



RIVER AND MERCANTILE

# Leonardo Group Pension Schemes

Review against the Pensions Regulator's DC Code of Practice

*February 2021*

# Introduction

This document is addressed to the Trustees of the Leonardo Group Pension Schemes (the “Trustees” of the “Schemes”). The Pensions Regulator’s DC Code of Practice 13: “Governance and administration of occupational trust-based schemes providing money purchase benefits” (the “Code”) came into force with effect from July 2016. The Code applies to trust-based occupational DC pension schemes and additional voluntary contribution (“AVC”) arrangements of defined benefit schemes.

The Code covers six core areas intending to simplify and streamline regulation compared to the preceding Code. The areas are **the Trustee board, scheme management skills, administration, investment governance, value for members and communicating and reporting.**

R&M Solutions (“R&M”) was instructed by the Trustees to carry out a review, assessing the compliance of the Schemes with the Trustee board, scheme management skills, investment governance, and value for members sections of the Code. The most recent review was completed in February 2020 and this document is the 2021 update to those findings.

This document provides an assessment, in line with a self-assessment template published by TPR. The numbering convention set out on slide 3 is aligned with the areas of assessment set out in the template. Each page covers a different standard with colour coding and explanatory text detailing whether and how the Schemes, in our view, comply with the Code.

The Code is not legally binding. However, much of the Code overlaps with legal requirements, such as the Investment Regulations, Charges and Governance Regulations and the Pensions Act.

# Summary of conclusions and suggested actions (1)

<p><b>Key for status</b></p> <p>Use this colour key to indicate the current status of the scheme with reference to meeting particular standards.</p>	<p><b>GREEN</b> Standards met or Trustee board can explain an equivalent approach they have taken to comply with the underlying law</p>	<p><b>AMBER</b> Some standards not met and Trustee boards should put an action plan in place to ensure the standards are met promptly</p>	<p><b>RED</b> None of the standards met and Trustee boards should put an action plan in place to ensure the standards are met promptly</p>
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Area	Assessment	Suggested Trustee actions
<b>The Trustee board (assessed by R&amp;M)</b>		
1) Trustee fitness and propriety		No action required.
2) Appointing a Chair and appointing member-nominated Trustees		No action required.
3) Relevant multi-employer schemes (including master trusts)	N/A	No action required.
<b>Scheme management skills (assessed by R&amp;M)</b>		
4) Trustee knowledge and understanding		No action required.
5) Appointing and managing relations with advisors and service providers		No action required.
6) Working effectively with the employer		No action required.
7) Conflicts of interest		No action required.
8) Risk management		No action required.

## Summary of conclusions and suggested actions (2)

<b>Key for status</b>  Use this colour key to indicate the current status of the scheme with reference to meeting particular standards.	<b>GREEN</b> Standards met or Trustee board can explain an equivalent approach they have taken to comply with the underlying law	<b>AMBER</b> Some standards not met and Trustee boards should put an action plan in place to ensure the standards are met promptly	<b>RED</b> None of the standards met and Trustee boards should put an action plan in place to ensure the standards are met promptly
Area	Assessment	Suggested Trustee actions	
<b>Administration (assessed by Leonardo and XPS)</b>			
9) Understanding administration		No action required.	
10) Core financial transactions – promptness		No action required.	
11) Core financial transactions – accuracy		No action required.	
<b>Investment governance (assessed by R&amp;M)</b>			
12) Understanding and documenting investment matters		No action required.	
13) Setting investment objectives and investment strategies		No action required.	
14) Monitoring and reviewing investment strategies and fund performance		No action required.	
15) Security and liquidity of assets		No action required.	

## Summary of conclusions and suggested actions (3)

<b>Key for status</b>  Use this colour key to indicate the current status of the scheme with reference to meeting particular standards.	<b>GREEN</b> Standards met or Trustee board can explain an equivalent approach they have taken to comply with the underlying law	<b>AMBER</b> Some standards not met and Trustee boards should put an action plan in place to ensure the standards are met promptly	<b>RED</b> None of the standards met and Trustee boards should put an action plan in place to ensure the standards are met promptly
Area	Assessment	Suggested Trustee actions	
<b>Value for members (assessed by R&amp;M)</b>			
16) Assessing value for members		No action required.	
17) Restrictions on costs and charges		No action required.	
<b>Communicating and reporting (assessed by Leonardo and XPS)</b>			
18) Member communications: general		No action required.	
19) At retirement communications		No action required.	
20) Pension scams		No action required.	
21) Annual Chair's statement		No action required.	
22) Reporting to the regulator		No action required.	

# Assessment template explained

<p><b>Key for assessment</b></p> <p>This colour key will be used to indicate the current status of the Schemes with reference to meeting particular standards.</p>	<p><b>GREEN</b> Standards met or Trustee board can explain an equivalent approach they have taken to comply with the underlying law</p>	<p><b>AMBER</b> Some standards not met and Trustee boards should put an action plan in place to ensure the standards are met promptly</p>	<p><b>RED</b> None of the standards met and Trustee boards should put an action plan in place to ensure the standards are met promptly</p>
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**Overview**  
A brief R&M summary of what the Code covers under this heading under each section.

**Refers to:**     ▪ A statement of the relevant paragraphs in the Code that apply to this area. It is taken from the Regulator’s template.

