

CHAIR'S ANNUAL STATEMENT for the period from 6 April 2021 to 5 April 2022

The Cronite Pension Scheme

The Trustees are pleased to provide this Statement which gives you information about the governance of the Defined Contribution section of the Cronite Pension Scheme ("the Scheme") and explains how we have looked after the Scheme during the year which ended on 5 April 2022.

1. Background

Pension schemes in the UK are usually either called DC ("Defined Contribution") or DB ("Defined Benefit") schemes, depending on how pensions are built up.

Whilst the Cronite Pension Scheme is fundamentally a DB Scheme; it has both sorts of benefit. Some members of the Scheme benefitted from a surplus distribution in 1992 whereby they were granted a small DC pot in addition to their DB entitlement. As a result, members of the Scheme may be entitled to a DC benefit in addition to their DB benefits. The Chair's Statement therefore deals only with the DC benefits.

2. The purpose of this Statement

Every year the Trustees are required to confirm in the Chair's Statement how the Scheme meets the governance standards set by the Pensions Regulator. The Statement is published in the annual report and accounts. With effect from 1 October 2021, the Trustees are required to provide members with a Value for Member assessment which reviews the benefits for members against at least three "comparison schemes". Trustees are also required to include amongst the "comparison schemes" at least one scheme that could be an appropriate money purchase alternative for members. Given the size of individual pots and the DC Scheme overall, the Trustees have not been able to identify any such scheme.

3. Value for Member assessment

The Trustees have undertaken the Value for Member assessment by comparing the charges paid by the member against the benefits provided by the Scheme.

The assessment considered the benefits of membership in the Scheme against cost of membership with regards to the DC benefits. All charges fall to the employer and not the Scheme members.

Although the investment strategy means that members will receive low returns, due to the profile of the DC membership (the vast majority of members who hold DC funds are due to retire within the next few years), the Trustees feel that providing members with certainty and security is more important. Given the turmoil in the financial markets over the year the Trustees are happy with the results of this strategy.

This assessment complies with the Value for Member assessment requirements as far as it is possible to do so, based on the characteristics and size of the Scheme. As at 5 April 2022, there were 36 DC members with DC assets of £36,422.

The Value for Member assessment requires that Trustees consider three factors:

1. Net investment returns,
2. Administration and governance and
3. Costs and charges.

4. Net investment returns

4.1 The default investment strategy

There is no default fund in the Scheme. Due to the circumstances of how the DC benefits arose in the scheme, there are no separate money purchase investments; each member's DC entitlement is recorded as a notional unit allocation within the assets the Scheme holds. The notional units are held as a cash sum in the Scheme bank account, earning interest at the Bank of England base rate.

The Trustees take advice on, monitor and review these investments regularly. The investment strategy review conducted in 2019 concluded that, as the DC members were close to retirement age, it was reasonable and prudent for the strategy to be de-risked and for the units to be held in cash.

4.2 Review of Investment Performance

The notional units are held in the Scheme bank account earning Bank of England base rate and the return over the year has been as expected by the Trustees. Reviewed against the "comparison schemes", the strategy adopted has not provided the same level of returns. The Trustees adopted the current strategy to reflect the age of the members, the costs of administering a small DC pot and the risks associated with disinvesting. Given the constraints of the DC Section, the Trustees believe the strategy remains appropriate.

	Annualised returns % return per annum For investors 5 years from state pension age		
	1 year	3 years	5 years
Cronite	0.11%	0.37%	0.40%
Comparator 1	8.87%	9.26%	6.30%
Comparator 2	6.55%	8.73%	6.46%
Comparator 3	9.0%	9.1%	6.0%

Note: Data as at 31 December 2021 and sourced from Corporate Adviser Intelligence

5. Administration and governance

The Trustees believe the administration and governance for the DC Section are appropriate and members receive a good service. This section was set up in 1992 and it is usually the source of the pension commencement lump sum. The records for this section are of good quality. As members near their retirement age, they are updated on the benefit and how they may access it. The communications in this respect are clear and provide members with the detail required. Broadstone administer the Scheme for the Trustees and are responsible for maintaining the security of this data. All payments out of the Scheme are completed in a timely fashion and well within the established SLAs.

6. Costs and charges (including transaction costs)

As the notional units were held in the bank account during the year, there were no charges to the members; all charges for operating the bank account and making transactions were paid by the Trustees. Based on the Trustees' investment strategy, the cumulative effect of charges over time on a pot size of £5,000, is illustrated below.

Projected Pension Pot	Units' value (£)	
	<i>Before charges</i>	<i>After charges</i>
Now	5,000	5,000
Year 1	5,088	5,088
Year 2	5,177	5,177
Year 3	5,267	5,267
Year 4	5,359	5,359
Year 5	5,453	5,453

Notes:

1. The starting pot size is assumed to be £5,000. The projected pension pot values are shown in future money terms and do not allow for the effect of future inflation.
2. The projected growth rate for each fund is 1.75% (which is the Bank of England base rate as of August 2022).
3. It is assumed that no future contributions will be paid. Values shown are estimates and are not guaranteed.

