

# **F C BROWN STEEL EQUIPMENT LIMITED RETIREMENT BENEFITS SCHEME**

## **ANNUAL GOVERNANCE STATEMENT FOR PERIOD 1 JULY 2023 TO 30 JUNE 2024**

### **PREPARED IN ACCORDANCE WITH REGULATION 23 OF THE OCCUPATIONAL PENSION SCHEMES (SCHEME ADMINISTRATION) REGULATIONS 1996 (THE "REGULATIONS")**

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#### **Introduction and Governance Structure**

I am pleased to present the Trustee's statement of governance for the F C Brown Steel Equipment Limited Retirement Benefits Scheme (the "Scheme"), covering the period 1 July 2023 to 30 June 2024.

The statement examines five key areas of the Trustee's governance; in doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations 2015. This statement has been prepared with reference to statutory guidance.

This statement covers the following areas:

- 1. The investment strategy relating to the Scheme's default arrangement
- 2. The processing of core financial transactions.
- 3. Charges and transaction costs within the Scheme
- 4. Net investment returns.
- 5. Asset allocation disclosure
- 6. The Value for Members assessment
- 7. The Trustee's compliance with the statutory knowledge and understanding requirements.

The Scheme is a Defined Contribution (DC) pension arrangement that has two policies with Aviva:

- Policy F6410, which received contributions until June 1999, and
- Policy F57310, which received contributions from July 1999 to March 2006.

As at 30<sup>th</sup> June 2024, policy F6410 has a total of 217 members and policy F57310 has 335 members, all of whom are deferred members.

This Chair's Statement has been completed based on the Trustee's current understanding and information available at the time of writing. Following a review of the information available in relation to the Scheme it was identified that there were some gaps in its governance and compliance. As a result, the Trustee has been continuing to work with the Pensions Regulator, its advisors and the administrator to address these. Any areas of non-compliance have been noted and acknowledged in the relevant section of this Statement.

The Trustee acknowledges their requirement to publish this statement on a publicly available website and is working with the Scheme administrator to ensure this is signposted in future annual benefit statements as opposed to a separate notice to members.

This Statement does not contain advice in respect of actions that members should take and is not intended to be used for that purpose. If members need advice, they can visit the Financial Conduct Authority website <https://www.fca.org.uk/consumers/finding-adviser>. If members choose to use a financial adviser, they should be sure to check the adviser's area of expertise. The adviser should be transparent about any charges that apply in return for their advice.

If you are aged over 50 you can also obtain free and impartial pensions information from a government service called Pension Wise, which can be accessed via the Money Helper website [www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise](http://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise) or by telephoning 0800 138 3944.

## **1. The Default Arrangement**

- 1.1 The Trustee is responsible for selecting the range of funds offered to members and for selecting and appointing the provider/platform.
- 1.2 The Scheme closed to future contributions in March 2006 and therefore has never been used as a Qualifying Scheme for compliance with automatic enrolment legislation and as such there is no legislative requirement for the Scheme to have a default investment option in relation to its DC benefits. Despite this, the Scheme does have a default investment option available to members. This default investment option has been designed to gradually move members' savings into lower-expected-risk asset classes as retirement approaches to help mitigate the risk of large variability and/or falls in savings value as retirement approaches. During the Scheme year covered in this Chair's Statement, the Trustee has been working with their investment advisor to produce a SIP, which is appended to this Statement.
- 1.3 The Trustee appointed Aviva Life & Pensions UK Limited as the administrator for the Scheme. This means that Aviva provides both the administration and investment platform (and thus funds) for the members. Aviva provides a number of funds from which the Trustee can select to make available to members.
- 1.4 The Trustee recognises that members have differing investment needs and that these may change during members' working lives. The Trustee also recognises that members have different attitudes to risk and believe that members should ideally make their own investment decisions based on their individual circumstances.
- 1.5 The Trustee acknowledges that members may not feel qualified to take investment decisions and so has made a default investment strategy available. Details on the growth phase of the glidepath of the default investment strategy are detailed below:
  - 45% Aviva Global Equity
  - 25% Aviva Fixed Interest
  - 20% Aviva UK Equity
  - 10% Aviva Property

This allocation begins to derisk five years before retirement, transitioning to a final composition of 75% in the Aviva Pre-Retirement Fixed Interest fund and 25% in the Aviva Cash fund. Assets invested in the default investment strategy are invested in a manner which aims to ensure the security, quality, liquidity and profitability of a member's portfolio as a whole.