**Notes to explain the current status** **Current Status**

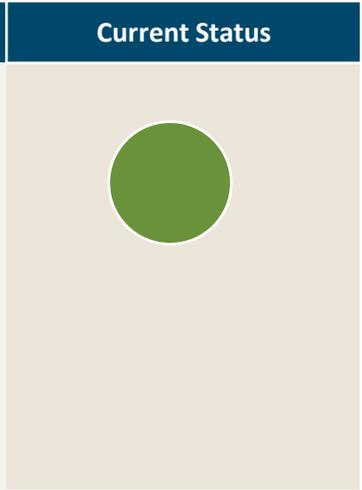
***What the Regulator wants to see (summary):***

A summary of statements explaining what the Regulator expects the Trustees to do to comply with the Code. This information is a verbatim quote of what the Regulator wants to see, sourced directly from the Regulator's template issued for the Code.

***Assessment:***

The Schemes have been assessed against each of the Regulator’s compliance statements in it’s template, based on current running of the Schemes.

Where applicable the text is written in **green, amber or red** (in line with the status key above). Suggested actions for the Trustees to reflect the requirements of the Code are shown in **bold**. **Blue text indicates additional or updated text from last year’s report.**



# The Trustee Board

# 1) Trustee fitness and propriety

## Overview

Trustees will understand their duties and be fit and proper to carry them out.

Refers to: 

- The Trustee board, paragraphs 19-22

## Notes to explain the current status

## Current Status

February 2021



### What the Regulator wants to see (summary):

Trustees have a policy to assess new Trustees' fitness and propriety reflecting the following standards:

- 1) Trustees are fit and proper to carry out their duties
- 2) Trustees act honestly and with integrity, competence and capability, and financial probity
- 3) Trustees act in the interests of the members and the beneficiaries of the Scheme and conduct themselves with honesty and integrity, including matters that arise outside their trusteeship
- 4) Professional Trustees should be financially sound and not experiencing severe trading difficulties, and have indemnity insurance
- 5) Trustees possess or are capable of acquiring the appropriate levels of knowledge and understanding
- 6) Trustee boards regularly review the fitness and propriety of Trustee board members

Fitness and propriety assessment – examples of information sources:

- References and details of any previous experience
- Education/qualification certificates
- Directorship disqualification checks, for example through Companies House
- Conflict of interest declarations
- Bankruptcy checks. An individual's bankruptcy status can be checked through The Insolvency Service
- Criminal record declarations

### Our assessment:

1) 2) 3) and 6) Trustee Directors are required to declare their fitness and propriety upon appointment. They re-declare this annually and there is a conflicts declaration at all Trustee meetings at which any fitness issues are expected to be disclosed by Trustee Directors.

For member nominated Trustee Directors, fitness and propriety is assessed through their relationship with the consultative / representative committees. Company nominated Trustees are assessed via the internal governance processes for board directors (e.g. appointment is subject to submission of CVs and board sign off)

4) Professional Trustees are financially sound. Background checks are carried out on appointment. A process has been adopted which requires Trustees to declare changes in financial circumstances such as trading difficulties or bankruptcy.

5) Trustee Directors are encouraged to complete the Regulator's Trustee Toolkit within six months of appointment. Regular training sessions are provided by advisors.

## 2) Appointing a Chair and appointing member-nominated Trustees

### Overview

Trustees are required to appoint a Chair of Trustees within three months of the Schemes being established or an existing Chair resigning/being removed. They must appoint a minimum number of member-nominated Trustees (MNTs).

Refers to: 

- The Trustee board, paragraphs 23-28

### Notes to explain the current status

### Current Status

#### What the Regulator wants to see (summary):

- 1) Trustees have a documented process in place for appointing a Chair that enables an appointment to be effected without delay and takes into account the leadership qualities of candidates.
- 2) Trustees have a documented process for appointing a minimum number of MNTs that complies with the requirements of Code of Practice 8: “MNT/MND – putting arrangements in place”.

#### Our assessment:

- 1) The Chair of the Trustee Board is reserved to the company nominated Trustees. The decision is subject to the employer’s governance process including submission of their CV and board sign off. The proposed candidate is then subject to ratification by the Trustee board.
- 2) The Trustee Directors are a combination of member-nominated and company-nominated, to help maintain healthy relationships with the relevant stakeholders.

The Trustee Board ensures at least the minimum number of MNTs are present on the Board. As at the date of this review, [following an increase in the number of Trustees on the Board over the Scheme year](#), the composition of MNTs for each of the three Schemes is as follows:

- 4 out of the 8 Trustee Directors for FuturePlanner
- 4 out of the 8 Trustee Directors for Electronics
- 4 out of the 9 Trustee Directors for Helicopters

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### 3) Relevant multi-employer schemes (including master trusts)

Overview	
Relevant multi-employer Schemes are required to follow specific rules on representation and independence of the Trustees.	
Refers to:	<ul style="list-style-type: none"> <li>The Trustee board, paragraphs 29-33</li> </ul>
Notes to explain the current status	Current Status
<p><b>What the Regulator wants to see (summary):</b></p> <ol style="list-style-type: none"> <li>1) If the scheme is large and complex, the scheme has at least three Trustees or all of the Trustees are professional Trustees.</li> <li>2) Trustees have considered the size, nature and demographic of their Scheme membership</li> <li>3) Trustees have considered the extent to which member views are represented on the Trustee board and put in place appropriate channels so that members can express their views.</li> <li>4) Trustees can demonstrate how they meet the requirement to appoint non-affiliated Trustees openly and transparently. Following the process set out in law for selecting an MNT or member-nominated director (MND) counts as an open and transparent process.</li> </ol> <p><b>Our assessment:</b></p> <p>This standard is not applicable to Leonardo, as each of the three Schemes has effectively a single sponsoring employer. There is a small joint venture employer participating (Telespazio for FuturePlanner). However, the Trustee Board does have more than three Trustee Directors and the Trustee Directors are a combination of member-nominated and company-nominated individuals to provide broad representation of stakeholders and their views.</p>	<p>February 2021</p> <p>N/A</p>

# Scheme management and skills

## 4) Trustee knowledge and understanding

### Overview

Trustees will ensure sufficient time and resources are identified and made available for maintaining the ongoing governance of the scheme and will regularly review their skills and competencies to demonstrate they understand their duties and are fit and proper to carry them out.

