

## **The IMS (UK) Pension Plan The Chair's Annual Governance Statement ('Statement')**

This Statement has been prepared by the Trustee of the IMS (UK) Pension Plan (the 'Plan') to demonstrate how the Trustee has complied with the governance standards introduced under the Occupational Pension Schemes (Charges and Governance) Regulations 2015 in respect of the Money Purchase section of the Plan (the 'Money Purchase Section'). The Statement covers the period from 6 April 2019 to 5 April 2020 (the 'Plan Year').

This Statement is not relevant for the Final Salary section of the Plan (the 'Final Salary Section'), except for additional voluntary contributions (AVCs), which Final Salary Section members may have paid in the past.

### **Default Arrangements**

The Trustee is responsible for the Plan's investment governance, which includes setting and monitoring the investment strategy for the Plan's default investment arrangements. In order to do this the Trustee maintains a dedicated Statement of Investment Principles (SIP) for the Plan. This document contains important information such as the Trustee's aims and objectives in relation to the default arrangements, its policies in relation to the types of investments to be offered, how risks will be measured and managed etc. The current SIP was formally adopted by the Trustee on the 25 September 2020 after consultation with the Company. During the Plan Year the Trustee also updated the SIP (on 29 September 2020) to describe the Trustee's policy on sustainable investment, the extent to which non-financial matters are taken into account (if at all) and its policy on voting and engagement. The current SIP is appended to this Statement and is also available at the following website: <https://iqvia.pensions-directory.co.uk/>

The objective of the default arrangements, as stated in the SIP, is to provide capital growth for members in the early years of their career and then de-risk into a more diversified portfolio as members approach retirement, in expectation that members will opt for an income drawdown focused retirement proposition and therefore want to retain some investment risk at retirement.

The Plan is not being used as an automatic enrolment vehicle. All new members are required to make an investment decision on joining the Money Purchase Section. However, during the Plan Year the Plan had three funds/strategies classified as default arrangements:

1. 15-year lifecycle strategy: drawdown focused
2. LGIM Pre-Retirement Fund – following the 2015 investment review, members invested in the LGIM Over 15 Year Gilts Index had their assets automatically moved into this fund.
3. LGIM Global Equity Market Weights (30:70) Index Fund - following the 2015 investment review, members invested in the LGIM UK Equity Index and LGIM World (ex UK) Equity Index had their assets automatically moved into this Fund.

The Trustee did not undertake a strategic review of the default investment strategy over the Plan Year. The last review took place the 26 October 2017. The Trustee regularly monitors the performance of the default arrangements and will formally review both this and the strategy at least every three years. The next review will start in Q4 2020 (the next reporting year).

In 2019 the Trustee of the Plan undertook an initial review of the approach undertaken by Legal & General Investment Management (LGIM) to consider how investment managers are investing members' savings, this includes how they take account of Environmental, Social and Governance (ESG). The Trustee was satisfied that LGIM's policies related to voting power and influence were reasonable to encourage positive actions from the companies it invests in on members' behalf.

As part of the Trustee's ongoing development of its own ESG policy and after considering the recent feedback from members on ESG and sustainable investment factors, the Trustee is in the process of reviewing the funds it makes available and is considering offering an additional fund that has a specific ESG focus.

## **Investment Monitoring**

The Trustee reviews the performance of all the Plan's Money Purchase funds, including those underlying the lifecycle strategies, every quarter. A more detailed assessment of the Investment Managers is also included with the fund performance monitoring on an annual basis. In conjunction with the Trustee's advisers, the performance of the Investment Managers is measured against the agreed performance objectives. The Trustee may decide to replace an Investment Manager if it feels it is appropriate.

Following a previous review in 2018, the Trustee decided to move its AVC policy with Clerical Medical and the unit-linked funds held with Equitable Life into the Money Purchase Section. This exercise was completed in September 2019. No members remain invested with Clerical Medical.