- 1.6 The Trustee is required to periodically review the ongoing suitability of the investments of the Scheme based on the Scheme-specific demographics, performance and other metrics. There was no review of the default strategy carried out during the Scheme year. In light of the results of the Value for Money assessment carried out by the Trustee, post year end, a review of the future of the Scheme is currently being considered by the Trustee in conjunction with their advisers.

## **2. Core Financial Transactions**

- 2.1 As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately. This includes:
  - Investment of contributions paid to the Scheme (noting no contributions have been paid into the Scheme since March 2006);
  - Transfer of members' assets into and out of the Scheme.
  - Transfers of members' assets between different investment options available in the Scheme; and
  - Payments from the Scheme to, or in respect of members.

- 2.2 The Trustee expects Aviva to process core financial transactions well within any applicable statutory timescales.
- 2.3 Aviva aims for 95% of policy level information to be provided within 5 days and 95% of scheme information within 8 days. As of 30 June 2024, service level agreements measured for each policy were as follows:

Policy F6410:

	Number of Requests	% Completed within SLA	% Completed outside SLA
Payments out	18	11.1%	88.9%
Transfers out	1	100.0%	0.0%
<b>Total</b>	<b>19</b>	<b>15.8%</b>	<b>84.2%</b>

We are unable to provide an overall service level achievement as Aviva have not provided data for non-financial demands.

It is important to note that Aviva does not provide information for all SLAs related to this policy, including those related to policy information requests, quotes, and other similar inquiries.

- Policy F57310:

	Number of Requests	% Completed within SLA	% Completed outside SLA
Transfer out	4	100.0%	0.0%
Retirements payments	19	74.2%	28.8%
Death payments	1	100.0%	0.0%
Investment Strategy Management	1	100.0%	0.0%
Trading	2	100.0%	0.0%
<b>Total</b>	<b>18</b>	<b>81.5%</b>	<b>18.5%</b>

For the period 1 July 2023 to 30 June 2024 Aviva achieved an overall service level of 93.4% for both financial and non-financial demands.

At the current time, the Trustee does not receive administration governance reporting from Aviva. The Trustee is investigating whether these reports can be provided from Aviva on a quarterly basis. Although the Trustee has not received confirmation from Aviva in this respect, they expect the processes adopted by Aviva to help process transactions promptly and accurately to include:

- Timeliness of transactions monitored and reported.
- Straight through processing for payments have automated systems (validations built in).
- Manual processes require a separate processor and authoriser.
- Daily monitoring of bank accounts.
- Quality audit checks are undertaken on a sample of processes throughout the year.
- Unit reconciliation between investment and administration systems undertaken and are checked and approved.

- Payments checked and approved independently by one or more individuals (depending on value).
- Common and conditional data scores to be provided via regular governance reports from Aviva.

- 2.4 The Trustee recognises that delay and errors can cause significant losses for members. Delays and errors can also cause members to lose faith in the Scheme, which may in turn reduce their propensity to save and impair future retirement outcomes.
- 2.7 The administrator is aware of the statutory deadlines for the processing of all member-related services, including core financial functions such as investment switches and benefit payments. Should standards fall, the administrator will be asked by the Trustee to explain the reasons for this. The Trustee will continue to seek the relevant details to support effective monitoring of these processes.
- 2.8 As far as the Trustee is able to determine the Scheme's core financial transactions have been processed promptly and accurately during the period to which this Statement relates.