### Refers to:

- Scheme management skills, paragraphs 34-36 and 41-50

### Notes to explain the current status

### Current Status

#### *What the Regulator wants to see (summary):*

- 1) Trustees spend an appropriate amount of time running the scheme, proportionate to the size and complexity of the scheme.
- 2) Trustees possess or have access to, and maintains, the knowledge, understanding and skills necessary to properly run the scheme. Examples of skills that are relevant for the Trustee Board include:
  - ability to absorb and analyse large quantities of information
  - communicating
  - attention to detail
  - business experience, including challenging advice and negotiating
  - thinking analytically, creatively and strategically
  - problem solving
  - collaborating with and motivating others
  - ability to deliver
- 3) Trustees are conversant with the documents governing their scheme.
- 4) Newly appointed Trustees (who are not professional Trustees) are required to attain required knowledge and understanding within six months of appointment.
- 5) Trustees regularly review the appropriateness and suitability of any policies, practices and relevant scheme rules where they have the discretion to review and change such matters.
- 6) Trustees know whether their scheme is being used by one or more employers for the purposes of complying with their duties under automatic enrolment legislation.
- 7) Trustees demonstrate they have considered their level of knowledge and understanding and taken steps to address any gaps.
- 8) Trustees describe annually in the Chair's statement that they have met the legislative requirements for Trustee knowledge and understanding during the previous scheme year.

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## 4) Trustee knowledge and understanding

### Overview

Trustees will ensure sufficient time and resources are identified and made available for maintaining the ongoing governance of the scheme and will regularly review their skills and competencies to demonstrate they understand their duties and are fit and proper to carry them out.

### Refers to:

- Scheme management skills, paragraphs 34-36 and 41-50

### Notes to explain the current status

### Current Status

#### Our assessment:

- 1) 2) The Joint DC Investment Committee has at least four meetings per year and the respective Trustee Boards also meet at least ~~four~~ five times a year. A wide range of agenda items are covered in respect of the well running of the Schemes and sufficient time is devoted to DC and AVC matters. Regular agenda items include stewardship reports from each of the main service providers (an investment governance report, administration report, etc.), scheme risks, scheme costs (to members), communications and legal updates. Comprehensive minutes are taken and approved at subsequent meetings.  
Day-to-day running of the Schemes is carried out by a dedicated Pensions Management team.
- 3) The Trustee Directors possess the knowledge, understanding and skills necessary to properly run the Schemes. Regular Trustee training sessions help maintain and develop levels of understanding. The induction process for Trustee Directors includes the requirement to be conversant with the trust deed and rules. Further updates are included via the assessment of training needs which feeds into the agenda for the annual training day.
- 4) There is a formal training policy in place for Trustee Directors, including those that are newly-appointed. Core training and the Trustee toolkit should be completed within six months of appointment.
- 5) The Schemes' policies are reviewed on a regular cycle in line with the annual business plan. There is also a Scheme Directory, for all Schemes, which ensures that policies are subject to review every 12 months to ensure their ongoing appropriateness.
- 6) The Trustee Board is aware the Schemes are being used for the purposes of complying with their duties under automatic enrolment legislation.
- 7) The Trustee Directors carry out training activities individually and collectively as a board to address any gaps in understanding. In line with the formal training policy Trustees aim to attend two training days per year, including one formal shared day organised by Pensions Management. All the Trustee Directors are expected to review their own knowledge and understanding at least annually and take action to fill any gaps they have.
- 8) The Leonardo Chair's statement describes how the Trustee Directors have met the legislative requirements for Trustee knowledge and understanding during the previous scheme year.

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## 5) Appointing and managing relations with advisors and service providers

### Overview

Trustees will ensure that accountability and delegated responsibilities for all elements of running the scheme are identified, documented and understood by those involved and will establish and maintain procedures and controls to ensure the effectiveness and performance of the services offered by scheme advisors and scheme providers.

Refers to: 

- Scheme management skills, paragraphs 51-58

### Notes to explain the current status

### Current Status

#### What the Regulator wants to see (summary):

- 1) Trustees document the roles, responsibilities and accountabilities of advisors and service providers.
- 2) Trustees scrutinise the advice received from advisors and service providers.
- 3) Trustees regularly review the performance of advisors and service providers against documented standards or objectives.
- 4) Trustees are familiar with and understand the impact of the terms and conditions of contracts with service providers including: scope of services provided, costs of the services, arrangements if the service provider is changed
- 5) Trustees regularly communicate with representatives from service providers carrying out key elements of the day to day running of the Scheme and where appropriate invite them to attend Trustee Board meetings.
- 6) Where the Trustees are not satisfied with the services received, they consider whether it is in the interests of the members to use another party to provide the service going forwards.

