The Scone Estates Retirement Benefits Scheme

Annual Governance Statement For The Year Ending 5 April 2024

The Trustee is pleased to provide this Statement which gives you information about the governance of the Defined Contribution ("DC") benefits in of The Scone Estates Retirement Benefits Scheme ("the Scheme") and explains how it has looked after the Scheme during the year which ended on 5 April 2024.

1 **Background**

Pension schemes in the UK are usually either called DC, DB ("Defined Benefit") schemes or Hybrid (a mix of DB and DC) schemes. The Scheme has both Hybrid and DC sections This Statement is addressed to members with a DC benefit entitlement in the Scheme.

The Scheme commenced on 1 June 1978 and operates under a Trust Deed and Rules dated 25 March 1978, as amended from time to time. A copy of the Trust Deed and Rules is available on request.

2 **The Purpose of this Statement**

Governance requirements apply to pension schemes with DC benefits, to help members achieve a good outcome from their pension savings. The Trustee is required to produce a yearly statement, which is signed by the Chair of Trustee, to describe how these governance requirements have been met in relation to:

- the investment funds in which DC assets are invested (the "default arrangement")
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 6 April 2023 to 5 April 2024 and will be published in the annual report and accounts and online via Work (scone-palace.co.uk). Many aspects of the law applying to annual governance statements relate to schemes which are actively being used as a vehicle for ongoing pension contributions, both from existing and from new members.

The Scheme does not have any contributing members, is not being used as a qualifying scheme for automatic enrolment purposes and is closed to new members.

The Default Investment Portfolio

At 5 April 2024, all DC funds were invested in the Scheme's default investment portfolio along with the DB assets. The aims and objectives of the default arrangement are noted below with further details in the attached Statement of Investment Principles.

- To maximise the return on the assets at an acceptable level of risk;
- Having an asset allocation aligned to the agreed risk profile (broadly agreed to be 55% of funds invested in matching assets and the remaining 45% invested in return seeking assets); and
- To ensure there is sufficient liquidity to meet liabilities as they arise.

The Trustee reviewed its default investment strategy during the Scheme year to 5 April 2024 (and again in August 2024) following advice from the Scheme's Investment Consultant and Adviser (Argyle Consulting Limited) and input from the Scheme Actuary on the funding of DB benefits. Following that review, the Trustee implemented new default investment strategies in June 2024.

The Trustee will continue to review the performance of its default arrangement regularly with assistance from Argyle Consulting Limited, which provides quarterly valuations and a review of the default portfolio strategy and performance on a six-monthly basis.

Any amendments to the default strategies will be detailed in future Statements.

3 **Core Financial Transactions**

The Trustee appoints a third-party administrator to process core financial transactions including rebalancing members DC funds, transfers out of the Scheme and requests for disinvestment of member funds at retirement. In the Scheme year to 5 April 2024, the third-party administrator, Broadstone, provided member information and processed core financial transactions within industry standard timescales and legislative requirements.

The Trustee maintains a cash management policy and receives administration reports in order to monitor the core financial transactions and ensure no issues arise. The cash management policy includes the following provisions:

- The Scheme bank account balance is reviewed each month. The target balance of the account is no less than £10,000 at any given time. If the account balance is below that figure, a disinvestment from the Transact portfolio may be made. Argyle provides advice on which assets to disinvest and arranges for these to be processed online on receipt of Trustee authorisation. All disinvestments from the Transact portfolio are paid to the Trustee bank account.
- Pensioner payments are made on the first day of each month (or on the last business day prior to the first).
- Employer Contributions are due to be paid no later than the nineteenth day of the following month in accordance with the Schedule of Contributions. The Schedule of Contributions is agreed by the Employer and the Trustee every three years based on the results of the triennial actuarial valuation.
- Broadstone is authorised to manage all transactions on the Trustee's behalf to and from the Scheme bank account.
- The policy also sets out other events which can occur and which may require further cash flow management, namely normal retirement, early retirement, transfer values and deaths of members.

In light of the above, the Trustee can confirm that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Scheme (Scheme Administration) Regulations 1996) have been met.

4 **Charges and Transaction Costs**

5 The Trustee is required to set out the ongoing charges borne by members in this Statement. These are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the Total Expense Ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

6 The stated charges also include any costs, e.g. administration and investment costs, since members incur these costs.

As at 5 April 2024, the Scheme's assets were held in a Transact portfolio which consists of the funds shown in the table below. The charges for this strategy are made up of fund management charges specific to each investment fund, a platform charge and an adviser charge. The charges applicable at 5 April 2024 are detailed in the table below.

The Scheme is not subject to the statutory Annual Management Charge cap of 0.75%.

Fund	Annual Management Charge (%)	Total Expense Ratio of Fund (%)	Annual Platform Charge (%)	Annual Adviser Charge (%)	Total Expenses (%)
BNY Mellon Long Term Global Equity Fund	0.75	0.79	0.18	0.70	1.67
Capital Gearing Portfolio Absolute Return Fund	0.35	0.59	0.18	0.70	1.47
Artemis Global Select Fund	0.75	0.89	0.18	0.70	1.77
Troy Trojan Fund	0.85	0.86	0.18	0.70	1.74
iShares Corporate Bond 0-5 years UCITS ETF	0.20	0.20	0.18	0.70	1.08
Ruffer Total Return	1.00	1.01	0.18	0.70	1.89

Source: Argyle Consulting Limited

Note: the balance of the assets is held in cash.

