

# Crossroads Commercials Limited Retirement Benefits Scheme

## Chair's Statement

1 July 2022 to 30 June 2023

### 1. Introduction

**This is the Chair's Statement for the Crossroads Commercials Limited Retirement Benefits Scheme ('the Scheme') covering the period 1 July 2022 to 30 June 2023.**

As the Chair of the Trustee Board ('the Trustee'), I provide you with a yearly statement which explains the steps taken by the Trustee, with help from our professional advisers, to meet the required governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Scheme is a trust based occupational pension scheme which commenced on 1<sup>st</sup> February 1980. It is a hybrid arrangement containing Defined Benefit ("DB") and Defined Contribution ("DC") benefits. It was contracted out on a GMP basis from 1 June 1988 until April 1997 and then subsequently on a Protected Rights basis until June 2001 after which it contracted in.

The Scheme has a default investment option, and this is explained further in Section 2

#### 01.01 Queries

If you have any questions about anything that is set out below, suggestions about what can be improved, or queries about your Scheme's benefits, please do contact the Trustee Board using the email address: [crossroadsrbs@purplewm.com](mailto:crossroadsrbs@purplewm.com)

### 2. Default Investment Strategy

Statement of Investment Principles (SIP)

A copy of the SIP, which sets out the objectives for the Plan's investment strategy, can be found in Appendix A

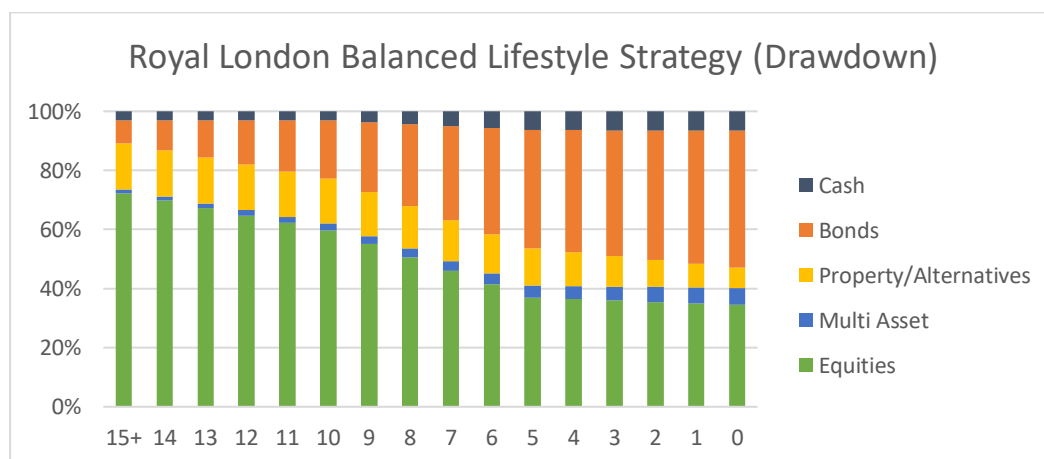
#### 02.01 The default investment arrangement

If members do not make their own investment choices in the Scheme, their funds are invested in the default investment strategy.

The current default investment strategy is the Royal London Balanced Lifestyle Strategy which targets income drawdown at retirement and uses the Royal London Governed Portfolio Range of investment funds.

The default strategy invests in a range of largely growth focused investments, when a member is 15 years or more away from retirement. This higher exposure to equities and other return seeking assets allows for a greater opportunity to grow the savings, while having enough time left before retirement to make up for any falls in value. Members' savings are then gradually (and automatically) moved over the last 15 years before their chosen retirement date into more diverse and lower-risk assets such as bonds and cash, in order to protect the value of the pot.

This is shown in the graph below.



Source: Royal London. XPS calculations

Members can opt out of the default investment option and invest in any other funds offered by the Trustee, however any requests to self-select or switch funds must be approved by the Trustee.

## 02.02 Reviewing the default investment arrangement

The Trustee is required to review the default strategy and performance at least every three years, or immediately following any significant change in investment policy or in the Scheme's member profile.

The last review of the default strategy was undertaken on 3 November 2021. During this review, the Trustee, working with their investment consultant, decided to change the default investment strategy from Royal London Balanced Lifestyle Strategy Target Cash, to target Drawdown. In making this decision, the Trustee considered the member profile, approach to investment risk and return, and the manner in which members are likely to take their benefits at retirement. The key aim for the change was to improve member outcomes with a greater exposure to growth assets rather than members being invested in a cash fund for a number of years prior to retirement. This change was implemented in February 2022.