#### Our assessment:

- 1) Roles, responsibilities and accountabilities of advisors and service providers are documented in the Schemes' Statements of Investment Principles ("SIPs"). All contracts and agreements are in place with all service providers, including payroll departments (if applicable).
- 2) The Trustee Directors ensure they understand and challenge advice given.
- 3) The Trustee Directors evaluate performance quarterly for all their main advisors with any issues addressed as and when they arise. The long term planning cycle incorporates more detailed reviews. This is further extended by the Investment Consultant objectives which have been formally set by the Trustee Directors in line with the Competition and Markets Authority order. This allows the Trustee Directors to assess the performance of their investment advisors across a number of specified strategic objectives.
- 4) The terms and conditions of service providers' contracts with the Trustees are reviewed in depth at appointment with assistance from legal advisors. A review of this nature is not included as part of the annual review unless a material concern arises.
- 5) Pensions Management has ongoing communication with service providers in respect of work in progress and issues impacting the Schemes. Representatives of service providers regularly attend Trustee meetings.
- 6) The Trustee Board raises any service level concerns it has with its providers.

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## 6) Working effectively with the employer

### Overview

Trustees will support employers in understanding their responsibilities for providing accurate information, on a timely basis, to scheme advisors and service providers.

### Refers to:

- Scheme management skills, paragraphs 59-60.

### Notes to explain the current status

### Current Status

#### What the Regulator wants to see (summary):

- 1) Trustees regularly review the processes and mechanisms that the employer uses to provide information. Engagement with the Employer could include:
  - using their technical and operational expertise, including seeking their assistance in the provision of relevant resources such as secretarial and HR
  - assessing the fitness and propriety of Trustee candidates
  - discussing candidates for a new Chair
  - agreeing a process for electing MNTs seeking their views on the performance of advisors and service providers and on the effectiveness of member communications
  - discussing skills and knowledge gaps on the Trustee board and promoting the benefits of allowing Trustees to take time off work for training
  - disclosing costs and charges and encouraging employer contribution towards the cost of running the scheme
- 2) Trustees help employers to understand and carry out their responsibilities. For example, understanding the processes and methods they use to provide information to the Schemes and talking to them about whether you, they or third party providers can make any changes that would improve these processes.

#### Our assessment:

- 1) The Pensions Management team has ongoing engagement with employer representatives but this is typically at the HR level rather than Finance. Meetings with the employer take place as and when required and group finance expertise is a significant criteria in the selection of company nominated Trustees (subject to conflict of interest policy).
- 2) In the event of any material issues arising, the Trustee Board engages with the Employer in respect of it's responsibilities. The company nominated Trustees are in a position of sufficient seniority to address day-to-day issues (subject to the conflict of interest policy).

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## 7) Conflicts of interest

### Overview

Trustees will be able to effectively demonstrate how they manage conflicts of interest

#### Refers to:

- Scheme management skills, paragraphs 61-62.

### Notes to explain the current status

#### Current Status

#### *What the Regulator wants to see (summary):*

- 1) Trustees have in place and maintain a documented conflicts of interest policy.
- 2) Trustees have in place and maintain a register of interests.
- 3) Declarations of interests and conflicts should be made at the appointment of all Trustees and advisors.
- 4) Trustees ensure contracts require advisors and service providers to operate their own conflicts policy and disclose all conflicts to the Trustees.

#### *Our assessment:*

- 1) The Trustee Directors have a conflicts of interest policy which is maintained and reviewed on an ongoing basis.
- 2) The Trustee Board has a register of interests policy which is covered as a standard agenda item at Trustee Board meetings.
- 3) The management of any conflicts of interests are covered as part of the due diligence process on appointment of new advisors and are included in formal reviews thereafter. The declaration of interests and conflicts is covered as an agenda item at all Trustee Board meetings. A thorough review of ongoing conflicts is undertaken annually and affirmed by Trustees.
- 4) For the main service providers, contracts between service providers and the Trustees require providers to operate a conflicts of interest policy and disclose all conflicts to the Trustees.

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## 8) Risk Management

### Overview

Trustees will establish and maintain adequate internal controls which mitigate significant operational, financial, regulatory and compliance risks, whilst understanding and putting arrangements in place to mitigate the impact to members of any business and/or commercial risks.

Refers to: 

- Scheme management skills, paragraphs 37-40

### Notes to explain the current status

### Current Status

#### What the Regulator wants to see (summary):

- 1) Trustees document their Scheme's internal controls and use a risk register to formally log risks to the Scheme, recording the results of risk evaluation and treatment.
- 2) Trustees regularly review their Scheme's and members' exposure to new and existing risks<sup>1</sup>. This includes identifying those risks, evaluating the likelihood and impact of them occurring and taking steps to manage or mitigate them.
- 3) Trustees regularly discuss key risks and issues, including topics that need to be reported on the Chair's statement
- 4) Trustees regularly discuss the extent to which the Scheme is meeting the standards set out in the Code.

#### Our assessment:

- 1) Trustee Directors maintain a risk register that gives consideration to the sample risks given in the Code. Risks are assessed using a "treat, tolerate, transfer, terminate" control framework.  
In identifying and evaluating all risks, the Trustee Directors assess both impact and likelihood (among other items), in a fashion which meets the requirements of the Code. Mitigation of all risks identified is considered and applied where appropriate as part of the process.  
Risk identification is a standing agenda item on all Trustee meetings.  
For each risk, a number of control procedures are identified. For each control the risk register documents who owns the control process and how it is applied.
- 2) The Trustee Directors review the contents of the risk register and the effectiveness of the risk management process at least quarterly.
- 3) Key risks and issues are discussed at ongoing Trustee meetings. The Chair's statement reflects all information required under current legislation in force as at its date of production.
- 4) This documents a full review of the Schemes against the Code of Practice. Any changes made to the running of the Schemes and/or the Code itself will be considered by the Trustees in the context of its requirements under the Code.