### 3. Charges and Transaction Costs

- 3.1 As required by the Administration Regulations, the Trustee is required to report on the charges and transactions costs for the investments used by the Scheme and the Trustee's assessment on the extent to which the charges and costs represent good value for members.
- 3.2 The charges deducted from these funds relate to investment management and administration services and are:
- Total Expenses Ratio ('TER') - these costs comprise of management fees and additional expenses such as legal fees, auditor fees and other operational expenses. The TER is typically made up of two components the Annual Management Charge (AMC) and additional fund expenses.
  - Transaction costs - these are the fund manager's expenses associated with trading a fund's underlying securities, including commissions and stamp duty. These costs are taken into account by the fund managers when calculating the unit price for each of the funds but are not included in the TER. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, notwithstanding their costs.
- 3.3 As the Scheme closed to contributions in March 2006 it is not used for auto-enrolment purposes and as such is not required to comply with the charge cap regulations. However, the overall fee each year for all the fund options within the Scheme are in line with the charge cap of 0.75% per annum which is measured by TER. For the period in question, the maximum TER a member would have incurred was 0.60% if invested in the Lifestyle option.
- 3.4 The table below shows charges and costs to 30 June 2024, for the funds currently invested in by members, as this is the closest date this information is available to.
- 3.5 There are currently no performance-based fees being charged for the Plan as at 30 June 2024.

**Table 1: Charges and transaction costs of all funds available to members**

Fund	Total Expense Ratio (% p.a.)	Transaction Cost (%)
Av FP With Profit	0.68	0.09
Av FP With Profits Fund (NGP Series 2) -FPPROF2P**	0.60	0.09

Av FP With Profits Fund (NGP Series 3) -FPPROF3P**	0.60	0.09
Av FP With Profits Fund (NGP Series 4) -FPPROF4P**	0.60	0.09
Aviva Pension BlackRock UK Equity Index Tracker	0.60	0.18
Aviva Pension Cash	0.60	0.01
Aviva Pension Cautious Managed	0.60	0.05
Aviva Pension European	0.60	0.24
Aviva Pension Fixed Interest	0.60	0.05
Aviva Pension Global Equity	0.60	0.11
Aviva Pension Index-Linked	0.60	0.00
Aviva Pension Managed	0.60	0.12
Aviva Pension North American	0.60	0.09
Aviva Pension Pacific Basin	0.60	0.11
Aviva Pension Pre-retirement Fixed Interest	0.60	0.04
Aviva Pension Property	0.60	0.08
Aviva Pension Sustainable Stewardship International Equity	0.60	0.18
Aviva Pension Sustainable Stewardship Managed	0.60	0.14
Aviva Pension Sustainable Stewardship UK Equity	0.60	0.05
Aviva Pension Sustainable Stewardship UK Equity Income	0.60	0.07
Aviva Pension UK Equity	0.60	0.16
Aviva Pension UK Smaller Companies	0.60	0.00

Source: Aviva as at 30/06/24.

\*\*Funds closed in 2017 as the Aviva FP With-Profits Sub-Fund closed to new business following the Part VII fund transfer on 1<sup>st</sup> October 2017.

## 4. Net Investment Returns

- 4.1 The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') requires the Trustee to calculate and state the return on investments for all funds available to members, net of transaction costs and charges.

The table below sets out annualised net performance for the 1 year and 5-year period for all funds available to members as of 30 June 2024. The Trustee has had regard to the statutory guidance when preparing these returns.

