

## **Chair's Statement for scheme year 01/07/2018-30/06/2019**

### 1. Introduction

- 1.1 Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration and Disclosure) (Amendment ) Regulations 2018 (the '2018 Regulations'), the Trustees of the Crossroads Commercials Ltd Retirement Benefits Scheme (the 'Trustee') is required to prepare a statement on governance (the 'Statement') for inclusion in the Trustees' Annual Report and Accounts within seven months of the end of each scheme year. This document sets out the Statement covering the period 1 July 2018 to 30 June 2019.
- 1.2 The Trustee is aware that the Annual Benefit Statements issued by Royal London this scheme year did not include a reference to the availability of the Statement and Statement of Investment Principles (SIP) at an online site, however there is a planned investment communication to be issued to members, which will confirm these details.

### 2. Default Arrangement

- 2.1 A copy of the latest Statement of Investment Principles, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, is available on-line at the following link:  
[www.dealer.volvotrucks.co.uk/crossroads.misc/pay.html](http://www.dealer.volvotrucks.co.uk/crossroads.misc/pay.html).
- 2.2 Default Investment Arrangement - The current default investment option for members that have not actively selected an investment choice is the Royal London Balanced Lifestyle Strategy (Cash) which utilises the Royal London Governed Portfolio Range
- 2.3 In October 2018 the Trustee reviewed the default strategy, with the Financial Adviser to the Trustee (the 'Adviser') and compared it with other pension provider default strategies. It was concluded that the existing default strategy was appropriate and performed in line with competitors in the market
- 2.4 The Balanced Lifestyle allows scheme members to adopt a Balanced attitude to investment risk which reduces exposure to higher risk assets from the point of members being 15 years from their normal retirement date. At attainment of normal retirement age members funds are switched to cash. The Trustee believes that this is the most appropriate strategy to allow for the retirement options available to the scheme
- 2.5 The default investment strategy is a combination of Balanced Risk Governed Portfolios (4, 5 & 6) managed by Royal London Asset Management. The Portfolios are reviewed on a monthly basis by the Royal London Asset Allocation Committee and changes are made in line with the changing economic position.
- 2.6 Members also have the option to self-select from a restricted list of additional Royal London Funds as follows:
  - Royal London RLP Deposit
  - Royal London RLP Corporate Bond
  - Royal London RLP Property
  - Royal London RLP Managed
  - Royal London RLP WorldwideAny requests to self-select or switch funds must be approved by the Trustee

### 3. Core Financial Transactions

3.1 The requirements of regulation 24 of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Appointing a professional third-party administrator, Royal London (the 'Administrator').
- The Administrator has a Service Level Agreement of 5 working days.
- All communications and transactions are sent via the Trustee and the Adviser, to who monitor the timeliness
- This is a closed scheme, so no new contributions are being made
- Transfer requests are managed by the Adviser to ensure they are concluded in a timely fashion
- Fund switching, no requests to transfer from one fund to another have been received in the last 12 months. The Trustee and the Adviser have highlighted this as a concern and a communication is to be issued shortly to all members highlighting the importance of reviewing their individual investment strategies
- All scheme payments to and in respect of members are processed via Royal London and the Trustee via the Adviser enabling the Trustee/the Adviser to monitor that transactions are completed in a timely fashion
- The Trustee reviews the accuracy of member data at all Trustee governance meetings

### 4. Charges and Transaction Costs

4.1 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 TER for the same strategy of 1%

4.2 Transaction Costs for the Royal London Governed Portfolios that make up the Balanced Lifestyle Strategy in 2018 are summarised in the following table:

Portfolio	Commission	Tax	Legal Fees	Other	Implicit Costs	Lending Fees	Total
4	0.029%	0.143%	0.005%	-0.038%	0.006%	0.008%	0.152%
5	0.025%	0.121%	0.004%	-0.039%	-0.021%	0.006%	0.097%
6	0.020%	0.094%	0.004%	-0.025%	-0.029%	0.004%	0.067%

Charges and transaction charges for the individual funds available to members are summarised in the following table:

Fund Name	Annual Management Charge	Transaction Charges	Total Charges
RLP Corporate Bond	0.55%	-0.04%	0.51%
RLP Deposit	0.55%	0	0.55%
RLP Managed	0.55%	0.10%	0.65%
RLP Property	0.55%	0.79%	1.34%
RLP Worldwide	0.55%	0.05%	0.60%

- 4.3 Members also benefit from the Royal London Profit Share Award where a bonus is applied annually to member plans to reflect a level of Mutual profits that Royal London wish to share with members. In April 2019 this was announced to be 0.18% of the value of member plans
- 4.4 The Cumulative Effect of Costs and Charges for Members - The Trustee has reviewed the member profile of the Scheme with the Administrator. The Average Fund value for members of the scheme is £37,905. The Investment where the majority of members are invested is the RLP Worldwide Fund (referred to as the 'Default Fund' in the table below), followed by the RLP Managed Fund (referred to as 'Fund A' below), RLP Deposit Fund (referred to as 'Fund B' below) and the RLP Balanced Lifestyle Strategy (referred to as 'Fund C'). The following table illustrates the impact of charges over different time periods, applying relevant growth rates. An example would be Fund C (Balanced Lifestyle Strategy) is projected using an annual growth rate of 3.2%, the Annual Management Charge (AMC) is 0.55% with additional transaction charges of 0.08%. If £39,125 was invested in year 1, after 40 years with no charges the fund would be worth £51,357 but the effect of charges reduces this return to £41,190:

Occupational pension scheme - typical paid-up member data

Table 1

This table shows the projected value of a typical member's plan in the current scheme as at 01/08/2018.