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1. Examples of such risks include pension scams, cyber security threats, fraud, management of costs, administration risk, not meeting regulatory requirements, inadequate operational procedures, poor quality of member communications, corporate activity relevant to the scheme, retirement and members' decumulation options, failure to achieve value for money and advisor conflicts

# Administration

## 9) Understanding administration

### Overview

Trustees will ensure that accountability and delegated responsibilities for all elements of running the scheme are identified, documented and understood by those involved and ensure administration systems are able to cope with scales and are underpinned by adequate business and disaster recovery arrangements.

Refers to: Administration, paragraphs 63-69

### Notes to explain the current status

### Current Status

#### What the Regulator wants to see (summary):

- 1) Trustees include administration as a substantive item to discuss at every regular Trustee board meeting and log any related risks on a risk register.
- 2) Trustees have a clear understanding of the scope of administrator responsibilities and tasks.
- 3) Trustees regularly receive appropriate information and stewardship reports from the administrator and review their performance against agreed targets.
- 4) Trustees have checked that whoever carries out the Scheme's administration has the appropriate training and expertise.
- 5) Trustees have a procedure in place to enable a continuous and consistent service in the event of a change in personnel or provider.
- 6) Trustees have a documented business continuity plan in place or, if they use a third party administrator, are confident that its business continuity arrangements are adequate.

#### Our assessment:

- 1) Administration is a substantive item at each quarterly cycle of meetings. A risk register is maintained and reviewed quarterly.
- 2) The scope is reflected in the contractual agreements with the administrator as amended from time to time.
- 3) Quarterly stewardship reports are received which detail performance to the agreed targets. These are reviewed at formal quarterly meetings with the administrator.
- 4) Quality of administration staff is assessed as part of the ongoing review of service. The current administrator holds the Investor in People accreditation and has a record of low staff turnover.
- 5) Changes to staff are subject to discussion under the client service review process and contractual notice periods provide adequate timescales to select a replacement provider.
- 6) Business continuity is assessed for all service providers through review of planning documents and AAF 01/06 assurance reports on internal controls.

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## 10) Core financial transactions - promptness

### Overview

Trustees will ensure that core scheme financial transactions are processed promptly.

### Refers to:

- Administration, paragraphs 70-78

### Notes to explain the current status

### Current Status

#### What the Regulator wants to see (summary):

- Trustees have a good knowledge of the procedures and controls the administrator operates to ensure that core financial transactions are processed promptly and accurately.
- Trustees regularly review in-house processes, employer processes and service level agreements with administrators that affect the time it takes to process core financial transactions.
- Trustees ensure that contributions to the scheme are invested within three working days (in the case of daily dealing) following receipt of the contributions and after completion of a reconciliation exercise, or by the next available dealing date in other circumstances up to a maximum of five working days.
- Trustees use electronic means to process financial transactions wherever possible.
- Trustees consider using services and platforms that facilitate the prompt transfer of funds.

#### Our assessment:

- Procedures and controls are established in service agreements with service level standards set with a view to prompt and accurate processing.
- Performance against service standards is assessed through the quarterly cycle of stewardship reports. The internal Pensions Management team maintains the day-to-day relationship with the administrator concerning any control issues as they emerge to ensure prompt resolution.
- The [new](#) administrator addresses the full cycle of receipt to investment of contributions. These targets are now met as a matter of routine.
- Electronic transfer is used as a matter of routine.
- Straight through processing is in place between the administrator and the investment platform.

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# 11) Core financial transactions - accuracy

## Overview

Trustees will ensure that core scheme financial transactions are processed accurately.

### Refers to:

- Administration, paragraphs 70, 79-84

### Notes to explain the current status

### Current Status

#### *What the Regulator wants to see (summary):*

- 1) Trustees hold the basic member information known as 'common data'.
- 2) Trustees can identify the items of 'conditional data' in their scheme.
- 3) Trustees carry out a data review exercise at least annually.
- 4) Trustees ensure that contributions and investments, and the records relating to them, are reconciled at least monthly.
- 5) Trustees correct any errors identified as quickly as possible and review processes as necessary to prevent further errors, taking into account developments in technology that may be available to the Scheme.

#### *Our assessment:*

- 1) Common data is held as required.
- 2) Processes are in place to provide conditional data as required for the purposes of the Schemes.
- 3) Data compliance is assessed annually with follow up exercises commissioned to obtain missing items.
- 4) Stewardship reporting includes evidence of monthly reconciliation.
- 5) The internal Pensions Management team maintains the day-to-day relationship with the administrator to facilitate early identification and correction of errors as well as implementation of process change for lessons learned.

February 2020



# Investment governance

## 12) Understanding and documenting investment matters

Overview	
Trustees should clearly document their investment governance and produce documents as required by the law.	
Refers to:	<ul style="list-style-type: none"> <li>Investment governance, paragraphs 85-93</li> <li>Investment governance, paragraphs 109-112</li> </ul>
Notes to explain the current status	Current Status
<p><b>What the Regulator wants to see (summary):</b></p> <ol style="list-style-type: none"> <li>Trustees understand their investment powers and duties and ensure that decisions are taken by those with appropriate knowledge and skills.</li> <li>Trustees document their investment governance, including the objectives, roles, responsibilities and reporting relationships of all relevant parties.</li> <li>Trustees regularly review their governance and assessment of investment risks and decisions.</li> <li>Trustees ensure an appropriate choice of investment options for members and apply good governance to all arrangements.</li> <li>Trustees understand how to identify a default arrangement in their scheme.</li> </ol> <p><b>Our assessment:</b></p> <ol style="list-style-type: none"> <li>The Trustee Directors have a formal training plan in place and receive plan specific Trustee training by advisors which is logged and typically focused on either addressing knowledge gaps Trustee Directors have identified, or on matters relating to upcoming decisions or market developments. Trustees' training needs are reviewed annually. Investment decisions are taken by the Trustees after taking professional advice from their investment advisors.</li> <li>Roles and responsibilities of stakeholders are set out in the SIP and in respective legal agreements. The Schemes employ professional auditors and investment fund managers.</li> <li>and 4) Each investment option has defined objectives set by the fund manager which are documented in quarterly governance reports, the SIP and on member factsheets. The Trustee Directors have taken advice from their investment advisor and are satisfied that the risk ratings of each investment option are suitable. The fund range covers the core range of asset classes that members may wish to invest in, depending on their risk profile and term to retirement. The suitability of the self-select fund range is reviewed annually with the last review being completed <a href="#">in Q4 2020</a>.</li> <li>Trustee Directors are familiar and well engaged with the Schemes' default arrangements.</li> </ol>	<p>February 2021</p> 