**Table 2: Net performance of all funds available to members**

Fund	Annualised returns to 30 June 2024 (%)	
	1 year (%)	5 year (%)
Av FP With Profit	N/A	N/A
Av FP With Profits Fund (NGP Series 2) -FPPROF2P*	4.1	3.4
Av FP With Profits Fund (NGP Series 3) -FPPROF3P*	4.1	3.4
Av FP With Profits Fund (NGP Series 4) -FPPROF4P*	4.1	3.4
Aviva Pension BlackRock UK Equity Index Tracker	12.4	5.0
Aviva Pension Cash**	4.8	1.3
Aviva Pension Cautious Managed	8.9	3.0
Aviva Pension European	6.3	5.7
Aviva Pension Fixed Interest**	8.0	-2.7
Aviva Pension Global Equity**	25.0	14.2
Aviva Pension Index-Linked	0.9	-6.4
Aviva Pension Managed	11.5	4.6
Aviva Pension North American	30.5	16.6
Aviva Pension Pacific Basin	8.1	3.8
Aviva Pension Pre-retirement Fixed Interest**	7.1	-4.6
Aviva Pension Property**	0.4	1.1
Aviva Pension Sustainable Stewardship International Equity	14.0	9.4
Aviva Pension Sustainable Stewardship Managed	12.8	6.5
Aviva Pension Sustainable Stewardship UK Equity	10.1	4.9
Aviva Pension Sustainable Stewardship UK Equity Income	13.0	4.0
Aviva Pension UK Equity**	10.2	5.2
Aviva Pension UK Smaller Companies	17.8	4.3

Source: Aviva as at 30/06/2024, net of fees.

\*Funds closed in 2017 as the Aviva FP With-Profits Sub-Fund closed to new business following the Part VII fund transfer on 1<sup>st</sup> October 2017.

\*\*These funds are part of the default investment strategy.

**Table 3: Net performance of all funds in the default lifestyle arrangement**

Age of Member	Annualised returns to 30 June 2023 (%)	
	1 year (%)	5 year (%)
25	15.3	6.9
45	15.3	6.9
55	15.3	6.9

## 5. Asset Allocation in the Default Investment Strategy

- 5.1 The Trustee is required to disclose their full asset allocations of investments for the default investment strategy. The table below shows the percentage of assets allocated in the default investment strategy to specified asset classes as of 30 June 2024.

**Table 4: Asset allocation disclosure of the default lifestyle arrangement**

Main Asset Class	Percentage allocation in each main asset class at age			
	25	45	55	SPA (65)
Cash	3.28%	3.28%	3.28%	22.65%
Bonds	23.62%	23.62%	23.62%	71.84%
Listed Equities	63.20%	63.20%	63.20%	0.00%
Private Equities	0.00%	0.00%	0.00%	0.00%
Infrastructure	0.00%	0.00%	0.00%	0.00%
Property	8.12%	8.12%	8.12%	0.00%
Private Debt	0.00%	0.00%	0.00%	0.00%
Other	1.78%	1.78%	1.78%	5.50%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: Aviva

The following describes the types of investments covered by the above asset classes:

- Cash: Cash and assets that behave similarly to cash e.g. treasury bills and repurchase agreements.
- Bonds: Loans made to the bond issuer, usually a government or a company, to be repaid at a later date.
- Listed Equity: Shares in companies that are listed on global stock exchanges.
- Private Equities: Shares in companies that are not listed on global stock exchanges.

- Infrastructure: Physical structures, facilities, systems, or networks that provide or support public services.
- Property: Real estate, potentially including offices, retail buildings which are rented out to businesses.
- Private Debt: Loans or credit provided to private companies, not issued or traded on public markets.
- Other: Any assets that do not fall within the above categories, e.g. commodities.

## 6. The Impact of Costs and Charges

- 6.1 Using the charges and transaction cost data provided by Aviva and in accordance with regulation 23(1)(ca) of the Administration Regulations, the Trustee has prepared an illustration detailing the impact of the costs and charges typically paid by a member of the Scheme on their retirement savings pot. The statutory guidance has been considered when providing these examples.
- 6.2 Future contributions have not been considered given the Scheme closed to accrual some years ago.
- 6.3 The below illustrations show the projected values of a members' pension benefits under two scenarios: one with no costs and charges considered and another with them included (with the Scheme's relevant funds/strategies listed in brackets) for the scheme:
- The default investment programme (5-year lifestyle)
  - A low charge fund (Aviva Pension Cash)
  - A high charge fund (Aviva Global Equity)