During the Plan Year the Trustee considered Equitable Life's Guarantee Exchange Scheme, which involved Equitable Life offering an uplift to with-profits policy values in exchange for policyholders agreeing that Equitable Life should transfer to a new pension provider called Utmost Life and Pensions, and the with-profits fund being terminated.

The proposals were approved by policyholder vote, and then given High Court approval in November 2019. The Trustee plans to transfer the uplifted policy values into the Money Purchase Section fund during 2020.

## **Core Financial Transactions**

The Trustee has appointed Capita to provide administration services for the Plan. The Trustee has received assurance from Capita that they have taken steps to ensure that core financial transactions have been processed promptly and accurately during the Plan Year. 'Core financial transactions' include (but are not limited to):

- Investment of contributions in the Plan;
- Transfers of assets relating to members into and out of the Plan;
- Transfers of assets relating to members between different investments within the Plan; and
- Payments from the Plan to, or in respect of, members.

The Plan has a Service Level Agreement ("SLA") in place with Capita which covers the processing of all core financial transactions. In order to help it meet its SLA, Capita has a dedicated administration team for the Plan and all administration tasks are logged and automatically monitored by a workflow system that is managed by a senior member of the dedicated team. Capita's Finance team monitors the bank accounts daily and all investment and banking transactions are checked and sanctioned separately before they are actioned to ensure that all core financial transactions are processed promptly and accurately.

Core financial transactions are identified and prioritised, checked and fully reconciled. This is achieved through monitoring the timing of contribution payments paid by the Plan sponsor and reviewing both a monthly governance report and a quarterly administration report provided by Capita, which includes performance against the SLA. The SLA includes day-to-day administration tasks (which include core financial transactions) and covers the accuracy and timeliness of all core financial transactions. As an example, the SLA for investing contributions is five working days from reconciliation and ten working days from date of receipt of the contributions into the Trustee bank account.

During the Plan Year, the Trustee closely monitored the Plan's core financial transactions through the monthly governance reports and quarterly administration reports provided by Capita to ensure that no issues arose. The Trustee continues to be engaged with Capita to improve the service experienced by the Plan. Quarterly administration reports are tabled at all Trustee Board meetings and the administrator attends these meetings. Quarterly reporting includes the relevant monthly

contribution dates of payment and investment so that the Trustee can monitor the end to end process for contribution payments. The average SLA rating over the Plan Year was 94% (for the full Plan and not just the Money Purchase Section members). In Q1 2020, Capita adapted to remote working in light of the COVID-19 pandemic and these changes ensured that core financial transactions continued to be processed. Capita confirmed there had been no material administration errors in relation to processing core financial transactions.

Capita employs an independent auditor to prepare an annual report on their internal controls. The report covers all processes and the 2019 report confirmed that Capita's descriptions of services was fairly presented. The controls were designed, implemented and operated effectively throughout the Plan Year.

Where any complaints or issues arise, these are reported to the Trustee in the quarterly reporting in detail, including the resolution status. Capita will also raise any specific service issues directly with the Plan Secretary with a service recovery approach to be agreed. In addition, a representative from Capita attends the quarterly meetings to discuss service levels and future plans. During the Plan Year there has been one member complaint related to core financial transactions. The Trustee has been made aware of this case and the complaint has been resolved.

The Plan's Accounts are also audited annually by the Plan's appointed auditors.

Based on the above, the Trustee is satisfied that the Plan's core financial transactions have been processed promptly and accurately during the Plan Year.

### **Charges and transaction costs**

The Trustee is required to set out the on-going charges borne by members in this Statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs. The stated charges exclude any administration costs since these are not met by members.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this Statement, the transaction costs shown are those incurred when the Plan's fund managers buy and sell assets within investment funds.

