



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

DC Chair's Statement

1 January 2022 to 31 December 2022

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01 Introduction

£1.29m

Total Defined
Contribution funds
in the Scheme as at
31 December 2022.

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 2022 to 31 December 2022.

As the Chair of the Trustees, I provide you with an annual statement which explains what steps have been taken by the Trustee, 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 arrangement and this is explained further in Section 2.

01.01 Governance and Queries

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:

1st Floor, Flax House
83-91 Adelaide Street
Belfast
BT2 8FE

I, Patrick Friel, am signing this Statement as the Chair of the Trustees.

02 The Default strategy

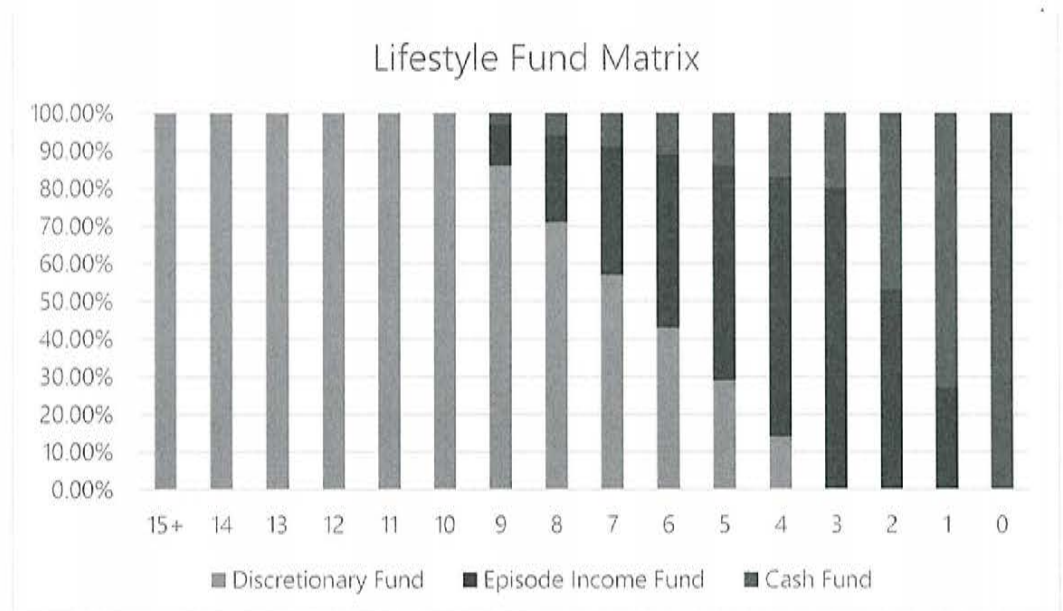
Statement of Investment Principles (SIP)

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

02.01 The default investment option

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 targets long-term capital growth and 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.

02.02 Reviewing the default investment arrangement

The Trustees are expected to review the investment strategy and objectives of the default investment option at regular intervals, and at least every three years. The investment strategy was not reviewed during the period of assessment. The last review was undertaken on 30 May 2019.

During the period covered by the Statement, the Trustees monitored 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.

The Trustees expect to undertake a full strategy review of the Scheme investments during 2023 unless the Scheme has started the process to transfer to a Master Trust, which the Trustees are expecting to make a decision on in the second half of 2023.

03 Net Return Performance

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(s) 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.

Fund Performance

XPS provides the Trustees with regular investment performance information to monitor the Default Investment, which it reviews and challenges in Trustees' meetings. The Trustees raise performance questions directly with XPS and M&G.

This table shows how the Default Fund has performed for members at three different ages, over 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, p.a. (31/12/2017 to 31/12/2022)	3 years, p.a. (31/12/2019 to 31/12/2022)	1 year (31/12/2021 to 31/12/2022)
Default strategy			
Age 25	2.48%	1.68%	-9.07%
Age 45	2.48%	1.68%	-9.07%
Age 55	2.01%	1.43%	-8.89%

Source: M&G. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest. Ages shown are at the start of the reporting period.

Self-Select Funds

As self-select funds are constant profiles and 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 this changes over time, fund performance has been shown for 10 years, 5 years and the last Scheme Year.

	5 years, p.a. (31/12/2017 to 31/12/2022)	3 years, p.a. (31/12/2019 to 31/12/2022)	1 year (31/12/2021 to 31/12/2022)
Self select funds	%	%	%
M&G Discretionary Fund	2.48	1.68	-9.07
M&G Episode Income Fund	1.57	-0.35	-10.04
M&G Cash Fund	0.46	0.39	1.16
M&G Index Linked Fund	-5.13	-10.22	-38.17
M&G Long Dated Corporate Bond Fund	-3.85	-10.15	-33.78

Source: M&G Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.

