

Statement of the Chair of the Trustees for the IoD 1997 Pension Scheme for the year ending 31/12/18

This statement is produced in accordance with section 23 of the Occupational Pension schemes (Scheme Administration) Regulations 1996 (the Regulations)

I, Jim Jordan, am the appointed Chair of the IOD 1997 Pension Scheme ('the Scheme'). In accordance with section 23 of the Regulations I confirm, on behalf of the Trustee Board, in relation to the Scheme that:

1. The default investment strategy;
2. Requirements for processing financial transactions;
3. Assessment of charges and transaction costs; and
4. The requirement for trustee knowledge and understanding.

This statement also contains a 'Value for Members Assessment' - an assessment of the Scheme in terms of whether and how it represents Value for Members.

1. The default investment strategy

A default investment strategy exists for the Scheme and the strategy is identified within the Trustees Statement of Investment Principles, the most recent version of which is attached in Appendix C.

The default investment strategy is in place for those members of the Scheme who have not made, or do not wish to make, an active investment decision.

Members are able to change their investment selections at any time and the Trustees believe that members have access to sufficient information to make informed decisions about the investment options available and resulting selections.

The Trustees can confirm they have considered the returns of the funds that comprise the default investment strategy and these are consistent with the aims and objectives of that strategy as stated in the Statement of Investment Principles. The performance of each fund and the respective managers are reviewed on a quarterly basis and at each Trustees meeting. Investments are predominantly managed on a 'passive' or index-tracking basis.

The suitability of the default investment strategy has been considered and discussed amongst the Trustees, and their professional advisers.

The Trustees acknowledge the requirement to undertake a review of the Scheme's default investment strategy on a three yearly basis and also acknowledge that neither the default investment strategy nor the wider investment options have been reviewed in the past three years. As reported in last year's statement the Trustees are working with the Institute to implement a new pension plan which will offer on-line management, a wider investment offering and the full range of retirement options. For this reason the Trustees have not undertaken a review in the past three years and regrettably the pace of change has not been as fast as anticipated. With this in mind the Trustees will shortly be commencing a review of the Scheme's investment strategy, whilst the work associated with the new pension plan remains ongoing.

We will provide members with an update as soon as we are able to.

Statement of the Chair of the Trustees for the IoD 1997 Pension Scheme for the year ending 31 December 2018 (continued)

2. Requirements for processing financial transactions

The Trustees have appointed Capita Employee Solutions ('Capita') to administer the Scheme.

The core financial transactions, including investment of contributions, transfers in and out of the Scheme, and transfers/switches of assets between different investments in the Scheme, have been processed promptly and accurately as evidenced by the periodic administration reporting provided by Capita at the request of the Trustees. These include details of processing timescales achieved, and timeliness of contribution receipts. In particular all contributions were received within the regulatory timescales prescribed.

In accordance with the ongoing administration reporting arrangements, controls are in place to monitor and ensure that core financial transactions will continue to be processed promptly and accurately in the coming scheme year. This includes utilisation of a workflow management system to monitor Scheme and member related activities and related performance against service levels and forward planning of regular annual activities and events. The Trustees are not aware of any negative service level or administrative issues having occurred during 2018 that impacted the Scheme's management or delivery of services to members and no service level complaints were received either by the Trustees or by Capita.

Further scrutiny of transactions and also reporting and controls can be found in the audit report which is included in the Scheme's Annual Report & Accounts.

3. Assessment of charges and transaction costs

Administration charges applicable to the Scheme are borne by the Institute and therefore have no bearing on member charging. However, for completeness we have referred to these as part of our assessment of Value for Members, to be found in Appendix A.

The charges and transaction costs for each fund that comprise the default investment strategy and for each fund which members are able to select and in which assets relating to members are invested during the scheme year are recorded in Appendix B. Examples of the cumulative effect of costs and charges on member funds are also set out in Appendix B.

In preparing Appendix B of this Statement, the Trustees have had regard to statutory guidance published by the Department for Work and Pensions.

The Annual Management Charges applicable to the funds that comprise the default investment arrangement are significantly below the cap of 0.75% required by pension scheme regulations. The charges for all other funds are also below the 0.75% charge cap, whilst transaction costs are generally negative or minimal.

Whilst we are very comfortable that the charges are competitively low, the Trustees acknowledge that the continuation of the Scheme may not be in the best interest of the membership and may not represent 'value for money' compared with alternative delivery solutions. As noted in Section 1, above, we are working with the Institute to identify and implement a new pension plan.

