

THE CHAIR'S STATEMENT REGARDING DC GOVERNANCE: 1 JULY 2020 – 30 JUNE 2021

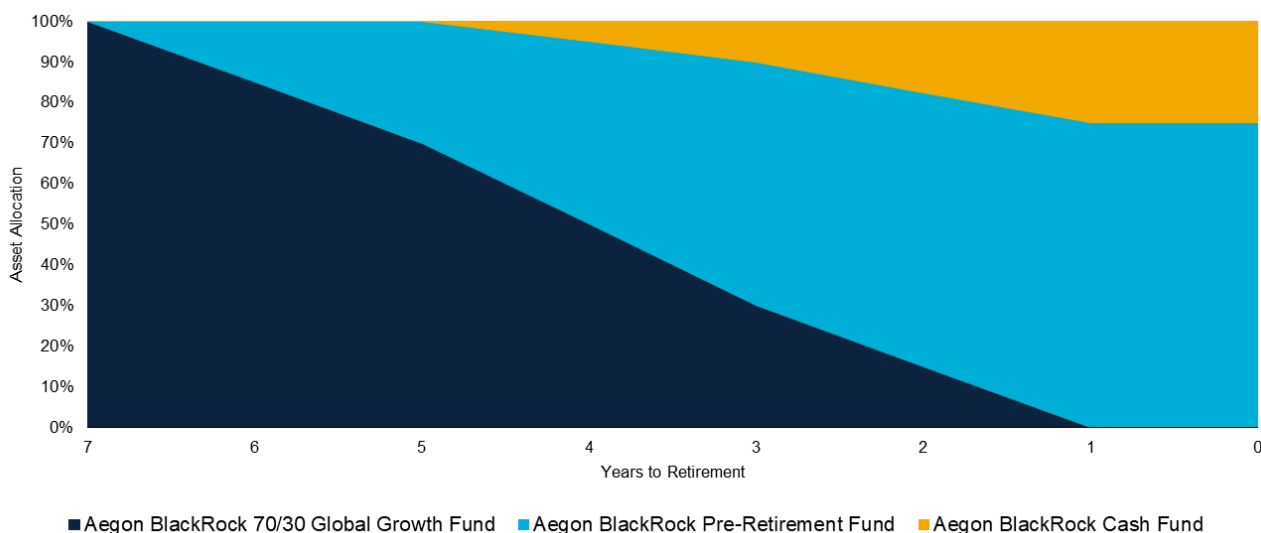
This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how The Quadrant Group PLC Retirement Benefit Scheme (the "Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes (DC)).

Default arrangement

Members of the Scheme who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant. NB. the Scheme is closed to new entrants and there are no longer any active members.

The Scheme's default arrangement is a life styling strategy, consisting of a growth and a pre-retirement stage. The growth stage spans the years when members are younger and as such, the investment horizon is long, and the investor has a higher investment risk tolerance. During this phase, pension contributions are invested in higher risk assets with a view to maximise fund growth. As a member approaches retirement (the pre-retirement phase), the focus shifts to protecting the pension pot from sudden large falls in market value by structuring investments in such a way as to target a specific retirement need. The Trustee has identified the retirement target as annuity purchase (purchasing a pension from an insurer) and a cash tax-free lump sum withdrawal of 25% at the age of 65.

This strategy can be illustrated using the following graph and is explained further below.



The lifestyle strategy anticipates that members will be using 75% of their benefits to purchase an annuity and 25% of their benefits to draw as cash.

Throughout most of a member's working life, contributions and savings are invested into the Aegon BlackRock 70/30 Global Growth Fund, an equity fund which is expected to deliver long-term growth, but which is subjected to greater risk.

From seven years before retirement the investments begin to automatically switch from the Aegon BlackRock 70/30 Global Growth Fund into the Aegon BlackRock Pre-Retirement Fund on an annual basis. The Aegon BlackRock Pre-Retirement Fund is a bond fund which tracks the movement in annuity prices to prepare members for the purchase of an annuity and, at the same time, helps to reduce the risk of losing a large proportion of savings in the event of a market downturn so close to their retirement date.

Starting from five years before retirement, the lifestyle strategy also starts to move (on a yearly basis) a proportion of holdings into the Aegon BlackRock Cash Fund, a low-risk cash fund, to provide capital stability and prepare members for their 25% tax-free cash withdrawal at retirement, should they wish to do so.

Over this lifestyle period, the expected risk will continue to reduce, so that at the point of retirement, the strategy is fully invested in the annuity-ready fund and the cash fund, in a 75:25 ratio.

The Trustee has determined that the lifestyle transition offers an appropriate balance between risk and reward and should therefore be the default option for those members who choose not to make their own investment decisions.