The Trustee is required to provide members with information on the effect of costs and charges on their pension pot. Illustrations are provided on the following page, and members are directed towards the information in their annual DC benefit statement.

Illustration of Charges and Transaction Costs

Over a period of time, the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available at retirement. The Trustee has set out below illustrations of the impact of charges and transaction costs.

Illustrations for an "average" member (age 55)

Default Strategy

Years from now	Before charges	After charges deducted
1	£22,300	£22,000
3	£23,500	£22,600
5	£24,700	£23,100
10 (retirement)	£28,000	£24,400

Illustrations for the youngest member (age 42)

Default Strategy

Years from now	Before charges	After charges deducted
1	£22,300	£22,000
3	£23,500	£22,600
5	£24,700	£23,100
10	£28,000	£24,400
15	£31,700	£25,700
20	£35,900	£27,100
24 (retirement)	£39,700	£28,400

Assumptions

As each member has a different fund level within the Scheme and the amount of any future investment returns and charges are not known in advance, the Trustee had to make some assumptions about what these might be. The above illustrations have been produced for average Scheme members. They assume that each member's asset allocation remains fully invested in the default strategy as at 5 April 2023 through to their normal retirement age in the Scheme. The results are presented in real terms i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should the funds be invested as shown.

Age	55 years (average age of deferred members) 42 years (age of youngest deferred member)
Scheme Normal Retirement Age	65
Starting Pension Pot Size	£21,800
Inflation	2.5% p.a.
Overall Investment Return (before inflation)	5.1% p.a.
Total Expense Charge	1.4% p.a.

The "Before charges" figures represent the savings projection assuming an investment return (after allowing for inflation) with no deduction of charges. The "After charges deducted" figures represent the savings projection using the same assumed investment return but deducting charges. Values shown are estimates and are not guaranteed.

The Trustee will continue to review the suitability of the illustration assumptions with regard to the duration, pot size and estimated returns to ensure that these are reflect the Scheme demographics and default portfolio.

Other Costs and Fees

All other fees relating to the Scheme administration are borne by the Employer and there are no deductions from a member's fund at the date their benefits are paid.

Net Investment Returns

This section states the annual return, after the deduction of member borne charges and transaction costs for the default investment arrangement.

Past investment returns, net of all fees borne by members of the Scheme, are provided in the table below for the default arrangement in place as at 5 April 2023.

Period	Investment Returns (%)
3 Month	0.3
1 Year	-3.0
3 Years (p.a.)	3.6
5 years (p.a.)	2.7

Source: Argyle Consulting Limited

7 Value for Members Assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of "good value", but the Trustee considers that it broadly means "that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market". The Trustee notes that value for members does not necessarily mean the lowest fees.

The Value for Members Assessment was undertaken taking account of the Pensions Regulator's Code of Practice No.13 (Governance and administration of occupational trust-based schemes providing money purchase benefits).

In reviewing all member-borne charges (including transaction costs where available), the Trustee has compared the Scheme's current member options to those of three other appropriate providers, namely NEST, Smart and The People's Pension (TPP).

The current default investment strategy for the Scheme is not directly comparable to the default strategy of the three other providers. However, the assessment concluded that the costs and charges of the Scheme are not competitive versus the default funds of those providers. This conclusion was one of the main reasons for the Trustee commissioning a review of the Scheme's investment strategy and implementing revised default strategies.

The Hybrid nature of some members' benefits adds significant complexity to a potential transfer of assets to another provider. That aspect, alongside ongoing market volatility, means it is important that the Trustee continues to review the Scheme's investment strategy and consider if there are better value options for members with DC benefits in another pension arrangement.

8 Knowledge and Understanding of the Trustee

The Trustee is mindful of developing the required level of knowledge and understanding introduced in the Pensions Act 2004. It receives advice from professional advisers, and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance and selecting new advisers.

The Trustee directors have significant experience of sitting on the Trustee Board of the Scheme and, together with the advice of advisers and service providers, that enables them to properly exercise their functions as directors of the Trustee of the Scheme. The Trustee directors have a good working knowledge of the Trust Deed and Rules of the Scheme and a good level of knowledge and understanding of the law relating to pensions and trusts. One of the Trustee directors is the professional trustee company, MacRoberts Trustees Limited, whose trusteeship services ae provided through solicitors specialising in pensions law. Those specialists stay up to date on legal developments and undertake training on a regular basis, including attending Continuing Professional Development ("CPD") seminars arranged by the Association of Pension Lawyers, each completing The Pensions Regulator's Trustee Toolkit, and each obtaining the Pensions Management Institute's Award in Pensions Trusteeship. The Trustee's other director, Hugh Younger, also has extensive knowledge in the administration of pension trusts.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustee directors consider that they can properly exercise their functions on behalf of the Trustee of the Scheme.

Further details of the Value for Members Assessment can be found in the full reports obtained by the Trustee from time to time.

Approved for the Trustee, 1 November 2024

Signed:

Name: **Martyn Shaw, Director, MacRoberts Trustees Limited, as a Director of Mansfield Estates Pension Trustees Limited**

Position: **Trustee**