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 applied to the default investment option (which is an average based on the proportion of the funds you are invested in for a given age in the lifestyle) along with the other available portfolio options and self-select funds available to members during the Scheme year were:

	Annual Management Charges (AMC)	Other expenses	Total Expense Ratio
Default Investment Option			
The Lifestyle Cash Fund*	0.40%	0.08%	0.48%
Self-select Funds			
M&G Discretionary Fund*	0.40%	0.08%	0.48%
M&G Episode Income Fund*	0.55%	0.00%	0.55%
M&G Cash Fund*	0.10%	0.01%	0.11%
M&G Index Linked Fund	0.25%	0.01%	0.26%
M&G Long Dated Corporate Bond Fund	0.30%	0.02%	0.32%

(Source: M&G)

* These funds are available for self-select and are also underlying funds for the default arrangement. The individual funds costs shown here apply if these funds are chosen as self-select funds.

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. On occasion the transaction costs can be negative and where this has happened the charges have been shown as zero. The following table shows the transaction costs incurred by the default investment option, each of the self-select funds and other portfolio options available over the reporting period.

Fund Name	Transaction Costs (% of funds traded)
Default Investment Option	
The Lifestyle Cash Fund	
Age 25	0.000991%
Age 45	0.000991%
Age 55	0.001112%
Self-select Funds	
M&G Discretionary Fund	0.000991%
M&G Episode Income Fund	0.002361%
M&G Cash Fund	0.000000%
M&G Index Linked Fund	0.000000%
M&G Long Dated Corporate Bond Fund	0.000101%

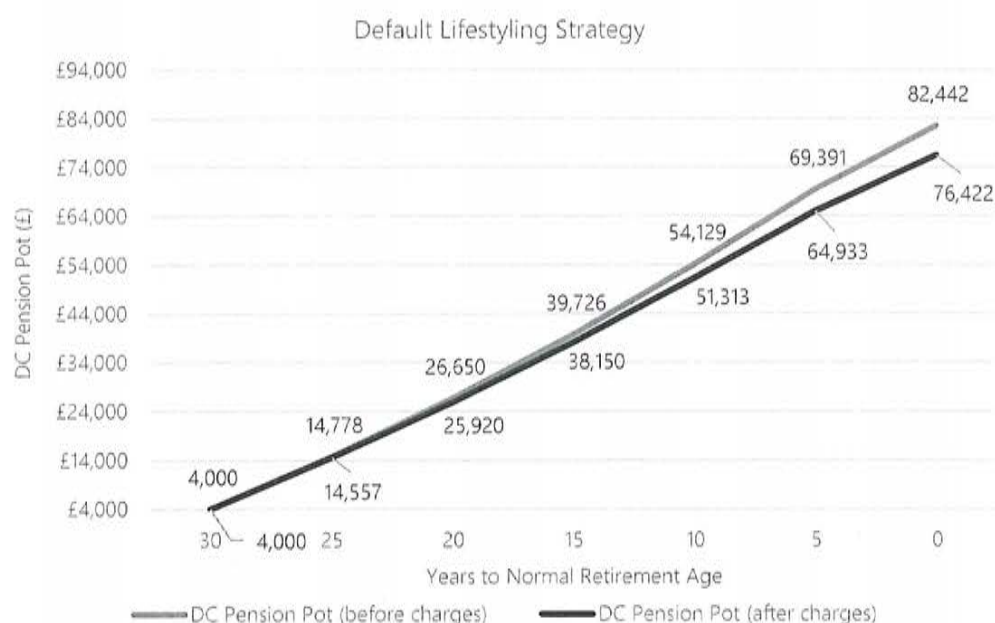
(Source: M&G)

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 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. (gross) for the Discretionary Fund, 4.50% for the Episode Income Fund and 1.25% for the Cash Fund
- > 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

04.03 What are the assumptions based on?

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 life styling 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. XPS Administration have prepared a report on internal controls prepared for the year to 31 December 2022. 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

The Trustees have reviewed 'Value for Members' considering the latest regulations and guidance from the Pensions Regulator and Department for Work & Pensions for relevant schemes such as the Scheme.

Having commissioned XPS to carry out a 'Value for Members' assessment in 2021 (the results of the assessment are contained in the report 'Value for Members Assessment for the year ending 31 December 2020' dated 18 June 2021) the Trustees considered that the charges and transaction costs of the Scheme represent good value for members. But the Trustee also agreed that improvements in areas including member communications and flexible options for accessing benefits needed to be made. After further consideration the Trustee has decided that it is in the best interests of the Scheme members that the Scheme transfer to a Master Trust and the Trustees are currently working for the Society to select an appropriate Master Trust provided to transfer the Scheme assets to.

07 Trustee knowledge and understanding

07.01 Knowledge and understanding of the Trustees

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

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

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

"Overall, the conclusion is that the Scheme should be transferred to a Master Trust and the Trustees are working to action a transfer as soon as possible."

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
- > 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.

Signature

Date



26/07/2023

Name

Qualification

Patrick Friel

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