Members of the DC Section do not incur any charges. This compared very favourably with the "comparison schemes" where the charges vary from 0.25% to 0.48%.

	Transaction costs	Charges	Total costs and charges
Cronite	0.0%	0.0%	0.0%
Comparator 1	Not disclosed	There are two charges 1. Contribution charge of 1.8% of each new contribution 2. AMC of 0.3% per annum	Based on a pot size of £10,000 and an annual contribution of £1,000, the total charge for the year would be £48 or 0.48%.
Comparator 2	0.05% for the default funds.	There are three elements to charges 1. An annual charge of £2.50 per annum 2. A management charge of 0.5% of the value of the pension pot each year 3. A rebate for savings over £3,000	Based on a pot size of £10,000, the total charge for the year would be £45.50 or 0.45%.
Comparator 3	For the year to 31 March 2021 this was 0.063%	The administration charge varies from 0.25% to 0.37% per annum, depending on the fee negotiated by the employer.	Based on a pot size of £10,000 the annual charge payable would be between £25 and £37, depending upon the employer.

Source: Providers websites

7. Core financial transactions

There are no new investments or transfers in. Transfers out and payment of benefits are arranged by Broadstone, the Scheme Administrator. During the year the Trustees ensured the core financial transactions of the Scheme were processed promptly and accurately by:

- Having an agreement with their Scheme Administrator committing them to defined service level agreements ("SLAs")
- Reviewing biannual administration reports to monitor the SLAs
- Retaining the Scheme auditor to independently audit the Scheme accounts

The administrator has adopted processes to ensure core financial transactions are processed promptly and accurately, as described below:

- Processes and procedures are in place to ensure all work is done within any agreed SLA in place, or to Broadstone's internal service levels (generally, ten working days for most events) where there is no SLA.
- Broadstone employ a workflow management system to ensure that tasks are completed on time, that nothing gets missed and that a full checking process is followed before any tasks are completed. The checking process involves all automated calculations being checked by an administrator and then reviewed by a senior administrator who is independent of the doing stage.
- Monthly SLAs are reported to the administration manager who in turn reports back to the Board of Directors at Broadstone each month. Some work will also be selected for audit on a sampling basis. Broadstone annually conducts a quality audit, performed by a person of appropriate seniority, who chooses a selection of cases at random from across its schemes, for detailed second-checking. The quality audit is also reported to the Directors of Broadstone.
- Broadstone are aware of the requirement to complete core financial transactions promptly and therefore these items are given higher priority than other events.
- Directors of Broadstone will ensure a sample of work is audited to ensure compliance with the SLA, internal standards and external legislative requirements. Broadstone's ISO9001 accreditation requires them to carry out monthly audits to ensure their quality controls are in place and correctly adhered to. The quality controls are also audited on an annual basis by an accredited, independent company.
- To ensure the work undertaken is accurate, the Trustees receive Broadstone's internal AAF01/06-style report on an annual basis to check their controls have been operating effectively throughout the period.
- The administration report also contains reconciliations between the investment manager and the units held on the administration system.
- The Trustees also review member complaints and any breaches to ensure service is being delivered in line with expectations. We have not received any member complaints and SLA performance remains in line with expectations.
- The Trustees have a close working relationship with the administrator and are able to escalate any issues to a senior member of staff to ensure that any issues arising are dealt with promptly if they were to arise.

8. Knowledge and understanding of the Trustees

The Trustees consist of two lay trustees and a professional company Zedra Governance Limited. The professional trustee company has a number of directors, all of whom keep their knowledge up to date by attending seminars and reading material from the Regulator and other pension service providers.

The Trustees are aware of their training requirements and have a policy on “Trustee Knowledge and Understanding”. The Trustees, as a body, brought in a professional trustee for their expertise and skills and to ensure there are no knowledge gaps. The Trustees also seek advice on their arrangements from their appointed professional advisers. Trustee training is provided ahead of key decisions to ensure all Trustees are well informed and able to make informed decisions.

Zedra have a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process all Client Directors (representatives) of Zedra are required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent Zedra as Trustee of the Scheme. The annual review process within Zedra identifies training needs for each individual and has a requirement for a minimum of 15 hours Continuing Professional Development (CPD) to be completed each year and this is often exceeded. Each Client Director is shadowed by a peer and calls take place on a three-monthly basis to provide a peer review to the work undertaken and challenge the Client Director running the matter. All key decisions would be subject to peer review by the shadow Client Director or another Director of Zedra. All Zedra Client Directors are accredited members of APPT.

Zedra work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes. With their knowledge and understanding of pension schemes and the issues faced, they are able to properly exercise their functions to act in members’ best interests and to deliver good member outcomes for the contributions made.

Signed:

Name:

Position:

Date: