

ANNUAL GOVERNANCE STATEMENT 2022

LEWIS TRUST GROUP SUPPLEMENTAL PENSION PLAN – WESTGATE GMP SECTION.

This statement has been prepared by LTG Pension Trustees Ltd (the ‘Trustee’) in relation to the Westgate GMP Section of the Lewis Trust Group Supplemental Pension Plan (‘WGMP’) to accord with the Occupational Pension Schemes (Administration, Investment, Charges & Governance) Regulations. It sets out how the Trustee has met the statutory defined contribution (‘DC’) governance standards during the WGMP year ended 30 June 2022.

The Trustee regularly reviews and assesses systems, processes and controls across key governance functions to determine whether these are consistent with those set out in the Pension Regulator’s

1. Code of Practice 13: Governance and administration of occupational trust-based schemes providing money purchase benefits.
2. Regulatory guidelines for defined contribution schemes.

Additionally the Trustee from time to time reviews the Pension Regulator’s self- assessment template to ensure it is working towards meeting the key quality features that underpin the code of practice and guidance.

During the year the Trustee reviewed WGMP’s governance, investment performance, value for money and assessed the default investment strategy in the light of the long-term nature of the strategy and strength of the employer covenant.

VALUE FOR MONEY.

There are three factors considered in assessing value for money for our members –

- a) Governance and administration
- b) Investment return
- c) Costs and charges

Governance and administration embraces seven measures –

- (i) Promptness and accuracy of core financial transactions. There are four core transactions; receipt of member and employer contributions, member transfers between schemes, investments changes within WGMP and payments to beneficiaries. To the extent that these have occurred within WGMP all core transactions have been made within applicable statutory timescales and otherwise in a timely manner. This is verified by monitoring of bank accounts and as part of WGMP’s independent annual audit. There have been no member/beneficiary complaints during the year and there are no service level agreements with 3<sup>rd</sup> parties.
- (ii) Record keeping quality. The WGMP records are maintained in-house by the pensions administrator. The majority of the records are electronically based using the Lewis Trust

Group I/T facility which includes comprehensive back-up and safeguarding arrangements to prevent electronic intrusion. The records are comprehensive and kept up to date and on occasions when members do not advise changes of address, the pensions administrator engages a tracing agent to establish current whereabouts.

- (iii) Appropriateness of investment strategy. A copy of the statement of investment principles at June 2022 accompanies this annual governance statement. During the year no changes were considered necessary in light of the long-term nature of the strategy and strength of the employer covenant. Although short-term market volatilities were experienced during 2022, average long-term returns of 5.8% pa over 5 years and 8% pa over 6 years have been achieved against benchmarks of 3.4% and 5% respectively. The existing investment fund is the only fund available and is therefore the default fund. The trustee is currently reviewing the investment strategy and statement of investment principles in conjunction with the investment fund manager.
- (iv) Quality of investment governance. The Trustee engages the services of a professional firm of fund managers (Stonehage Fleming Investment Management Ltd) to assist with formulation of an appropriate investment strategy and objectives for the WGMP, and to undertake any investment dealing transactions from time to time. Monthly/quarterly reports are provided to the Trustee to enable monitoring of the performance of the WGMP portfolio. Regular communication is maintained with the fund manager and notwithstanding their appointment, the Trustee retains responsibility for all aspects of the WGMP investments, including fund manager selection.
- (v) Trustee knowledge and understanding. The trustee is required to have access to sufficient knowledge and understanding to run WGMP effectively. The Trustee board has three members, all professionally experienced in relevant fields, who between them have a range of appropriate knowledge and skills including investment management, legal, banking, risk management and the technical aspects of pension scheme management. In addition they have a wide general knowledge and active participation in financial and general business management. In the light of the combined depth and breadth of relevant experience and professional skills, together with the external professional advice available to the Trustee, the Trustee is properly able to exercise its fiduciary duties. Meetings are held as required in person and by conference call. The Trustee, together with assistance from its professional advisers, uses its combined knowledge and understanding of Pension Law, specific WGMP documentation, legal requirements and the Pension Regulator's guidance to ensure that WGMP is run effectively, members' benefits are paid in accordance with WGMP rules and to carry out the fiduciary duties required of it.
- (vi) Quality of member communication. The pension administrator is fully available to communicate by email and telephone with members on an individual basis and does so on a regular basis. Every two years members receive a letter summarising their benefits on reaching retirement age including an explanation of their individual GMP value and GMP fund value. In addition WGMP information is available through the pension website. No complaints have been received about the quality/quantity of information members have received.
- (vii) Managing conflicts of interest. Conflicts of interest are minuted annually and whenever changes occur. The Board of the Trustee are especially conscious of potential conflicts of interest, particularly in relations with the employer. Hitherto careful management of any conflicts has avoided adverse effect for members.