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4. The requirement for trustee knowledge and understanding

The Trustees spend an appropriate amount of time running the Scheme in relation to the size and complexity of the arrangements.

All current and future Trustees of the Scheme are expected to ensure that he or she meets the Trustee Knowledge and Understanding requirements and maintains their knowledge of Defined Contribution pensions and the regulatory landscape. Trustees are required to complete all relevant sections of The Pensions Regulator's Trustee Toolkit within 6 months of their appointment as a Trustee.

The Trustees adopted an updated Risk Register and Conflicts of Interest Policy during the during the 2019 Scheme year.

The Trustees have undertaken a self-assessment questionnaire to identify future individual and group training needs and scheme governance improvement activities.


The Trustees will continue to employ professional advisers where appropriate and necessary to provide advice, guidance and recommendations to ensure that scheme governance, controls, skills and knowledge remain current and meet the expectations of the Regulators and of our scheme members.

Summary

The Trustees have considered how the Scheme has been governed , by reference to Sections 1. – 4 above. This includes service standards being provided in terms of scheme administration (including processing core financial transaction, scheme records and scheme governance), member communication, investment proposition and investment returns, as well as how the Scheme costs compare to similar and alternative pension schemes.

It is our view that the Scheme, including member borne charges, might not represent the optimum Value for its Members. Our Value for Members Assessment is set out in Appendix A.

Signed for and on behalf of the Trustees of the Scheme by Jim Jordan in my capacity as Chair of the Trustees



Jim Jordan

Chair of the Trustees for the Scheme

25/7/2019

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List of evidence represented in appendices:

Appendix A: Value for Members Assessment and Statement

Appendix B: Member Charges and Transaction Costs

- Charges and costs applying to default investment strategy
- Charges and costs applying to alternative strategies and self-select funds
- Examples of the cumulative effect of costs and charges on member funds

Appendix C: Statement of Investment Principles

Appendix D: Review of Investment performance

Further supporting evidence on which our assessment was based (available on request):

Quarterly Investment performance reporting, provided by Legal & General Investment Management

Appendix A: Value for Members Assessment

To make an assessment of the Scheme in terms of how it represents Value for Members, the Trustees have considered the following evidence:

- Statement of Investment Principles, dated April 2000;
- Quarterly performance monitoring reports;
- The commentary from our independent auditors contained within the Scheme Report & Accounts.

Also, the Trustees have taken into account the following considerations and decisions:

1. The costs of running the Scheme are borne by the Institute, leaving only investment costs being borne by our members.
2. The investment costs that our members pay are very low and are well within the Government's prescribed Charge Control cap of 0.75% for a default investment strategy.
3. Investment returns are regularly assessed by the Trustees using performance reports.
4. Investments are predominantly managed on a 'passive' or index-tracking basis.
5. How members are able to manage their investment funds, along with the existing communication and engagement framework and member support.

Assessing transaction costs on behalf of Scheme members

The Trustees have obtained from Legal & General Investment Management Limited details of ongoing charges and transaction costs that applied (or may have potentially applied) to the investment funds available to members.

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Appendix A: Value for Members Assessment (continued)

Actual and potential transaction costs disclosed by Legal & General Investment Management Limited include:

- Transaction taxes
- Broker commission
- Implicit costs
- Entry/exit charges
- Other transaction costs
- Indirect transaction taxes
- Indirect broker commission
- Indirect implicit costs
- Indirect entry/exit charges
- Indirect other transaction costs
- Indirect transaction costs - external funds
- Anti-dilution offset
- Indirect anti-dilution offset

Details of the ongoing charges and transaction costs disclosed by Legal & General Investment Management Limited are set out in Appendix B along with examples of the cumulative effect of costs and charges on member funds.

Costs borne by the employer:

As mentioned elsewhere in this statement, in carrying out this assessment, the Trustees have taken the view that costs borne by the Institute will have a positive effect on Value for Members who are only paying very low investment charges. The employer-borne costs which have been taken into consideration are as follows:

1. Administration costs
2. Cost of running the Trustee Board
3. Cost of advice/suppliers of professional services

Value for Members Statement:

The Trustees have reviewed the Scheme in its current form and acknowledge that whilst the member borne costs are low, the continued use of this arrangement is no longer in the member interests, and as such the Scheme might not represent the optimum Value for its Members. We continue to discuss this matter with the Institute, as Scheme sponsor, and our professional advisers.

