement

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The Trustees are expected to review the investment strategy and objectives of the default investment option at regular intervals.

Informal reviews and monitoring of the fund, its performance and suitability are undertaken at Trustees meetings, with formal reviews undertaken periodically, as necessary.

The most recent full formal review of the default fund was undertaken in May 2019, which resulted in the replacement of a number of constituent funds that make up the default fund. Details of the updated default investment fund are set out in section 02.01.

During the period covered by the Statement, the Trustees continued to monitor the performance of the default investment option against the aims and objectives set out in the SIP. This review included analysis of the fund returns against its benchmarks and consideration of general market trends. After the May 2019 review the Trustees believe it continues to meet these aims.

The Trustees will be undertaking a review of the Scheme investments during 2022.

# 03 Net Returns

## 03.01 Investment Performance

Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the default arrangement and for each fund which Scheme members are, or have been able to, select, and in which scheme members are invested during the scheme year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this statement is intended to help members understand how their investments are performing.

## 03.02 Fund Performance

XPS provides the Trustee with annual investment performance information to monitor the Default Investment, which it reviews and challenges in Trustee meetings. The Trustees raise performance questions directly with XPS.

This table shows how the Default Fund has performed for members at three different ages, over the last one, three and five years with a target retirement date of 65. An example of the default glidepath can be found within the Statement of Investment Principles in the appendix.

	5 years (31/12/2016 – 31/12/2021)	3 years (31/12/2019 – 31/12/2021)	1 year (31/12/2021)
Default	%	%	%
Age 25	6.92	9.37	12.07
Age 45	6.92	9.37	12.07
Age 55	6.92	9.37	12.07

*Source: M&G. Figures are net of fees but members should be aware the level of charges and transaction costs paid by members on the default strategies. The TER applicable to the default strategies may vary throughout a member's lifetime as a result of the changing investment mix.*

## 03.03 Self-Select Funds

As self-select funds are constant profiles and unlike the Pre-selects do not lifestyle funds in line with age or time to retirement they can be shown as a single value for each fund. To help members understand how these changes over time, fund performance has been shown for 5 years, 3 years and the last Scheme Year.

	5 years (31/12/2016 – 31/12/2021)	3 years (31/12/2019 – 31/12/2021)	1 year (31/12/2021)
Self select funds	%	%	%
Discretionary Fund	6.92	9.37	12.07
Episode Income Fund	-	8.55	11.00
Long Dated Corporate Bond Fund	5.80	9.07	-5.55
Cash Fund	0.25	0.23	-0.07
Index Linked (Passive) Fund	4.92	7.73	4.22

*Source: M&G. Figures are net of fees.*

# 04 Charges and transaction costs

The Lifestyle Cash Fund aims to protect the monetary value of a member's fund as member's approach retirement age

## 04.01 Investment Manager Charges

The Trustees have selected a default fund, managed by M&G, which it believes to be appropriate for the members of the Scheme.

The charges and other expenses applied to the default investment option, were:

	Annual Management Charges (AMC)	Other expenses	Total Expense Ratio
<b>Default Investment Option</b>			
<b>The Lifestyle Cash Fund*</b>	<b>0.40%</b>	<b>0.04%</b>	<b>0.44%</b>
<b>Underlying Funds</b>			
M&G Discretionary Fund	0.40%	0.04%	0.44%
M&G Episode Income Fund	0.55%	-	0.55%
M&G Cash Fund	0.10%	0.01%	0.11%

(Source: M&G)

\*These charges apply up to age 55 when the fund is invested 100% in the Discretionary Fund. After age 55 the Fund is a blend of the Discretionary Fund, Episode Income Fund and Cash Fund so charges vary by age. At age 60 the total expense ratio will be 0.46% p.a. and at age 65 it will be 0.11% p.a.

Transaction costs are costs associated with buying and selling of investments and include for example stamp duty and brokerage fees. Transaction costs are incurred when contributions are invested, on switching between funds and when selling investments to take benefits. The following table indicates transaction costs incurred by the fund over the assessment period monitored by the investment manager: -

	Transaction Costs (% of funds traded)
<b>Fund Name</b>	
<b>Default Investment Option</b>	
<b>The Lifestyle Cash Fund</b>	0.06%
<b>Underlying Funds</b>	
M&G Discretionary Fund	0.06%
M&G Episode Income Fund	0.01%
M&G Cash Fund	0.00%

(Source: M&G)

The Lifestyle Cash Fund aims to protect the monetary value of a member's fund by gradually moving toward all investments being in the Cash Fund, on the assumption that a member will take their fund as cash at retirement

The Trustees consider the fund charges within its ongoing monitoring activities and also when a formal review is undertaken.