## 13) Setting investment objectives and investment strategies

Overview	
Trustees will recognise that the investment needs of members will vary across the membership profile and over the lifetime of the membership, taking account of risks affecting the long-term financial sustainability of the investments.	
Refers to:	<ul style="list-style-type: none"> <li>Investment governance, paragraphs 94-100</li> </ul>
Notes to explain the current status	Current Status
<p><b>What the Regulator wants to see (summary):</b></p> <ol style="list-style-type: none"> <li>Trustees take into account the interests of all members, the characteristics of different segments of members (such as proximity to retirement) and the risks affecting the long-term sustainability of the investments when setting investment strategy and objectives.</li> <li>Trustees consider their investment strategy as a whole (not just the component funds)</li> <li>Trustees take steps to engage with members about how and when they may wish to take their benefits and take this information into account when deciding what investment options to offer.</li> <li>Trustees ensure that members have access to enough information to make informed decisions about the investment options available.</li> </ol> <p><b>Our assessment:</b></p> <p>1) &amp; 2) Trustees take into account the interests of all members and the risks affecting the long-term sustainability of the investments when setting investment strategy and objectives. An annual member survey is completed to understand member needs. The Trustee also reviews Scheme membership and forecast outcomes annually.</p> <p>A range of self-select investment options have been selected, representing the core asset classes of equities, bonds and cash. Additionally, a new range of at-retirement funds were introduced in 2018 to provide members with alternative methods of taking their pension (including taking their pot as cash, purchasing an annuity and drawing down their pot).</p> <p>In Q3 2019, the Pensions Management team carried out an Environmental, Social and Governance (“ESG”) factors member survey. This highlighted sufficient member demand for a fund reflecting these factors. As such, in Q2 2020 an ESG focussed-fund was introduced into the self-select fund range.</p> <p>Members thereby have a reasonable range of funds available to choose from, depending on their investment views and/or risk profile.</p> <ol style="list-style-type: none"> <li>Trustees use existing knowledge and data from XPS administration reports to gain information about member characteristics. Member presentations are provided annually and include follow up surveys.</li> <li>Members have access to quarterly factsheets that are available on mypension.com and are informed when the Trustees receives information about changes to any of the funds. Members receive benefit statements that are reviewed and issued annually. Comprehensive information regarding the investment strategy is also available on the Scheme website.</li> </ol>	<p>February 2021</p> 

## 14) Monitoring and reviewing investment strategies and fund performance

Overview	
Trustees will ensure that arrangements are established to review the ongoing appropriateness and regularly assess the performance of each investment option, including any default arrangement, and will regularly review the membership profile.	
Refers to:	<ul style="list-style-type: none"> <li>Investment governance, paragraphs 101-106</li> </ul>
Notes to explain the current status	Current Status
<p><b>What the Regulator wants to see (summary):</b></p> <p>1) Trustees regularly review their statement of investment principles (SIP) and the performance of each investment option against the relevant aims and objectives and take into account relevant industry benchmarks.</p> <p>2019 update: The following parts of the Chair's statement will need to be made publicly available, free of charge, on a website:</p> <ul style="list-style-type: none"> <li>The SIP for the default arrangement, a description of any review of the default arrangement and any resulting changes or the date of the last review.</li> <li>The level(s) of charges and transaction costs paid by members for each investment option including steps being taken to obtain unavailable information in future.</li> <li>The explanation of your assessment of whether your scheme represents good value for members.</li> </ul> <p>The information mentioned above must be provided in hard copy where requested, if it is not possible for that person to get it from the website.</p> <p>Annual benefit statements must include details informing the member that the above information is available on a website, the location of the publication, how to access it and the circumstances this will be available in hard copy format.</p> <p>2) Trustees regularly review the membership profile and adjust investment strategies as appropriate. If applicable, review the default arrangement strategy in the context of relevant objectives at least every three years and without delay following any significant change in investment policy or the membership profile.</p> <p>3) When reviewing the investment strategy, Trustees should consider market conditions and any new products and services that may be available.</p> <p>4) When considering making a change to investment funds or investment manager, Trustees should ensure they understand the transition options and take appropriate advice.</p> <p><b>Our assessment:</b></p> <p>1) <b>Reviewing the SIP is an annual item on the Trustees' Business Plan and the SIP is also reviewed on an interim basis following any changes to the investment strategy. The latest review was carried out in September 2020. The Trustees review performance of all funds (after the effect of charges) against pre-agreed long-term, short-term and risk related benchmarks quarterly, in conjunction with their investment advisor. The latest Chair's Statement and SIP are made available on the Schemes' website and as a hard copy on request.</b></p>	<p>February 2021</p> 

## 14) Monitoring and reviewing investment strategies and fund performance

### Overview

Trustees will ensure that arrangements are established to review the ongoing appropriateness and regularly assess the performance of each investment option, including any default arrangement, and will regularly review the membership profile.