In our statement last year we indicated that a new pension arrangement would be in place during 2018. Regrettably the pace of change has not been as fast as anticipated. With this in mind the Trustees will shortly be commencing a review of the Scheme's investment strategy, whilst the work associated with the new pension plan remains ongoing.

Both the Trustees and the Institute remain committed to change. We believe a strategic change to the Scheme, from its current form into a newer, more flexible product for on-going pension contributions is considered appropriate and in members best interests. Transferring the funds for both our active and deferred pension members into this alternative arrangement forms a key part of this change.

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Appendix A: Value for Members Assessment (continued)

The absolute aim of this strategic change is to secure a better Value for Members through access to improved technology, flexible access to pension funds, financial education and a wider range of investment choices to meet a changing objective.

The Trustees continue to develop their plans to address the matter and details of the changes proposed will be published once a decision has been made on future strategy.

Appendix B: Member Charges and Transaction Costs

Charges and transaction costs for funds within the scheme for the year ending 31 December 2018:

Fund	Total Ongoing Charges (OCF)*	Transaction costs**
L&G UK Equity Index Fund	0.322%	-0.011%
L&G Over 15 Year Gilts Index Fund	0.100%	-0.018%
L&G Cash Fund	0.125%	0.004%

Notes

* Includes the AMC, plus various other expenses including index licensing fees, legal fees, administration, marketing, regulation, auditing.

** Transaction costs that applied (or may have potentially applied) to the investment funds available to members, based on charges outlined within Appendix A.

Implicit transaction costs have been calculated as the difference between the price at which a deal was struck and the price of the instrument at previous market close. This is consistent with the implicit cost calculation methods allowable prior to 2018 under PRIIPS guidance, which allows firms to assume there is no intra-day data available.

For any transactions occurring in 2018, the arrival price of each trade will be captured and used to calculate the implicit transaction cost ('slippage cost'). The arrival price of a trade is the mid-market price of an asset at the time the order is placed in the market.

Indirect transaction costs have been calculated assuming a static fund structure as at 31 December 2018.

For any funds which hold an investment managed by a third party, the transaction costs provided by the third party manager are represented as an indirect external fund transaction cost. Where transaction cost information was not made available by the third party, transaction costs incurred by the externally managed fund have not been included.

All charges and transaction costs have been provided by Legal & General Investment Management Limited.

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Appendix B: Member Charges and Transaction Costs (continued)

Projected pension pot showing effect of charges and transaction costs produced in accordance with DWP guidance

Notes for the following tables

1. Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
2. The starting pot size is assumed to be £15,000 - an estimate for a representative younger scheme member.
3. The salary assumption is £25,000 per annum - broadly the average for a representative younger member.
4. Salary growth is assumed to be 2.5% per annum.
5. A contribution rate of 9% has been used, which is approximately the average combination of employee and employer contributions for a typical younger member.
6. Inflation is assumed to be 2.5% each year.

Values shown are estimates and are not guaranteed.

Projected pension fund in today's money – Fund return assumptions are those supplied to us and used by the Trustees for their most recent SMPI calculations. We have assumed a starting value of £15,000, a combined contribution rate of 9%, and a 35 year old member, but other ages can be assessed using the following tables

L&G UK Equity Index Fund (Gross Accumulation Rate = 7.0%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£17,925.00	£17,921.85
3	£24,175.80	£24,164.02
5	£31,001.83	£30,977.89
10	£50,943.01	£50,869.24
15	£75,793.36	£75,632.60
20	£106,761.41	£106,461.24
25	£145,353.24	£144,840.76
30	£193,445.68	£192,620.58

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Appendix B: Member Charges and Transaction Costs (continued)

L&G Over 15 Year Gilts Index Fund (Gross Accumulation Rate = 4.5%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£17,550.00	£17,537.70
3	£22,804.02	£22,760.05
5	£28,270.30	£28,184.66
10	£42,921.79	£42,683.16
15	£59,098.21	£58,626.45
20	£76,958.29	£76,158.48
25	£96,677.26	£95,437.57
30	£118,448.60	£116,637.83

L&G Cash Fund (Gross Accumulation Rate = 2.0%)		
Years	Before costs and charges deducted	After costs and charges deducted
1	£17,175.00	£17,155.65
3	£21,492.43	£21,426.36
5	£25,766.79	£25,643.51
10	£36,267.09	£35,956.47
15	£46,507.50	£45,949.13
20	£56,494.44	£55,631.46
25	£66,234.19	£65,013.09
30	£75,732.88	£74,103.35