Projected pension pot in today's money													
Years	Value of payments made, no investment	Fund choice			Fund choice			Fund choice					
		Default Fund			Fund A			Fund B			Fund C		
		Before Charges	After all charges		Before Charges	After all charges		Before Charges	After all charges		Before Charges	After all charges	
			+ costs deducted		+ costs deducted		+ costs deducted		+ costs deducted		+ costs deducted		+ costs deducted
1	£ 37,905	£ 39,800	£ 39,582	£ 39,497	£ 39,280	£ 38,284	£ 38,074	£ 39,125	£ 38,910				
3	£ 36,079	£ 41,766	£ 41,080	£ 40,818	£ 40,148	£ 37,172	£ 36,562	£ 39,674	£ 39,023				
5	£ 34,340	£ 43,828	£ 42,636	£ 42,183	£ 41,036	£ 36,092	£ 35,110	£ 40,232	£ 39,138				
10	£ 30,352	£ 49,440	£ 46,787	£ 45,800	£ 43,342	£ 33,527	£ 31,728	£ 41,660	£ 39,424				
15	£ 26,827	£ 55,770	£ 51,342	£ 49,726	£ 45,778	£ 31,145	£ 28,672	£ 43,138	£ 39,713				
20	£ 23,711	£ 62,912	£ 56,341	£ 53,988	£ 48,350	£ 28,932	£ 25,910	£ 44,670	£ 40,004				
25	£ 20,957	£ 70,967	£ 61,827	£ 58,616	£ 51,067	£ 26,876	£ 23,414	£ 46,255	£ 40,298				
30	£ 18,523	£ 80,055	£ 67,847	£ 63,641	£ 53,936	£ 24,966	£ 21,159	£ 47,897	£ 40,593				
35	£ 16,371	£ 90,305	£ 74,453	£ 69,097	£ 56,967	£ 23,192	£ 19,121	£ 49,597	£ 40,890				
40	£ 14,470	£ 101,869	£ 81,702	£ 75,020	£ 60,168	£ 21,544	£ 17,279	£ 51,357	£ 41,190				

Table 2

This table shows the projected growth rate for each fund as at 01/08/2018.

Fund choice	Investment name	Investment growth rate	Plans with this investment	AMC	Transaction costs*
Default fund	RPL Worldwide	5.0%	181	0.55%	0.02%
Fund A	RPL Managed	4.2%	176	0.55%	0.09%
Fund B	RPL Deposit	1.0%	59	0.55%	-0.01%
Crossroads Commercials Limited Retirement Benefits Scheme					
Fund C	Balanced Lifestyle Strategy	3.2%	39	0.55%	0.08%

\*Transaction costs are incurred by asset managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account via the daily unit price for each Royal London fund your policy is invested in.

Transactions costs are not available for all funds because the information has not been provided by all of our external fund management partners.

Notes

- The projected pension values are shown in today's terms and take into account the effect of future inflation, which we've assumed will be 2.5%.
- The starting pot size is assumed to be £38853 and that no further contributions will be made.
- Lifestyle strategies reduce how much exposure is placed upon the retirement savings the closer the member gets to their chosen retirement age. Plans are invested in company stocks and shares in the early years and the closer they are to their retirement, are gradually switched into other assets. And whilst this reduces their exposure to the stock market, the expected growth rate can change depending on how long is left until retirement. Within these projections we've calculated these on a single equivalent growth rate using an average time to retirement over a full projection period.
- Values shown are estimates and are not guaranteed
- Member data, including the fund value and contribution levels were last reviewed on 01 August 2018.
- TERs and transaction costs provided by Royal London are correct at 01 August 2018.

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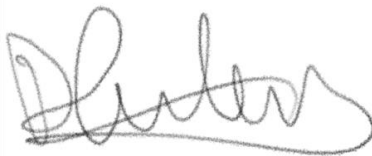
4.5 The Trustee has reviewed the extent to which the charges and transaction costs set out above represent good value for members and have concluded that the charges are low and do represent good value. Whilst this is not an auto-enrolment scheme they are well below the maximum charge of 0.75% allowed for the default funds of qualifying auto enrolment schemes. In addition, the Trustee has assessed a Defaqto analysis of Workplace Pension default investment options across a range of insurers and the Royal London Independent Governance Communication (IGC) Annual Report 2018, which outlines how Royal London as pension scheme administrators, have met their service objectives and at the level at which they provide value for money for members. These research items indicate, relative to its peers, the scheme represents good value for money for members.

5. Trustee Knowledge & Understanding

5.1 The Pensions Act 2004 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustee to exercise the function in question.

- 5.2 The Trustee is also required to explain how their combined knowledge and understanding, together with the advice that is available to them, enables them properly to exercise their functions as trustees of the scheme. Examples of the arrangements put in place to ensure this are as follows:
- Trustees 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 secretary to the Chair
  - New Trustees are required to complete the Trustee Toolkit within six months of taking up office
  - In 2019, new Trustees Kelly Heath and Phil Harrison, have completed the Trustee Toolkit. Kelly Heath also attended An Introduction to Trustees training day. Phil Harrison also attended a Trustee Training event sponsored by Barnett Waddingham in May 2019.
  - In October 2018 all Trustees attended a Trustee Responsibility/Liability training session which was facilitated by the Occupational Pensions Defence Union
  - The other Trustees are long standing (10 years+) and have confirmed they are aware of their responsibilities and liabilities
- 5.3 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.
6. I confirm that the above statement has been produced by the Trustee to the best of our knowledge.

Signed for and on behalf of the Trustee of Crossroads Commercials Ltd Retirement Benefit Scheme:



David Crowley  
Chair of Trustee Board

Date: 02/12/2019