The level of charges applying to members during the Plan Year ranged from 0.10% p.a. to 1% p.a. (for example if you have £100 invested you will be charged £1 a year based on a 1% charge). The charges and transaction costs are set out below and rounded to the nearest basis point:

<b>Default arrangements:</b>	<b>% Total member borne deductions (Annual Management Charge plus additional expenses)</b>	<b>Transaction costs to 31 March 2020**</b>
Lifecycle: Drawdown focused	0.10 – 0.21%*	-0.02 - 0.12%
LGIM Pre-Retirement Fund	0.15%	-0.02%
LGIM Global Equity Market Weights (30:70) Index Fund	0.21%	0.04%

Other funds/strategies	% Total member borne deductions (Annual Management Charge plus additional expenses)	Transaction costs to 31 March 2020**
Lifecycle: Annuity focused	0.13 – 0.21%*	-0.02% - 0.04%
LGIM World Emerging Markets Equity Index Fund	0.46%	0.00%
LGIM Diversified Fund	0.20%	-0.02%
LGIM Over 5 Year Index-linked Gilts Fund	0.10%	0.12%
LGIM Cash Fund	0.13%	0.00%
HSBC Islamic Global Equity Index Fund	0.30%	0.04%
Clerical Medical Gilt & Fixed Interest Fund ***	0.50%	0.04%
Clerical Medical Cash Fund ***	0.50%	0.00%
Clerical Medical Halifax Fund ***	0.50%	0.00%
Clerical Medical With Profits Fund ***	0.50%	0.16%
Equitable Life Gilt & Fixed Interest Fund ***	0.50%	0.00%
Equitable Life Money Pension Fund ***	0.50%	0.00%
Equitable Life With-profits Fund ****	1.00%	1.04%
Utmost Secure Cash Fund	0.50%	0.00%

Fund charges shown are the total charge on the fund and consist of the annual management charge plus additional expenses (these include trading fees, legal fees, auditor fees, and other operational expenses).

\* The range shown illustrates the range of charges for the underlying component funds that make up the lifestyle strategy.

\*\* LGIM has provided transaction costs incurred by members at a fund level (based on the fund values at 31 March 2020). LGIM has calculated the transaction costs as the average cost incurred over the last financial year (1 April 2019 to 31 March 2020) as a necessary part of buying and selling each of the fund's underlying investments in order to achieve the investment objective.

\*\*\* Information as at 30 September 2019.

\*\*\*\* Information as at 31 December 2019. Under Equitable Life, during the Plan Year members only had investments in the With-Profits Fund. The charges applying for the With-Profits Fund are deducted within the calculation to determine the annual bonus payment and this is not explicitly disclosed. Equitable Life transferred its business to Utmost from 1 January 2020 and all assets invested in the Equitable Life With-Profits Fund were transferred to the Utmost Secure Cash Investment Fund.

## Transaction Costs

Transaction costs are those incurred by the investment managers, Legal & General Investment Management (LGIM) & HSBC as a result of buying, selling, lending or borrowing investments, these are typically categorised as:

- **Explicit costs** which are directly observable and include broker commissions and taxes, or

- **Implicit costs** which cannot be observed in the same way but can also result in a reduction in the value of capital invested. Implicit costs include market impact or delay costs which can also result in a gain for the fund (i.e. negative transaction cost).

From 6 April 2015, trustee boards have been required (insofar as they are able) to assess transaction costs and report on them in the Chair's Statement. The provision of transaction cost information from investment managers has been very limited due to the complex nature of investments and lack of standard disclosure requirements.

In order to comply with the requirement as fully as possible at this point in time, the Trustee has asked LGIM, HSBC and Clerical Medical for the transaction cost disclosures up to the end of the Plan Year:

1. Equitable Life and Utmost publish the latest information on their website (the transaction cost data in the table above is effective as at 31 March 2020 for the Secure Cash Fund, as at 31 December 2019 for the With-Profit Fund, as at 31 September 2019 for the Money Pension Fund and the Gilt & Fixed Interest Fund).
2. LGIM has provided all of the required transaction costs data up to the end of Q1 2020.
3. HSBC has provided the transaction costs for the HSBC Islamic Global Equity Index Fund up to the end of Q1 2020.
4. Clerical Medical has provided the transaction costs up to 30 September 2019.

The information provided is shown in the tables above. The Trustee has taken account of statutory guidance in preparing this section of the Statement.