The next investment strategy review will be completed by 3 November 2024

## 02.03 Investment Performance

Changes to legislation introduced in October 2021 require trustees of relevant occupational pension schemes to report on the net investment returns for the default arrangement and for each fund which scheme members are, or have been able to, select, and in which scheme members are invested during the scheme year.

Net investment returns refer to the returns on funds after the deduction of all transaction costs and charges and including them in this Statement is intended to help members understand how their investments are performing.

## 02.04 Fund performance

Royal London provides the Trustee with regular investment performance information to monitor the Default strategy, which it reviews in Trustee meetings.

This table shows how the Default strategy has performed for members at three different ages, over the last one and five years with a normal retirement age of 65.

	1 year (01/07/2022 – 30/06/2023)	5 years annualised (01/07/2018 – 30/06/2023)
<b>Current default strategy (targeting Drawdown)</b>	<b>% p.a</b>	<b>% p.a</b>
<b>Age 25</b>	3.12	4.39
<b>Age 45</b>	3.12	4.39
<b>Age 55</b>	1.18	3.41

*Source: Royal London. Figures are as at 30/06/2023 and are net of fees.*

The table above discloses returns at different ages in accordance with the Pension Regulator's guidance for lifestyle strategies.

## 02.05 Self-Select Funds

For Self-Select funds, performance is shown for 5-years (annualised) and for the last Scheme Year:

	1 year (01/07/2022 – 30/06/2023)	5 years annualised (01/07/2018 – 30/06/2023)
<b>Self-select funds</b>	<b>% p.a.</b>	<b>% p.a.</b>
Royal London Managed	-0.40	3.11
Royal London Property	-14.74	0.78
Royal London Deposit	2.23	0.03
Royal London Worldwide	13.01	8.86
Royal London Corporate Bond	-3.10	-0.38

*Source: Royal London. Figures are net of fees. Past performance is not a reliable indicator of future results. The value of investments may go down as well as up and members may get back less than they invest.*

## 02.06 Royal London Profit Share

In addition to any investment returns, members also benefit from the Royal London Profit Share Award, where a bonus is applied annually to members plans to reflect a level of mutual profits that Royal London wish to share with members. For 2023 this was announced to be 0.15% of the value of member plans.

The historic profit share rates are as follows:

2022	2021	2020	2019	2018
0.15%	0.15%	0.15%	0.18%	0.18%

Source: Royal London

## 3. Charges & Transaction costs

Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose.

### 03.01 Investment Manager Charges

The Trustee has selected a range of funds which it believes to be appropriate for members of the Plan. Each of these the funds are provided by Royal London. Members may self-select their investment strategy, investing in any of these funds in whatever proportions they choose, or select the default investment option. Alternatively, if they do not make a choice, their funds will be invested in the default investment option.

Irrespective of the funds they are invested in, members will pay two annual charges in respect of their DC pension benefits. These are as follows:

#### Ongoing Charges Figure

Members meet what is known as the Ongoing Charges Figure ('OCF') in respect of their individual pension pots. This is comprised of a Fund Management Charge ('FMC') and other indirect fees which are incurred, and for administration services of Royal London. The OCF is calculated as a percentage of all applicable assets under management.

The OCF does not include other costs of running the Scheme including governance, professional advisor costs and some communication costs - these charges are met by the Employer.

#### Transaction costs

Transaction costs are costs associated with the buying and selling of investments and include for example stamp duty and brokerage fees. Transaction costs may be incurred both within the investment funds and when contributions are invested, on switching between funds and when selling investments to take benefits.

The OCF and transaction costs are detailed below for the year to 30 June 2023.

The default investment strategy consists of 4 funds. When members are 15 or more years away from retirement, they are 100% invested within the Royal London Governed Portfolio 4. As members move to 10 years to retirement, their benefits are automatically moved to the Royal London Governed Portfolio 5, followed by Royal London Governed Portfolio 6 at 5 years to retirement. Once a member reaches their normal retirement date, their benefits will be wholly invested within the Royal London Governed Retirement Income Portfolio 3.