**Table 5: The effect of costs and charges on the default lifestyle arrangement and a range of funds available to members**

Illustration of effect of costs and charges for the default arrangement and a range of funds within your scheme – F C Brown (Steel Equipment) Ltd Retirement Benefits Scheme						
Age	Default Investment Programme		Low charge fund		High charge fund	
	5 year lifestyle		Aviva Pension Cash		Aviva Pension Global Equity	
	Gross assumed growth rate 5.3%		Gross assumed growth rate 2.0%		Gross assumed growth rate 6.0%	
	Assumed costs and charges 0.72%		Assumed costs and charges 0.61%		Assumed costs and charges 0.79%	
At end of year	Projected value assuming no charges taken	Projected value after charges taken	Projected value assuming no charges taken	Projected value after charges taken	Projected value assuming no charges taken	Projected value after charges taken
59	£3,363	£3,339	£3,253	£3,233	£3,388	£3,361
60	£3,526	£3,475	£3,299	£3,259	£3,577	£3,521
61	£3,694	£3,614	£3,346	£3,285	£3,778	£3,689
62	£3,867	£3,757	£3,393	£3,311	£3,989	£3,865
63	£4,045	£3,903	£3,441	£3,337	£4,213	£4,049
64	£4,227	£4,053	£3,489	£3,363	£4,449	£4,242
65	£4,415	£4,206	£3,538	£3,390	£4,698	£4,445

**Table 6: List of funds included in the default investment option**

Fund name	Total Cost and Charge (p.a.)	Growth Rate (p.a.)
Aviva Pension Property	0.71%	5.50%

Aviva Pension Fixed Interest	0.69%	3.50%
Aviva Pension UK Equity	0.75%	6.50%
Aviva Pension Global Equity	0.88%	6.50%
Aviva Pension Pre-retirement Fixed Interest	0.64%	3.50%
Aviva Pension Cash	0.60%	2.50%

### Notes

- The starting pot size is assumed to be £3,200 for the typical member; this is representative of the median for the Plan.
- Inflation is accounted for by discounting all values at a rate of 2.5% per year, illustrating how it diminishes the real value of savings and investments.
- As the default investment option approaches retirement, both growth rates and charges may change, with projections modelling these expected changes.
- The growth rates and charges presented in the table are weighted averages for informational purposes, with detailed fund information provided in Table 4.
- The figures shown may not be directly relevant to individual circumstances, as investments may differ from those illustrated.

## 7. Value for Members

- 7.1 The Trustee is required to undertake a more detailed assessment given that the total assets of the Scheme are less than £100 million.
- 7.2 The Trustee is required to assess the extent to which the Scheme delivers value for members across three key areas:

Assessment area	Type of assessment
Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
Net investment performance	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.
Governance and administration	Standalone assessment of the Scheme's governance and administration arrangements, covering core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest.

- 7.3 The comparator pension schemes have been selected as those who would be willing and able to accept the DC funds and do not apply a minimum transfer value.
- 7.4 The Trustee has carried out a value for members' assessment for the year ending 30 June 2024, in May 2025. An overview of the results of the Trustee's assessment against the three areas is shown below.

Assessment area	Summary of assessment and action being taken
Costs and charges	<p>The Trustee has assessed the Scheme as offering poor value from a costs and charges perspective, relative to the three comparator schemes.</p> <p>The costs and charges for the Lifestyle arrangement and the two most common other self-select funds are higher than those of the comparator arrangements when considering the costs and charges based on the average pot size of a member across both policies.</p>