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 requires the Trustee to produce an illustration showing the compounding effect of costs and charges on defined contribution (DC) funds and include this in the annual Chair's Statement. As a result, the Trustee has set out an illustration in the Appendix which shows the projected values based on three example members of the Plan (these are not actual members). The three examples show members at different ages, with different average pension savings and investing in a range of different investment options.

The projections compare what the investments could grow to at age 65 before and after charges have been deducted.

## Value for Members (VFM)

The Trustee acknowledges the legal requirement for pension arrangements to annually assess their plan against the value of services and features that members pay for (through transaction costs and charges), or where members share the cost with the employer. The Trustee is committed to ensuring that members receive value from the Plan and have gone beyond the legal requirements.

As in previous years, the Trustee's 2020 VFM assessment centered on investment costs, as this is the only aspect of the Plan that members bear the cost of, however the assessment also considered the value derived from the wider features of membership, such as the design of the default arrangement and the range of investment options and strategies. The assessment also included the quality of the Plan's administration processes and SLA performance, communications to members and support services, oversight and governance of the Trustee and management. Within each section we have considered:

- **Need** – the Trustee considered the need of the service from members. This covers both the appropriateness of the service for the membership as well as the actual and perceived value members gain.
- **Performance** – the Trustee considered the quality of the service to meet the need. This looks at the current service provided, the performance of the service provider and how well this meets the needs of the membership.

Overall, the Trustee's VFM assessment concluded that the Plan continues to offer good value. Key aspects that led to this conclusion include:

- The Trustee offers lifestyle strategies that have been designed for the membership and a concise range of self-select funds both with the aim of maximising returns for members. The analysis of the membership indicated that members are likely to access their Plan accounts via income drawdown at retirement, which is supported by the majority of members being invested in the default lifecycle strategy and by members retirement decisions. Most funds in the range of self-selected options remains broadly adequate for meeting members' needs.
- The funds that make up the lifestyle strategies and the self-select fund range all performed in line with their agreed objectives over the Plan Year. Based on recent member feedback the Trustee is in the process of reviewing potential ESG funds with the aim of meeting this increasing member need.
- The charges that members pay are competitive compared to charges paid for similar investment strategies in other similar pension schemes. This conclusion was reached following a benchmarking exercise completed by the Trustee's advisers that considered both trust-based arrangements of a similar type (unbundled) but also the wider market trends across Master Trusts and contract-based arrangements (within the FTSE 350).
- Following receipt of full transaction cost data from LGIM the Trustee was able to benchmark these costs against market averages payable within similar fund types. The Trustee found that the transaction costs experienced for the majority of the Plan's fund range are in line with current market averages.
- A large range of additional services are provided across the areas of administration, communication and governance which members do not pay for but which add significant value. Examples of these additional services are the Plan governance and management oversight by the Trustee and Pension Manager, the investment governance processes in place to ensure Plan's investment options continue to meet their performance objectives and member needs, as well as the standard communications and access to the member site provided by the Plan administrator. In addition, the Plan administrator provided good performance relative to its service targets.
- The Trustee considered Equitable Life's proposal to replace the Guarantees that apply to With-Profits policies and apply an enhancement to members' policy values. Following voter approval of the proposal, With-Profits Funds were transferred into the Utmost Secure Cash Investment Fund. The Trustee identified that the Money Purchase Section of the fund provided better value than the funds available with Utmost. The transition from Utmost to the main Money Purchase Section was undertaken outside of the Plan Year in July 2020.

The Trustee continually seeks to ensure the Plan provides VFM and will be reviewing this on an annual basis.

### **Trustees' Knowledge and Understanding (TKU)**

The Trustee Directors are required to maintain appropriate levels of knowledge and understanding to run the Plan effectively.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the Plan Year are set out below.