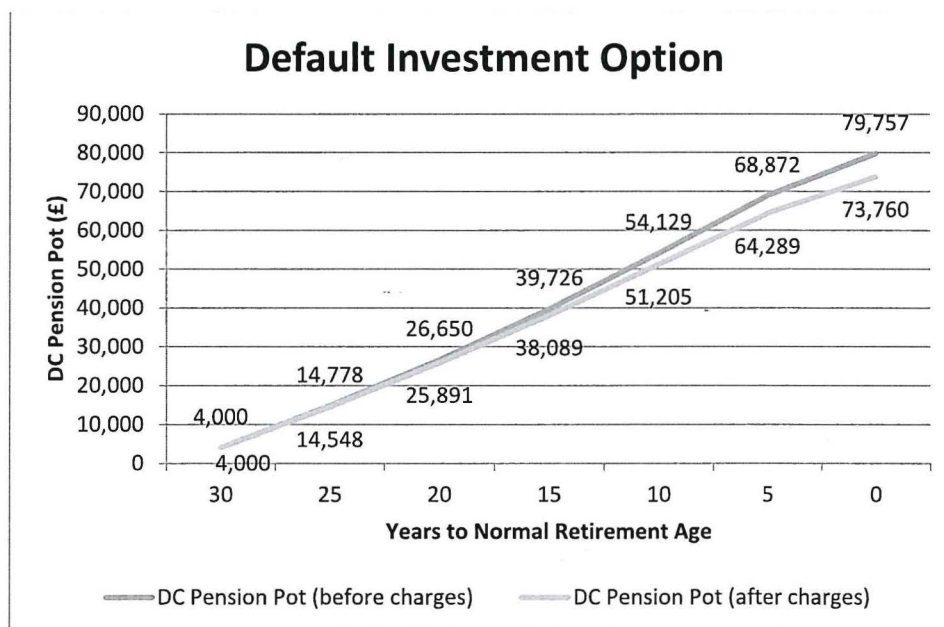
## 04.02 Administration Charge

There are no additional charges.

## Charges and transaction costs continued

### 04.03 An illustration of the charges levied on members

Below you will find an illustration of the effect of the Total Expense Ratio and transaction costs met by a Scheme member on an example pension pot invested in the default investment option over time.



This is for illustration purposes only and shows values of a DC pot after Real Investment Returns (so adjusted for the impact of inflation), rather than the Nominal Investment Return (without the impact of inflation). The actual returns experienced are extremely likely to differ over time, as will individual member's pension pot sizes. This illustration is based on:

- > The Scheme's default investment option (as detailed in Section 2)
- > An initial pension pot of £4,000
- > An initial salary of £20,000
- > Total contributions of 10% p.a.
- > Investment returns estimated as 4.50% p.a. to age 55 and then gradually reducing each year to 0.4% p.a. at age 65, as the default investment fund phases to 100% cash
- > Total Expense Ratio & Transaction Charges of 0.5% p.a. to age 55
- > Total Expense Ratio & Transaction Charges will vary from age 55 onwards, as the Fund is a blend of the Discretionary Fund, Episode Income Fund and Cash Fund
- > At age 60 the Total Expense Ratio will be 0.48% p.a. and at age 65 it will be 0.11% p.a.
- > Inflation of 2.50% p.a.
- > 30 year term to retirement

Illustrative fund values for each year are shown in Appendix B of this Statement.

## Charges and transaction costs continued

### 04.04 What are the assumptions based on?

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In preparing these illustrations, the Trustees have had regard to:

- > The Department for Work and Pensions' 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes'.
- > Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council and
- > The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

# 05 Core financial transactions

## 05.01 Assessing Core Transactions

The Scheme is subject to various regulatory requirements. During the year, the Trustees ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately by:

- > having an agreement in place with XPS Administration (as Scheme administrator), committing them to defined service level agreements ("SLAs"). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions;
- > having XPS Administration regularly report on their performance against the SLAs and to cover what they do to ensure no issues arise; and
- > having the Scheme auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

Where any error or issue is identified, the Trustees take appropriate steps to resolve and take action as required. We can confirm there were no material issues in the Statement period on which to report.

The core financial transactions include:

- > **The investment of contributions** - The Scheme's administrator monitored the payment of contributions to the Scheme by the Employer, ensuring that these were paid within statutory timescales. Any late payment outside these timescales was reported directly to the Trustees and appropriate action taken. The settlement of all DC funds was actioned promptly by the administrator and the Trustees monitored the service standards of the Scheme's administrator.
- > **The transfer of assets relating to members into and out of the Scheme** - The Scheme's administrator maintains and reconciles comprehensive records of the member's fund values. Any investments withdrawn or transferred to another scheme will be processed promptly following receipt of all relevant paperwork, subject to any investigations required where there is evidence of a pensions scam. There were no transfers of assets to or from the Scheme during the period in question.
- > **The transfer of assets relating to members between different investments within the Scheme** - there are investment switches twice a year as member's funds move between the Scheme's lifestyle funds as they get closer to retirement age. The Scheme's administrator maintains and reconciles comprehensive records of the member's fund values and all lifestyle switches are processed promptly
- > **Monitoring of bank accounts** - There is a dedicated contribution processing team, checking investment and banking transactions.
- > **Payments to members** - All payments out of the Scheme in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Scheme rules and legislation and also complies with HMRC rules and guidance. In addition, every effort is made to check for possible pension scams.