	OCF (% p.a.)	Transaction costs* (%)
<b>Default Strategy</b>		
Royal London Governed Portfolio 4	0.55	0.103
Royal London Governed Portfolio 5	0.55	0.081
Royal London Governed Portfolio 6	0.55	0.036
Royal London Governed Retirement Income Portfolio 3	0.55	0.023

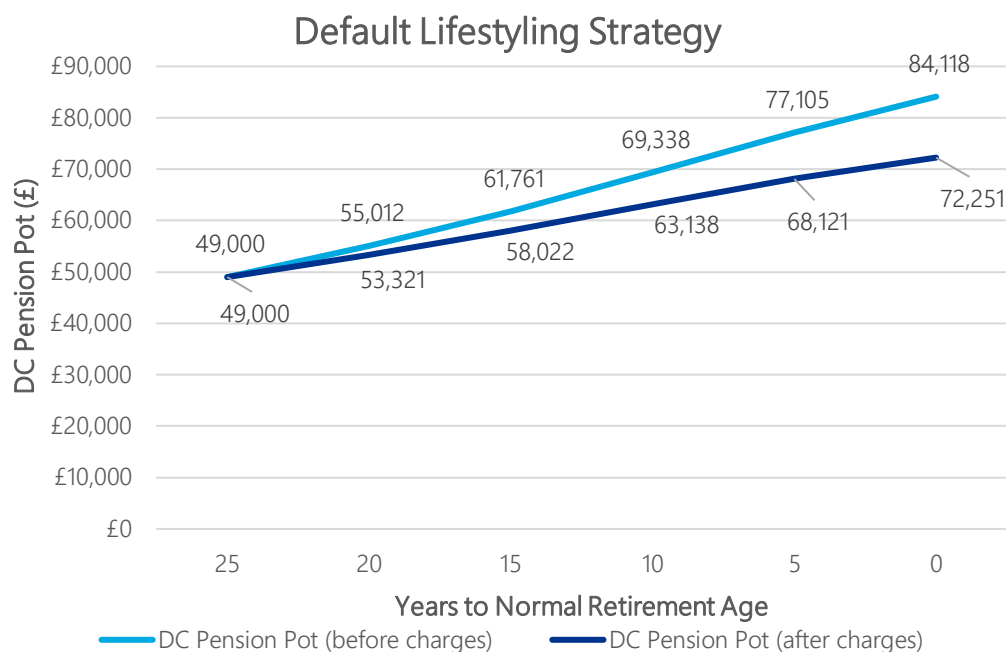
The total expense ratio ('TER') of the default option is 0.55%. This has been discounted by 0.45%, via negotiation with the Administrator and Investment Manager Royal London, from a normal OCF for the same strategy of 1%. As all funds used within the Default strategy are single priced, changes to the underlying funds within the Default strategies as members move closer to retirement does not change the OCF levied.

	OCF (% p.a.)	Transaction costs* (%)
<b>Self-select funds</b>		
Royal London Managed	0.55	0.060
Royal London Property	0.55	0.068
Royal London Deposit	0.55	0.053
Royal London Worldwide	0.55	0.118
Royal London Corporate Bond	0.55	0.020

(Source: Royal London)

### 03.02 An illustration of the charges levied on members

Below you can find an illustration of the effect of the OCF and transaction costs met by deferred members on an example pension pot in the default investment option over time.



This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- The Scheme's default investment option
- Member is 25 years from retirement
- An initial pension pot of £49,000
- Net (after charges and inflation) returns estimated as 4.9% p.a. for the Governed Portfolio 4, 4.7% p.a. for the Governed Portfolio 5, 4.3% p.a. for the Governed Portfolio 6 and 4.3% p.a. for the Governed Retirement Income Portfolio 3. These estimated returns have been prepared by XPS using internally calculated assumptions.
- Inflation of 2.5% p.a.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Projections are estimated values only and are not guaranteed.

Comparison figures if members were invested in the lowest or highest charging funds are shown in Appendix B.

### **03.03 What are the assumptions based on?**

In preparing these illustrations, the Trustee has had regard to:

- The Department for Work and Pensions' 'Reporting of costs, charges, and other information: guidance for trustees and managers of relevant occupational schemes' – effective from 1 October 2021;
- Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council;
- The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20; and
- The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018).