The Trustee Directors are generally long standing and have worked together for a number of years and as such have learnt to operate in a way which plays to each other's strengths and areas of expertise. The Trustee Directors have a good working knowledge of the documents governing the Plan (such as the Trust Deed and Rules, the SIP and all other documents setting out the Trustee's current policies and procedures) but they take advice from advisers when it is appropriate to do so. In particular the Trustee refers to the Trust Deed and Rules as part of considering and deciding to make any changes to the Plan and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Plan's investments. During and after the Plan year the Trustee undertook a review of the SIP and updated it

to reflect how the Trustee takes account of financially material risks when making its investment decisions.

The Trustee has a TKU process in place. Taking this into account along with the knowledge and experience of the Trustee Directors, together with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee Directors believe they are well placed to exercise their functions as Trustee Directors of the Plan properly and effectively.

The Trustee's approach to meeting the TKU requirements includes the following:

- New Trustee Directors are provided with copies of the Plan documentation and attend external 'new trustee' training sessions; the Trustee Training session for the newly appointed Trustee Director was originally scheduled for March 2020 but was postponed to September 2020 in light of the COVID-19 pandemic;
- The Trustee Directors each undertake bespoke training and maintain a training log;
- The majority of Trustee Directors have completed the core modules within the Pensions Regulator's trustee toolkit (this is a free online learning programme from the Pensions Regulator) and reviews its content on an ongoing basis; the newly appointed Trustee Director is currently working towards its completion;
- A number of Trustee Directors have pension specific qualifications (including PMI Award in Trusteeship units 1, 2 and 3);
- The Trustee Directors receive relevant updates and bulletins from their advisers as well as attend seminars to maintain and enhance their knowledge;
- The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them;
- Trustee training is a standing item on the agenda for Trustee Board meetings. This involves discussions which enable each Trustee Director to identify any knowledge gaps and required training. The training programme is reviewed annually;
- The training that has been carried out by the Trustee Directors over the Plan Year (in relation to defined contribution (DC)) include:
  - Trustee meeting sessions: Sustainable investment & ESG (May 2019)
  - External training sessions: Master Trust and Contract Based DC (October 2019) and DB (defined benefit) and DC Pensions Surveys (July 2019)
- 'Hot Topics' reports are tabled at each meeting to give the Trustee Directors latest updates on DC-related themes in pensions;
- In 2019, each of the Trustee Directors undertook self-assessments (via an online questionnaire) as part of a review of their individual knowledge and understanding of pension and trust legislation, investment requirements, and to be conversant with the main governing documents. The review found that each Trustee Director 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 pension schemes to fulfil their duties. However, the findings from the self-assessments resulted in a refresher training session covering the law relating to pensions which was carried out in May 2019.
- The Trustee Directors agree a business plan covering planned Plan activity for each Plan year which is reviewed throughout the year. The Trustees will carry out an evaluation of the performance and effectiveness of the Trustee Board as a whole as measured against the objectives of the Plan's business plan during the 2020/21 Plan year

**Signed:** G Paton

**Date:** 3 November 2020

**Trustee Chairman  
IMS (UK) Pension Plan**

## Appendix - Illustration of the effect of costs and charges on a members' pension pot

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 to the member at retirement. In order to achieve greater transparency about costs, regulations came into force on 6 April 2018 which require the Trustee to provide members with additional information in relation to investment charges and transactions costs.

The illustration has been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" and reflects the impact of costs and charges for three typical examples of members within the Plan, using:

- The Default Lifecycle strategy since this is the arrangement with the most members invested in it
- The fund that has attracted the greatest volume of contributions during the Plan Year – this is the LGIM Global Equity 30:70 Fund
- The fund with the highest before costs expected return (this is also the fund with the highest charges) – this is the LGIM World Emerging Markets Equity Index Fund
- The fund with the lowest annual member borne costs – this is the LGIM Over 5 Year Index Linked Gilts

The illustrations below show the projected fund values based on certain assumptions before and after charges so that the potential impact of charges is clearly shown. Members should be aware that these are simply illustrations, and so the actual fund values and implication of charges for members' investments may be different if members' personal details or investment choices differ from those shown or the assumptions are not borne out. This means that the information contained in this Appendix is not a substitute for the individual and personalised illustrations which are provided to members each year by the Plan.