Overall the WGMP governance and administration is considered to provide value for money for scheme members and it is also borne in mind that all administrative costs (both internal and external) for managing and operating WGMP are paid by the employer, and are not an expense for the members.

#### Costs, charges and investment return.

With the support of the plan's actuary, the Trustee has undertaken an assessment against alternative arrangements of how WGMP delivers value for money for members. Members should have in mind that the assessment is not able to be an exhaustive comparison between comparator providers as aspects such as charging structures, investment strategies, scale and lifestyle investment styles vary considerably between comparators. The following tables summarise the outcome as at 30.6.2022 of the comparator assessment.

	Charges.	Transaction costs.	Total costs & charges.
WGMP	0.66%	0.00%	0.66%
1 <sup>st</sup> comparator	0.25%	0.31%	0.56%
2 <sup>nd</sup> comparator	0.50%	0.05%	0.55%
3 <sup>rd</sup> comparator	0.50%	0.05%	0.55%

#### Net investment returns (as at 30.6.22)

	1 year, pa.	3 years, pa.	5 years, pa.
WGMP	-8.7%	+5.0%	+4.6%
1 <sup>st</sup> comparator	-4.2%	+3.2%	+4.9%
2 <sup>nd</sup> comparator	-8.3%	+3.0%	+4.1%
3 <sup>rd</sup> comparator	-5.0%	+5.2%	+5.5%

In considering the 3 factors reviewed for the value of money assessment, the Trustee concludes that

- The costs and charges paid by members in the WGMP arrangements are competitive versus the comparator schemes.
- The WGMP fund has provided investment returns broadly in line with comparator arrangements, particularly over the longer term.
- In assessing the governance and administration aspects against the seven key measures, the Trustee is satisfied that WGMP is achieving satisfactory performance.
- Overall the current WGMP arrangements do provide value for members.

## COSTS AND CHARGES BORNE BY MEMBERS.

The Trustee is required to calculate the charges and transaction costs paid by members.

No administration costs are paid by the members as all running costs and levies are met by the employer. The investment managers are remunerated on a fee basis which is reviewed annually. The present fee is 0.6% of the value of any cash and direct stock exchange investments held by WGMP as at the last day of each calendar quarter. This fee is paid from the assets held in WGMP and members' funds do not directly incur these costs. During the year WGMP held no direct stock exchange investments and only moderate cash balances, as a result the investment manager's fee was £3142.

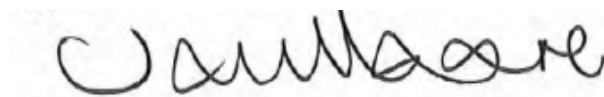
Apart from cash, WGMP's single investment was in an Open Ended Investment Company (OEIC) which fund itself invests in international stock exchange investments. Within the OEIC its investment manager makes a charge of 0.66% and in addition there are transaction costs (such as stamp duty and dealing costs). These charges are paid by the OEIC fund and therefore reflect upon the performance of the fund and the overall return received by WGMP members.

The transaction costs paid during the year with the OEIC on its individual stock exchange investments relating to WGMP amounted to approximately 0.04% of the value of the fund.

An attached appendix shows illustrations of projected fund values under a scenario where no charges apply, as well as under a scenario where total charges of 0.70% were to apply (ie manager charges of 0.66%pa and transaction charges of 0.04%pa).

This Statement along with its appendices will be made available on a website.

Signed



Chair of LTG Pension Trustees Ltd

30 January 2023.