

LTG PENSION TRUSTEES LTD

ANNUAL GOVERNANCE STATEMENT – YEAR ENDED 30 JUNE 2024

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 a range of regulatory legislation and with the Pension Regulator’s new “General Code of Practice” which became effective on 28th March 2024.

The new Code sets out the Regulator’s expectations for the conduct and practice with which trustees should comply to meet their responsibilities. As well as updating and expanding previous guidance, the new Code has consolidated and replaced 10 separate historic codes of practice and the Trustee is reviewing and assessing its processes and controls across key governance functions to ensure consistency with the General Code of Practice guidelines for defined contribution pension schemes.

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

VALUE FOR MEMBERS

There are three factors considered in assessing value 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, investment 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. There have been no member/beneficiary complaints during the year and there are no service level agreements with 3rd parties.
- (ii) Record keeping quality. The WGMP records are maintained in-house by the pensions administrator. The majority of records are electronically based using the Lewis Trust Group I/T facilities which include 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 2024 accompanies this annual governance review. In early 2023 the Trustee reviewed the asset allocation of the WGMP Section with advice from the actuary and discussed a revised investment strategy proposal with the principal

employer. With the benefit of a sound employer covenant enabling a long-term view to be taken and coupled with the particular membership/liability profile of the WGMP, a revised investment strategy was implemented in July 2023. The hitherto largely equities based portfolio was sold and reinvested in a bespoke portfolio of fixed interest UK Government bonds designed to match the WGMP liability profile and cash-flow payment obligations. As such, the bond investments have a range of maturities to match liability timings and are likely to be held to their maturities, but without constraining the Trustee's investment discretion. Matching assets and liabilities in this manner is expected to bring stability in the interests of members, and the Trustee and investment adviser will, on a regular basis, monitor allocation of the portfolio. Other than variable cash balances maintained for working purposes to facilitate pension payments and any investment changes, WGMP Section assets are wholly invested in UK gilts.

- (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 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 Pensions 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 regularly. 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 is 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. Only investment management costs are met by members through the WGMP.

Costs, Charges and Investment Return

With the support of the Plan’s actuary, the Trustee has undertaken an assessment against alternative arrangements of how the WGMP delivers value 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. In particular, the use of comparator schemes is not wholly appropriate given the specific WGMP investment strategy which, through a bespoke portfolio invested wholly in UK gilts, is designed to closely match the WGMP assets with the value and timing of its liabilities.

The table below details the total expense ratios, transaction costs and total ongoing costs of the current arrangements versus comparator schemes over the year to 30th June 2024.

Fund	Total Expense Ratio*	Transaction Costs	Total
WGMP	0.63%	0.00%	0.63%
1 st comparator	0.30%	0.06%	0.36%
2 nd comparator	0.18%	0.09%	0.27%
3 rd comparator	0.25%	0.04%	0.29%

*Total Expense Ratio is the annual management charge in addition to any underlying custody fees, administration fees & foreign exchange costs.

Net Investment Returns.	1 year p.a.%	3 years p.a.%	5 years p.a.%
WGMP	2.4	-0.5	5.5
1 st comparator	13.1	4.3	6.7
2 nd comparator	8.9	-0.1	1.8
3 rd comparator	11.4	1.7	3.3

Note that for WGMP all returns include the inherent influence of the significant shift from equities to wholly UK Government gilts from July 2023.

In considering the 3 factors reviewed for the value for members assessment, the Trustee concludes that –

- Whilst costs are more expensive than comparator schemes principally because WGMP’s fund is actively managed, charges paid by members of the WGMP arrangements are competitive. Furthermore, from September 2024 the annual fund management charge has been reduced from 0.60% p.a. to 0.45% p.a.

- Over the longer 5 year period the WGMP fund has delivered returns in line with the median comparator and as the DC funds perform the role of an underpin to a guaranteed minimum pension (GMP) obligation, investment performance is less significant for members than it would be for a conventional DC pension arrangement.
- 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 expenses and levies are met by the employer. The fund manager is remunerated on a fee basis which is reviewed annually. The fee during this review period was 0.60% of the value of the portfolio of UK Government stocks and cash, calculated quarterly. In addition, safe custody fees are payable and these are also calculated quarterly equal to 0.05% of the fund value. Thus in the twelve month period of this report the overall charges amounted to 0.65% of the fund value which was paid from the assets held in WGMP and members funds do not directly incur these costs. During the twelve months the resultant fund manager's fee was £38,832.

Since June 2024 the fund manager's fee has been renegotiated and reduced to 0.45% plus safe-custody fees, with effect from 1st September 2024.

An attached appendix shows illustrations of projected fund values under a scenario where no charges apply, as well as where total charges of 0.65% were to apply (ie fund manager charges of 0.60% p.a. plus transaction charges of 0.05% p.a.).

This Statement together with its appendices will be made available on a website via the link below:

[Pensions - River Island](#)

Signed

John Moore

Chair of LTG Pension Trustees Ltd.

January 2025