Net investment performance	<p>The performance the default lifestyle arrangement has outperformed or performed in line with the comparators across all of the periods shown.</p> <p>The self-select fund range performance has been mixed against comparators. Due to the nature of the funds available in the comparator schemes, the comparator funds are not “like for like” in respect of objectives and underlying assets.</p> <p>We suggest that the Trustee reviews the fund range available to members to ensure that all funds remain appropriate.</p>
Governance and administration	<p>The Trustee has assessed the Scheme as offering poor value from a governance and administration perspective. A summary of this assessment is set out below.</p> <p><b>Quality of record keeping</b> We understand no recent review has been carried out by the Trustee regarding the quality of data held and the data security controls in place through Aviva are not reviewed regularly. We also understand there is no risk register in place.</p> <p><b>Quality of investment governance</b> No governance of the Scheme’s investments has been undertaken.</p> <p><b>Level of trustee knowledge, understanding and skills to operate the pension scheme effectively</b> During the Scheme year the Trustee had not received appropriate training or advice to support their running of the Scheme.</p> <p><b>Quality of communication with scheme members</b> Member communication processes are in line with regulatory requirements and members can engage with Aviva through multiple media.</p> <p><b>Effectiveness of management of conflicts of interest</b> The Trustee does not currently have procedures in place that allow the effective management of conflicts of interest.</p>
Summary	<p>Overall, considering all three areas set out above and across both policies in the Scheme, the Trustee has assessed the Scheme as offering poor value for members.</p> <p>The Trustee has started to explore the feasibility of winding up the Scheme on the basis that managing members’ benefits outside of the Scheme will provide them with better value.</p>

## 8. Trustee Knowledge and Understanding

- 8.1 In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice, enables them to properly exercise their functions and duties in relation to the Scheme.
- 8.2 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 function as Trustee of their Scheme.
- 8.3 The Trustee must also be conversant with, and have a working knowledge of, the Trust Deed and Rules and the policies and documents setting out the running of the Scheme.
- 8.4 The Pensions Regulator interprets ‘conversant’ as having a working knowledge of those documents such that the Trustee can use them effectively when they are required to do so in the course of carrying out their duties on behalf of the members. In addition, the Trustee is also required to have a knowledge and understanding of the law relating to trusts and pensions.

### How the Trustees have met these requirements

- 8.5 The Trustee is reviewing any gaps in their knowledge and will look to address these.
- 8.6 As part of the effort to continue reviewing the Scheme, the Trustee has appointed advisors to support them in aspects of governing the Scheme in accordance with the expectations of the Pensions

Regulator. The advice received, along with their own evolving experience, is intended to allow them to properly exercise their function as Trustee. The Trustee does not currently have an appointed legal advisor but is investigating this.

- 8.7 Whilst the Trustee has not undertaken training recently and has not historically undertaken an assessment of their training needs; they recognise that Trustee training is of high importance to the good running of the Scheme. The Trustee is in the process of completing the Trustee Toolkit and will consider further training as appropriate going forward. The Trustee will set up a training log as appropriate.
- 8.8 The Trustee is working with its advisors to put steps in place to increase their conversance and working knowledge of the Scheme in line with their working knowledge of the general Trust and Pensions Law. The current focus is continuing to take action to understand the characteristics and benefits under the Scheme and the options available for the future management of these benefits.
- 8.9 Given the value for members assessment has confirmed the Scheme delivers poor value for members the Trustee is continuing to consider moving the assets to an alternative arrangement, subject to receiving legal advice that this is possible within the Scheme's current Rules.
- 8.10 Whilst there have been no changes to the Trustee during the year, the expected induction process going forwards would be as follows:
- Newly appointed individuals to have completed all relevant modules of the Pensions Regulator's "Trustee toolkit" online training programme for Trustees within six months of initial appointment. This covers topics such as the role of a Trustee, the process of running a pension scheme, managing conflicts of interest, key areas of pensions law and the principles of investment of pension scheme assets.
  - Supplemented with targeted individual training based on analysis of learning needs.
  - Facilitate familiarisation with the Scheme, stakeholders, advisers and providers and working methods

## 9. Statement of DC Governance

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Charges and Governance) 2015 and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

Signed for and on behalf of the Trustee of the F C Brown Steel Equipment Limited Retirement Benefits Scheme

Philip Ashdown

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The Trustee of the FC Brown Steel Equipment Limited Retirement Benefits Scheme

Date .....22 May 2025 .....