## Core financial transactions continued

### 05.02 Administration

The Trustees monitor the administration function to ensure the best service possible, in order to provide good value for members. The Trustees are pleased to confirm that in the reporting period there have been no material administration service issues. The Trustees have received the report on internal controls prepared by XPS Administration (in its capacity as the Scheme's administrator) for the year to 31 December 2021. It is satisfied that the processes and controls in place (some of which have been described in the paragraph above) have been subject to independent audit under AAF 01/06 and ISAE 3402 and that the operation of these processes and controls should ensure that the financial transactions which are important to members are dealt with promptly and accurately.

# 06 Value for Members

## 06.01 Assessment of Value

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which the investment options and the benefits offered by the Scheme represent good value the members when compared to other options available in the market.

The Trustees commissioned XPS to carry out a 'Value for Members' assessment and the results of this assessment are contained in the report 'Value for Members Assessment for the year ending 31 December 2020' dated 18 June 2021.

This report concluded that the charges and transaction costs shown in this Statement represent good value for members having considered the following elements:

- > the **processes that are in place** to ensure the efficient administration and governance of the Scheme (which include those explained in the 'Core financial transactions' and the 'Knowledge and understanding of the Trustees sections of this Statement);
- > the **returns achieved by the investment fund** compared to the charges and transaction costs that are met by the member (as set out in this Statement);
- > the **type and range of investment options** which are offered in order to facilitate members ability to target the most popular retirement choice(s);
- > the **quality of communications** and other services provided to members on an annual and ad-hoc basis which are provided by the Scheme's administrator within the legal timescale; and
- > the Society pays the expenses of running the Scheme over and above the charges noted as met by members in this Statement, which is of benefit to the members.

## 06.02 Service Providers

In addition to assessing the costs charged by service providers, the Trustees keep providers' service levels under review, and ensure that the services provided reflect the SLA's and continue to meet the needs of the members.

## 06.03 Communications

Good member communications are crucial to achieving good value. The annual benefit statement was the main regular communication, supported by an investment options notice issued to members in July 2019, when the investment strategy was last amended. Telephone support was available to assist members in understanding their benefits.

## 06.04 Flexibility - accessing benefits

The Trustees offer members the option to take a full cash sum at retirement or to purchase an annuity to provide guaranteed income and take up to 25% of their fund as Pension Commencement Lump Sum, also known as Tax Free Cash.

Members do not have access to the full range of Freedom & Choice in Retirement options as they do not have access to Flexi-Access Drawdown within the Scheme. In order to do access Flexi-Access Drawdown, members would need to transfer from the Scheme to another pension arrangement, which may incur adviser fees, potentially higher charges in the receiving pension and the risk of scams.

## Value for Members continued

### 06.05 Conclusion

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Assessment of value for the member is an ongoing process and the Trustees undertake a review each year to ensure the Scheme continues to offer good value, and that any changes in legislation, market conditions or member views are reflected for the benefit of the member.

# 07 Trustee Knowledge and understanding

## 07.01 Knowledge and understanding of the Trustees

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The Trustees are satisfied that they have complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004.

The Trustees have knowledge of the law relating to pensions and trusts, principles of investment and the requirements for funding a pension scheme. This is evidenced by the Trustees interaction with their advisers as shown in the Trustees Meeting minutes, and the governance framework established by the Trustees to review the performance of the Scheme.

## 07.02 Trustee Training

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Trustee training is provided at each Trustees meeting and the use of the Pensions Regulator's (TPR's) online Trustee Toolkit is encouraged. Any new trustee would be expected to carry out this training and be fully conversant with the Scheme's documentation within 6 months. A log of trustee participation in training is maintained by the Scheme Secretary.

The Trustees also make use of a team of expert advisers. Advisers and representatives from the third party administrator regularly attend Trustees meetings.

## 07.03 Conclusion

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As a result of the Trustees activities and taking into account the professional advice available, I am confident that the combined knowledge and understanding of the Trustees has enabled the Trustees to exercise properly its functions.

# 08 Conclusion

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The overall conclusion is that the Scheme continues to deliver value for money to its members

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The annual production of this Statement provides a narrative of how the Trustees look after member interests, especially in the areas of the 5 key elements within this Statement listed below.

- > Default investment strategy
- > Charges and transaction costs (including Net Investment Returns)
- > Core financial transactions
- > Providing value for members
- > Trustee Knowledge and understanding

The Trustees will continue to monitor these key areas and report to members both via the annual Chair's Statement and other communications as appropriate. In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair's Statement requirements, in the belief that the Scheme was operated and governed appropriately during the reporting period given the unique circumstances of the benefit under the Scheme.



Date

28<sup>th</sup> July 2022

Name

Patrick Friel

Qualification

Chairman of Trustees - Society of St Vincent De Paul (Northern Ireland) Pension and Life Assurance Scheme