Example Member	Projection period (years)	Lifecycle drawdown focused strategy (Default)		LGIM Global Equity 30:70 Fund		LGIM World Emerging Markets Equity Index Fund		LGIM Over 5 Year Index Linked Gilts	
		Before charges	After charges	Before charges	After charges	Before charges	After charges	Before charges	After charges
Youngest member	1	£2,700	£2,700	£2,700	£2,700	£2,700	£2,700	£2,700	£2,700
	3	£8,400	£8,400	£8,400	£8,400	£8,400	£8,400	£7,800	£7,800
	5	£14,400	£14,300	£14,400	£14,300	£14,400	£14,200	£12,700	£12,700
	10	£30,800	£30,400	£30,800	£30,400	£30,800	£30,000	£24,100	£23,900
	15	£49,400	£48,400	£49,400	£48,400	£49,400	£47,600	£34,200	£33,800
	20	£70,600	£68,700	£70,600	£68,700	£70,600	£67,100	£43,200	£42,500
	25	£94,600	£91,500	£94,600	£91,500	£94,600	£88,800	£51,200	£50,100
	30	£122,000	£117,000	£122,000	£117,000	£122,000	£112,900	£58,300	£56,900
	35	£153,000	£145,800	£153,100	£145,700	£153,100	£139,600	£64,600	£62,900
	40	£184,700	£175,300	£188,500	£177,900	£188,500	£169,300	£70,300	£68,200
	44	£207,200	£196,000	£220,200	£206,500	£220,200	£195,400	£74,400	£71,900
Average member	1	£51,200	£51,100	£51,200	£51,100	£51,200	£51,000	£48,900	£48,800
	3	£64,000	£63,600	£64,000	£63,600	£64,000	£63,300	£56,300	£56,000
	5	£77,600	£76,800	£77,600	£76,800	£77,600	£76,100	£63,400	£63,000
	10	£114,600	£112,600	£114,600	£112,400	£114,600	£110,600	£79,800	£78,800
	15	£154,600	£151,100	£156,700	£152,500	£156,700	£148,900	£94,400	£92,800
	20	£192,900	£187,800	£204,600	£197,500	£204,600	£191,500	£107,400	£105,100
Approaching retirement	1	£99,000	£98,900	£99,600	£99,400	£99,600	£99,200	£95,000	£94,900
	3	£117,000	£116,500	£119,700	£118,900	£119,700	£118,100	£104,800	£104,300
	5	£134,700	£133,800	£140,700	£139,200	£140,700	£137,900	£114,100	£113,200

1. Projected pension account values are shown in today's terms.
2. Contributions and costs/charges that are shown as a monetary amount and reductions are made halfway through the year.
3. Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
4. Charges and costs are deducted before applying investment returns.
5. Switching costs are not considered in the lifestyle strategy.
6. Inflation is assumed to be 2.5% each year.
7. Contributions are assumed to be paid from age 21 to 65 for the youngest member, 45 to 65 for the average member, and 60 to 65 for the member approaching retirement.
8. Salaries are assumed to increase in line with inflation
9. Values shown are estimates and are not guaranteed.
10. The real projected growth rates for each fund are as follow:
  - Lifecycle drawdown focused strategy – from 1.24% to 2.60% (adjusted depending on term to retirement)
  - LGIM Global Equity 30:70 Fund – 2.60%
  - LGIM World Emerging Markets Equity Index Fund – 2.60%
  - LGIM Over 5 Year Index Linked Gilts - -2.30%
11. Transactions costs and other charges have been provided by LGIM and cover the period from 1 April 2018 to 31 March 2020. Transaction costs have been averaged by WTW using a time-based approach.
12. Pension Plan's normal retirement age is 65.
13. Example members
  - Youngest: age 21, total initial contribution: £2,700, starting fund value: nil.
  - Average: age 45, total initial contribution: £4,950, starting fund value: £45,000.
  - Approaching retirement: age 60, total initial contribution: £7,200, starting fund value: £90,000.