### Refers to:

- Investment governance, paragraphs 101-106

### Notes to explain the current status

- The default investment strategy for the Schemes is designed to address three key member needs: to protect the purchasing power of investments, to protect capital and to manage pension conversion risk as retirement approaches. Design of the default reflects members' changing risk and return needs as they approach retirement – without the need for member engagement. Consideration has been given to the nature of the three Schemes (ie main pension provision vs AVC). In addition to quarterly performance monitoring, the suitability of the default strategy is monitored at least triennially and any changes to the default strategy are carried out in line with the requirements of the Code. The Trustees receive formal investment advice in relation to any investment decision taken and any relevant discussions are minuted.
- In the event of any changes being made to the default strategy or self select fund range, the Trustees consider the requirements of the Code in relation to communication of changes to underlying funds on a case-by-case basis. Investment funds are white-labelled, so changes to the investment strategy can take place “under the hood”. This was designed to avoid disruption and overwhelming or confusing members in the event of asset allocation or manager changes.
- The Trustee Board ensures it understands and challenges all advice received as appropriate.

### Current Status

February 2021



# 15) Security and liquidity of assets

## Overview

Trustees will predominantly invest in assets admitted to trading on regulated markets. Where unregulated investment options are offered, it must be demonstrable why it was appropriate to offer those investment options.

## Refers to:

- Investment governance, paragraphs 107-108

## Notes to explain the current status

## Current Status

### *What the Regulator wants to see (summary):*

- Trustees identify and explain in the SIP any investment options that are not admitted to trading on regulated markets.
- Trustees understand the extent to which, and in what circumstances, any loss of assets might be covered by indemnity insurance (or similar arrangement) or a compensation scheme.
- Trustees communicate their overall conclusion about security of assets to members and employers.

### *Our assessment:*

- All fund providers used within the Schemes are regulated by the Financial Conduct Authority (FCA).
- The Business Plan includes an item to renew Trustees' indemnity insurance.
- The Trustees review the security of assets on an annual basis in line with their annual Business Plan. The security of assets is communicated to members on each Schemes' website. Any changes to this position will also be communicated.

February 2021



## 16) Assessing value for members

### Overview

Trustees will ensure that all members receive value for money.

Refers to: 

- Value for members, paragraphs 113-124

### Notes to explain the current status

### Current Status

#### What the Regulator wants to see (summary):

- 1) Trustees consider the following key areas in the value for members assessment: scheme management and governance, administration, investment governance and communications.
- 2) There are processes in place to help Trustees understand the characteristics, preferences and needs of members and this information is taken into account when assessing value for members.
- 3) There are processes in place to identify and engage with third parties that hold relevant information for the value for members assessment, including transaction costs.
- 4) Trustees record their methods, reasoning and conclusions when assessing value for members and use this information to provide an explanation of the assessment in the Chair's statement. They understand the basis for any cost-sharing arrangements between members and employers.

#### Our assessment:

- 1) The Trustee Directors carried out a value for members assessment assessing fund performance net of members charges covering both the default fund and the self-select investment options. The next value for members update is due in Q2 2021.
- 2) A review of the self-select fund range is carried out annually which includes an investigation of how members are utilising the fund range available to them, this was last completed in Q4 2020. ~~The Trustee Directors conducted member surveys to seek member views on their use and understanding of particular services and service expectations in 2017.~~ The Trustee Directors also conducted an Environmental, Social and Governance ("ESG") factors member survey in Q3 2019 to better understand the views of the membership. Action was taken in light of the findings of this survey (the addition of an ESG focussed fund to the investment range).
- 3) The Trustees engage with Mobius Life, the platform provider, to obtain information regarding member charges and have liaised with the underlying fund managers to obtain information about transaction costs. They have considered transaction costs incurred by members as part of changes in the fund range and those incurred by members buying and selling funds as part of the default lifestyle strategy.
- 4) The Trustees have conformed to the legal requirement of explaining their assessment of value for members in the annual "Chair's statement". An external value for members review was undertaken in 2020, with many of the suggested areas of improvement being reviewed and amended by the Trustees. The reduction in the R&M fiduciary fee on blended growth funds is a reflection of key action taken by the Trustee Directors.

February 2021



## 17) Restrictions on costs and charges

### Overview

Trustees will adhere to restrictions and charging structures that can be used in default arrangements.

Refers to: 

- Value for members, paragraphs 125-133

### Notes to explain the current status

#### *What the Regulator wants to see (summary):*

- 1) Trustees seek professional advice regarding the Scheme's compliance with the charge controls in default arrangements.
- 2) Trustees document the calculation process for the charge cap.
- 3) Trustees take account of relevant guidance available on the charge controls, for example from the DWP.
- 4) All costs and charges paid by members are disclosed in the Chair's statement

#### *Our assessment:*

- 1), 2) & 3) The member charges in respect of the default strategy fall within the 0.75% charge cap set by legislation\*. Fund charges are monitored quarterly and any change in fund charges that may result in the charge cap being breached will be addressed.
- 4) The Employer pays for administration and communication services, while members pay for investment management services. Charges and transaction costs paid by members are set out in the Chair's statement.

### Current Status

February 2021



\* The legislation referred to is "The Occupational Pension Schemes (Charges and Governance) Regulations 2015". Please note R&M is not authorised to provide legal advice – our view is based on our understanding of the legislation. The Trustees may seek legal advice for confirmation of our view.