## **4. Core financial Transactions**

### **04.01 Assessing Core Transactions**

During the year the Trustee ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Scheme's core financial transactions were processed promptly and accurately by:

- Monitoring Royal London performance and reviewing that performance and querying variances at the Trustee's meetings.
- Holding regular meetings (in the normal course of events) three times a year to review financial transactions (with ad-hoc meetings as needed)

There is no formal agreement in place with Royal London as Scheme administrator, however Royal London aims to accurately complete all financial transactions within 5 working days. This covers, amongst other matters:

- Investment switches;
- Processing retirements;
- Processing transfers out of the Scheme; and
- Processing death claims

The Scheme secretary has sight of all core financial transactions in real time as these are processed by Royal London. The Scheme secretary (and the Trustee) are therefore able to monitor all core financial transactions against the target SLAs set by Royal London.

Royal London do not prepare administration management information on a scheme level. Administration reports are however available across all Royal London clients. This is fairly common for small legacy arrangement like this Scheme. The Royal London service is however monitored by the Secretary to the Trustee who reports to the Trustee at regular meetings. Royal London prepares an annual statement of accounts which details the Scheme's financial transactions during the year. Although these reports do not provide scheme specific information in respect of service delivery timelines, the Trustee are aware of all member transactions during the Scheme year and members are able to contact Trustee directly if there are any issues. No member concerns were reported during the Scheme year.

During the period, the Trustee carried out a review of the member's data held with Royal London and are working with Royal London to ensure that the additional data that will be required for an upcoming GMP equalisation exercise (for members with this underpin benefit) is collected and held on member records.

Royal London also includes a summary of their internal review and risk management processes and procedures within their Annual Report and Accounts. No concerns have been reported to the Trustee during the period of review.

## **04.02 Administration**

The Trustee recognises that good administration often correlates with positive member outcomes. Administration is a standing agenda item for each Trustee's meeting and the Trustee reviews the following:

- Performance against the target service levels. The Trustee and Adviser consider administration performance at Trustee governance meetings, although it is noted that due to the limited Royal London reporting on performance, this is reliant on the oversight of performance by the Scheme secretary and Trustee
- Membership compliments and complaints during the period of review. If a complaint is received, then the Trustee is provided with the background to the case and what has been done to resolve the issue with the member. The Trustee will also take this opportunity to discuss whether a member complaint is the result of an underlying issue regarding the Scheme's design.
- Whether there have been any data breaches that would be reportable to the Information Commissioner Office ("ICO") under the General Data Protection Regulation ("GDPR").
- Any cases that require trustee discretion. Such examples would include the payment of discretionary benefits to a partner or dependant on the death of a member, or where a formal complaint has been made under the Scheme's dispute resolution process.
- Any forthcoming legislation or guidance that will have an impact on the administration of the Trust.

Based on the above, the Trustee has concluded that core financial transactions are monitored appropriately based on the size of the Scheme and are comfortable that these transactions were processed promptly and accurately in the period covered by this Statement.

## **5. Value for Members**

### **05.01 Assessment of Value**

The Trustee has reviewed 'Value for Members' considering the latest guidance from the Pensions Regulator and Department for Work & Pensions for Relevant Schemes such as the Scheme. The Trustee has also taken advice from XPS Pensions on the VfM requirements and received a report from XPS Pensions in November 2023 considering whether the Scheme provides good value, which the Trustee reviewed in November 2023. The Trustee's assessment has included the consideration of the member borne costs and charges and the net returns for the Scheme's investment options (net of all costs and charges) against three alternative arrangements and undertaken discussions with one comparator on accepting the benefits of the Scheme should it be wound-up (as required by regulation). The Trustee has concluded that the Scheme provides good value for members, for reasons including:

- Net returns and charges provide good value when compared against three other 'Comparator' arrangements as set out in regulations;



- Administration and Governance provide good value when compared against the regulations as shown by:
  - o The processes that are in place to ensure the efficient administration and governance of the Scheme (which include those explained in the 'Core financial transactions' and the 'Knowledge and understanding of the Trustee' sections of this Statement). During the period, the Trustee carried out a review of the member's data held with Royal London and are working with Royal London currently to collect and hold some further data that will be required for GMP equalisation;
  - o The quality of communications and other services, such as administrative support, delivered to members on both an annual and ad-hoc basis provide members with clear and coherent information on their benefits and the options available to them. The Scheme adopts the communications strategy offered by Royal London with additional bespoke communications as needed that are more scheme specific for members, particularly GMP members. The Trustee has also reviewed the Royal London retirement engagement communications and have made some changes taking into account the Scheme members and their particular benefit structure.
- The direct cost to members relates to the Royal London investment and administration charges. As explained throughout this Statement, the Trustee feels that these costs are reasonable for schemes of this size.
- There is a clear, documented investment strategy which is reviewed regularly. The recent change to the default investment strategy is evidence of this.