During the period covered by this statement, there have been no significant changes to the Scheme's investment strategy as the Trustee does not have any major concerns regarding the performance or the objectives of the strategy.

The Trustee last received formal written advice on the Scheme's default arrangement in December 2014 and understands that although the investment strategy should be reviewed every three years (as a minimum), it is currently in the process of winding up the scheme into a master trust or Group Personal Pension arrangement and has therefore not reviewed the investment strategy during the period.

The default arrangement is described in further detail in the Statement of Investment Principles (SIP) which was last reviewed and updated by the Trustee in December 2021 and can be found online at www.synecticsplc.com and at the end of this statement. In accordance with the regulations, the SIP is reviewed a minimum of every three years or as soon as any significant developments in investment policy or member demographics take place.

The Trustee continually monitors the performance of the Scheme's investments throughout the year and receive periodic performance reports from Aegon. The Trustee is happy with the performance over the period covered by this statement and believes the Scheme's investment strategy remains on track to meet the Trustee's aims and objectives.

The Trustee has set up processes to publish relevant information on the default arrangement online at www.synecticsplc.com and will notify members about this in their annual benefit statements.

Processing Scheme transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members. It is important to note that the Scheme does not have any ongoing contributions as there are no active members.

Scheme transactions are undertaken on the Trustee's behalf by the Scheme Administrator, Mercer Limited (Mercer), and its investment manager BlackRock Investment Management which are now held on the Aegon platform following Aegon's acquisition of BlackRock's DC platform and administration business. The Trustee periodically reviews the processes and controls implemented by those organisations and considers them to be suitably designed to achieve these objectives. The Trustee has a service level agreement (SLA) in place with the Scheme Administrator which covers the accuracy and timeliness of all core transactions and receive regular reports to monitor the performance against those service levels. The processes adopted by the Scheme Administrator to help meet the SLA include dynamic checklists, a central financial control team separate to the admin team, daily monitoring of bank accounts and 'four eyes' checking of investment and banking transactions. During the period covered by this statement, 99% of work was completed within the agreed service levels. There were no issues relating to the processing of Scheme transactions. The Trustee continues to monitor performance against the SLA on a regular basis and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer.

The Trustee also performs periodic assessments of methods and efficiency of the Scheme's Administrator and challenges them in terms of their efficiency when necessary.

Considering the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs – default arrangement and additional funds

The law requires the Trustee to disclose the charges and transactions costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds but should also include trading costs incurred within such funds. The Trustee has taken account of statutory guidance when preparing this section of the report.

Details of the Total Expense Ratios (TERs) payable for each fund as well as the transaction costs within the default arrangement are as follows:

Fund	TER (%)	Transaction Cost (%)
Aegon BlackRock 70/30 Global Growth Fund	0.76	0.137%
Aegon BlackRock Pre-Retirement Fund	0.51	0.001%
Aegon BlackRock Cash Fund	0.33	0.014%

Source: Aegon

NB. the 0.75% TER for default arrangements is not applicable here as the Scheme is not used for Auto-Enrolment.

The Trustee has also made the funds used within the default strategy available as self-select options for members who wish to take a more tailored approach to managing their own pension investments.

Cumulative effect of charges

The Trustee has taken account of statutory guidance when preparing this section of the report. The illustrations for the "Youngest" member of the Scheme uses the same assumptions as the "Average" member illustrations except for the age assumption, as explained below.

The compounding effect of charges on a member's fund can be illustrated as follows:

Illustrations for an "Average" member						
	Default Strategy <i>(the most popular option)</i>		Aegon BlackRock 70/30 Global Growth Fund <i>(most expensive and highest expected return fund)</i>		Aegon BlackRock Cash Fund <i>(cheapest and lowest expected return fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£62,559	£62,049	£62,949	£62,402	£59,935	£59,730
2	£64,195	£63,186	£65,406	£64,273	£59,292	£58,887
3	£65,300	£63,836	£67,958	£66,201	£58,655	£58,056
4	£65,842	£63,979	£70,610	£68,186	£58,026	£57,237
5	£65,930	£63,724	£73,366	£70,231	£57,403	£56,429
6 (retirement)	£65,560	£63,072	£76,229	£72,337	£56,787	£55,633
Total Fees	£2,456		£3,541		£1,186	
"Youngest" member illustrations						
	Default Strategy <i>(the most popular option)</i>		Aegon BlackRock 70/30 Global Growth Fund <i>(most expensive and highest expected return fund)</i>		Aegon BlackRock Cash Fund <i>(cheapest and lowest expected return fund)</i>	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£62,949	£62,402	£62,949	£62,402	£59,935	£59,730
3	£67,958	£66,201	£67,958	£66,201	£58,655	£58,056
5	£73,366	£70,231	£73,366	£70,231	£57,403	£56,429
7	£79,204	£74,506	£79,204	£74,506	£56,178	£54,848
9	£83,923	£77,705	£85,506	£79,042	£54,978	£53,311
11	£86,076	£78,680	£92,310	£83,854	£53,805	£51,817
13 (retirement)	£85,708	£77,564	£99,655	£88,958	£52,656	£50,365
Total Fees	£7,214		£8,549		£2,448	
<p><i>It could be helpful to provide context for the investment returns and charges presented above. If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of an "Average" and "Youngest" members' pots at retirement would be £52,242 and £43,950 in today's money.</i></p>						
<p>Assumptions</p> <p>The above illustrations have been produced for an "average" member of the Scheme based on the Scheme's membership data. Illustrations have also been done for the "youngest" member of the Scheme using the same assumptions as the "average" illustrations but using the age of the Scheme's youngest member. The "Default Strategy" illustration assumes the member's asset allocation remains fully invested in the current default strategy. The individual fund illustrations assume 100% of the member's assets are invested in that fund up to Scheme retirement age. 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 they invest in the funds above as shown.</p> <p>You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.</p>						
Age			<ul style="list-style-type: none"> "Average" member "Youngest" member 			
			59 <i>(the average age of the Scheme's membership)</i> 52 <i>(the youngest member of the Scheme)</i>			
Scheme Retirement Age			65			
Starting Pot Size			<ul style="list-style-type: none"> "Average" member 			
			£60,585 <i>(the average pot size of the Scheme's membership)</i>			
Inflation			2.5% p.a.			
Expected future nominal returns on investment:						
<ul style="list-style-type: none"> Default Strategy <ul style="list-style-type: none"> Aegon BlackRock 70/30 Global Growth Aegon BlackRock Pre-Retirement Aegon BlackRock Cash 			4.0% above inflation 0.4% below inflation 1.1% below inflation			

Value for members

The Trustee has a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like for the Scheme's members in aggregate. The Trustee understands that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds.

The Trustee acknowledges that, given the small size of the Scheme, it is a struggle for the Scheme to provide good value to members. The Trustee accepts that members deserve better value from the Scheme, and this has triggered the Trustee to explore the options available to wind-up the Scheme. The Trustee believes that winding up the Scheme into a pooled arrangement such as master trust or Group Personal Pension will reduce fees for members and provide better scheme governance compared to the current arrangement. The Trustee is reviewing wind up options and hopes to communicate the outcome of this review within the next 12-month period; this will provide information on the steps that the Trustee is looking to undertake.

The Trustee has set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online at www.synecticplc.com and will notify members about this in their annual benefit statements.

Trustee's knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

Directors of the Trustee are required to familiarise themselves with the Scheme's trust deed, rules and governing documents and refer to the rules when considering an early retirement request. In addition, a de-risking exercise took place in 2019 and the Trustee was required to ensure everything was done correctly, demonstrating a working knowledge of the Scheme's trust deed and rules.

Directors of the Trustee are also required to familiarise themselves with the Scheme's SIP. By updating the SIP in October 2020 to allow for the new requirements around Environmental, Social and Governance (ESG) investing, the Trustee demonstrated a working knowledge of the SIP.

In addition, the Scheme's business plan, risk register and data strategy policy are reviewed at each Trustee meeting. These documents are referred to on a day-to-day basis and demonstrating a working knowledge of all the documents setting out the Trustee's current policies.

The Trustee has put in place arrangements for ensuring that its Directors take personal responsibility for keeping themselves up-to-date with relevant developments. Directors of the Trustee are encouraged to complete The Pension Regulator's Trustee Toolkit and continue to increase their knowledge of pensions and pension legislation.

In addition, the Directors of the Trustee receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. Legislative updates are also included on the agenda for every Trustee meeting.

Taking account of actions taken individually by its Directors, and the professional advice available to them, the Trustee considers that it has sufficient knowledge and understanding of the law relating to pensions and trusts and the relevant principles relating to the funding and investment of occupational schemes.

In addition, while most schemes simply focus on trustee training and use of advisers, the Trustee believes that knowledge and understanding should also be extended to awareness of member demographics and member behaviour; otherwise, trustees cannot be certain that a scheme remains fit for purpose.

Considering all the points raised above, the Trustee believes that it is enabled properly to exercise their functions as Trustee of the Scheme.

The Chair's statement regarding DC governance was approved by the Trustee and signed on their behalf by:



Claire Stewart
On behalf of the Trustee of the Quadrant Group PLC Retirement Benefits Scheme.
31 December 2021