# Communicating and reporting

# 18) Member communications: general

## Overview

Trustees will ensure that scheme communication is accurate, clear, understandable and engaging and it addresses the needs of members from joining to retirement.

## Refers to:

- Communicating and Reporting, paragraphs 134-139

## Notes to explain the current status

## Current Status

### What the Regulator wants to see (summary):

- Trustees ensure member communications are accurate, clear, relevant and provided in plain English.
- Trustees regularly review their member communications including their format and taking into account technological innovations.
- Trustees consider what information might be helpful to members in addition to the information required by law, for example options for flexible access to benefits.
- Trustees regularly inform members that the level of their contributions is a key factor in determining the overall size of their fund (e.g. in annual benefit statements).

### Our assessment:

- Communications across all media are produced in line with best practice. The administrator holds the Plain English Crystal Mark for its standard documentation.
- Communications are reviewed regularly and include electronic media and email campaigns. Communications are in line with best practice rather than regulatory minima.
- Communications include related topics that may be of interest to members, with a scheme specific website holding significant amounts of scheme specific information above basic legal requirement. In addition, the in-house pensions management undertake member workshops to provide additional member education.
- A range of media focus on contribution levels.

February 2020



## 19) At retirement communications

### Overview

Trustees will ensure that a process is provided which helps members to optimise their income at retirement and will clearly communicate to members the options available at retirement in a way which supports them in choosing the option most appropriate to their circumstances.

Refers to: 

- Communicating and Reporting, paragraphs 140-151

### Notes to explain the current status

### Current Status

February 2020



#### What the Regulator wants to see (summary):

- 1) Trustees ensure members are aware of their right to transfer benefits to another scheme at any age, in order to access their benefits in a variety of ways.
- 2) Trustees ensure all communications regarding retirement options clearly set out the steps a member should take to make an informed decision about how to take their benefits.
- 3) Trustees understand the circumstances where it is necessary to provide members, or other beneficiaries, with information on Pension Wise.
- 4) Trustees ensure that communications containing risk warnings about the different ways that members can access their benefits clearly articulate the risks associated with each of the options available, and clearly draw the member's attention to those risks.
- 5) Trustees continue to communicate with members who remain in the scheme having chosen to flexibly access their benefits.

#### Our assessment:

- 1) The right to transfer is covered appropriately. Members of the DC Scheme are provided with access to a specialist 'at retirement' service.
- 2) Retirement options are explained appropriately.
- 3) Referral to Pension Wise is made in line with requirements.
- 4) Risk warnings are included as appropriate and will also be issued by providers of products selected by members.
- 5) Not applicable – flexible access is only permitted on leaving the Schemes.

## 20) Pension scams

### Overview

Trustees will act diligently and provide clear information to members regarding pension scams.

### Refers to:

- Communicating and Reporting, paragraphs 152-153

### Notes to explain the current status

#### *What the Regulator wants to see (summary):*

- 1) Trustees carry out due diligence on schemes to which members request to transfer, including a consideration of whether the receiving scheme has any characteristics that could indicate a pension scam.
- 2) Trustees include clear information on how to spot a scam in all relevant member communications, including within standard communication materials.

#### *Our assessment:*

- 1) The administrator operates a scams due diligence policy (subject to regulatory requirements) as discussed with the Trustees.
- 2) Scam warnings are included in member communications on a regular basis.

### Current Status

February 2020



## 21) Annual Chair's statement

### Overview

Trustees will ensure that all costs and charges borne by members are clearly disclosed to members.

### Refers to:

- Communicating and Reporting, paragraphs 155-158

### Notes to explain the current status

### Current Status

#### What the Regulator wants to see (summary):

- 1) Trustees signed Chair's statement provides a clear explanation of how they have complied with the charges and governance legal requirements, which includes details of how they have measured compliance and reached their conclusions.
- 2) Trustees would be able to provide further documentation and evidence of the action taken if required.
- 3) 2019 update: The 2018 regulations require Trustees to provide more detail on the charges and transaction costs borne by members of the scheme than previously. The Chair's statement now also needs to include an 'illustrative example' of the cumulative effect over time of the application of charges and transaction costs on the value of a member's accrued rights to money purchase benefits.

#### Our assessment:

- 1) A clear Chair's statement is included with the annual Report and Accounts and also publicly available on the Scheme website.
- 2) The commentary in the Chair's statement reflects research and evidence presented to the Trustees (or a relevant committee), based on professional advice where appropriate.
- 3) The Trustees include details of charges and transaction costs in the Chair's statement along with the illustrative examples of the impact of these costs over time.

February 2020



## 22) Reporting to the regulator

### Overview

Trustees will provide the required information to the regulator and take responsibility for whistleblowing where necessary.

### Refers to:

- Communicating and Reporting, paragraphs 162-166

### Notes to explain the current status

#### *What the Regulator wants to see (summary):*

- 1) Trustees ensure that information which needs to be registered is up to date and notified to the regulator via Exchange.
- 2) Trustees review the scheme return, including the declaration and should be comfortable that the information provided is correct.
- 3) Trustees know how and when they should report a breach of the law and are able to take account of how quickly the breach is identified, the timeliness of action the Trustees take to remedy the breach and how severe the impact is on members.

#### *Our assessment:*

- 1) The Pensions Management team and/or the Administrator registers information and notifies updates on behalf of the Trustees as required.
- 2) The Schemes return is reviewed by Pensions Management on a delegated basis.
- 3) Any breaches of the law are considered in the context of quarterly management reporting based on material significance (by reference to cause, effect, reaction and wider implications).

### Current Status

February 2020



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