## **6. Trustee Knowledge and understanding**

### **06.01 Knowledge and understanding of the Trustee**

The Trustee is required to have appropriate levels of knowledge and understanding. This includes a working knowledge of the Scheme's Trust Deed and Rules, Statement of Investment Principles and documents setting out the Trustee's current policies. Further, they must have sufficient knowledge and understanding of the law relating to pensions and trusts; and the principles relating to the funding and investment of occupational schemes.

The Trustee is satisfied that they have complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004, for the following reasons:

- Trustee Directors are required to take personal responsibility for keeping up to date with relevant developments and consider training requirements.
- The Trustee receives advice from professional advisers and the relevant skills and experience of those advisers is key in the selection of advisers to the Scheme. The financial adviser to the Scheme attends all Trustee meetings.
- Training is documented and provided for the Trustee Board at Trustee meetings by the Scheme Secretary.
- New Trustee Directors are required to complete the Pensions Regulator Trustee Toolkit within six months of taking up office. No new trustees were appointed during the period of review.

The Trustees had undertaken TPR's Trustee Toolkit and Trustee's adviser provided feedback on areas where the Trustees may wish to revisit. In addition, each member of the Trustee board is urged to maintain a personal development plan. In addition, the Trustee are undertaking a self-assessment to ensure that any knowledge gaps are identified and a training plan will be developed as needed. Based upon these actions taken individually and as a Trustee Board with professional advice available to them, the Trustee considers that they have the sufficient skills and resources to properly exercise their function as a Trustee and have done so over the Scheme Year.

## 7. Conclusion

### 07.01 Conclusion

In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair's Statement requirements, in the belief that the Scheme was operated and governed appropriately during the reporting period, and the Scheme provided good value to members.

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**Signature****Date**

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**Name**

David Crowley

**Qualification**

Chair of the Trustee Board

## Appendix A Projections

The table shows in money terms the accumulative effect of charges taken from a member's fund over time.

	Default Strategy		RLP Corporate Bond (lowest charge)		RLP Property (highest charge)	
Investment return (p.a.)	GP 4 (4.90%), GP 5 (4.70%), GP 6 (4.30%), GRIP 3 (4.30%)		4.10%		5.00%	
Charges (p.a.)	0.00%	0.55%	0.00%	0.55%	0.00%	0.55%
Years to Normal Retirement Age	<b>DC Pension Pot (before charges)</b>	<b>DC Pension Pot (after charges)</b>	<b>DC Pension Pot (before charges)</b>	<b>DC Pension Pot (after charges)</b>	<b>DC Pension Pot (before charges)</b>	<b>DC Pension Pot (after charges)</b>
25	49,000	49,000	49,000	49,000	49,000	49,000
20	55,012	53,321	52,946	51,512	55,274	53,667
15	61,761	58,022	57,209	54,153	62,352	58,778
10	69,338	63,138	61,816	56,929	70,336	64,376
5	77,105	68,121	66,793	59,847	79,342	70,507
0	84,118	72,251	72,172	62,915	89,502	77,222

The above figures are for illustration purposes only. The actual returns are likely to differ over time as will individual member's pension pot sizes.

The lowest and highest charging funds above were chosen taking into account the AMC paid for by the Employer.

This illustration is based on:

- The Scheme's default investment option
- Member is 25 years from retirement.
- An initial pension pot of £49,000
- Net (after charges and inflation) returns estimated as 4.9% p.a. for the Governed Portfolio 4, 4.7% p.a. for the Governed Portfolio 5, 4.3% p.a. for the Governed Portfolio 6 and 4.3% p.a. for the Governed Retirement Income Portfolio 3. These estimated returns have been prepared by XPS using internally calculated assumptions.
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