

The Cranswick plc Retirement Benefits Scheme Chair's Statement

Introduction

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustees to prepare an annual statement regarding governance, which should be included in the annual report. This is the Cranswick plc Retirement Benefits Scheme ('the Scheme') Chair's Statement covering the period 1 May 2017 to 30 April 2018.

The Scheme is a Defined Contribution (DC) Scheme which is made up of:

- A with-profits arrangement with Phoenix Life; and
- A pooled Investment Vehicle with the Legal & General.

The Scheme is not being used as a qualifying scheme for automatic enrolment purposes in relation to the Scheme's members and as such the Trustees have excluded any commentary on the 'default arrangement' sections of the regulations, on the basis that no members use the DC Section of the Plan to meet automatic-enrolment requirements and so no such default arrangement (for that purpose) exists. The Scheme was closed on 31st October 2013, and contributions are no longer paid into it.

Governance and Queries

The Scheme was established by Declaration of Trust dated 17th November 1981 with the scheme commencing on the 1st May 1983 for the purpose of providing retirement benefits to employees of the Cranswick Mill Ltd.

If you have any questions or require any further information please contact the Secretary to the Trustee: Graham Burgess, XPS Pensions Group, 10 South Parade, Leeds, LS1 5AL, Graham.Burgess@xpsgroup.com.

Set out below are the items that must be covered by this Statement and which relate to the two sections of DC benefits within the Scheme.

The default investment strategy for the DC Section

As previously mentioned the Scheme is closed to future contributions and is not used to supply benefits in respect of auto enrolment legislation. Accordingly the scheme is not required to provide a default fund arrangement and as the Scheme has fewer than 100 members does not need to produce a Statement of Investment Principles, in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005.

Charges and transaction costs

The Trustees regularly monitor the level of charges borne by members through the funds. These charges comprise:

- Express explicit charges, such as the Annual Management Charge (AMC), and additional expenses that are disclosed by the fund manager as part of the Total Expense Ratio (TER); and
- Implicit charges, such as the costs borne within the fund for activities such as buying and selling of particular securities within the fund's portfolio.

The Cranswick plc Retirement Benefits Scheme Chair's Statement

Legal & General Section

For the Scheme's unit-linked funds provided by Legal & General, the AMCs over the period were a flat rate of 0.50% pa on the first £50,000 of the member's account value, then 0.3% on any value over £50,000. These AMCs cover all explicit charges, so in most cases these are in effect the annual TERs.

The charges and transaction costs applicable to the funds that members are currently invested in; through the Scheme, in respect of the Legal & General section are shown below:

Fund	Annual Management Charge (AMC)	Transaction costs	Total Expense Ratio
L&G Cash Fund	0.50%	0.00%	0.50%
L&G Ethical Fund	0.51%	0.08%	0.59%
L&G Fixed Interest Fund	0.50%	0.00%	0.50%
L&G Global Equity 70:30 Index Fund	0.50%	0.03%	0.53%
L&G Global Equity Fixed Weights 60:40 Index Fund	0.50%	0.03%	0.53%
LGIM Global Equity 50:50 Index	0.50%	0.03%	0.53%

(*Source: Legal & General)

Members may select any of the funds above and switch between these options should they wish. The Legal & General Scheme - Cranswick Plc Retirement Benefit Scheme: GF73035001 (CPS) has a total of 98 Funds available.

Phoenix Life Section

The charges and transaction costs applied to the Phoenix Life [\(Former Alba Life ex life association of Scotland UK business traditional\)](#) With Profits fund during the scheme year are inherent within the bonus declarations and as such it has not been possible to ascertain the extent of any charges levied by the providers.

Further details of how this is calculated and applied but this has not been forthcoming from Phoenix Life. This has been raised again to ascertain the extent of charges members may be subject to.

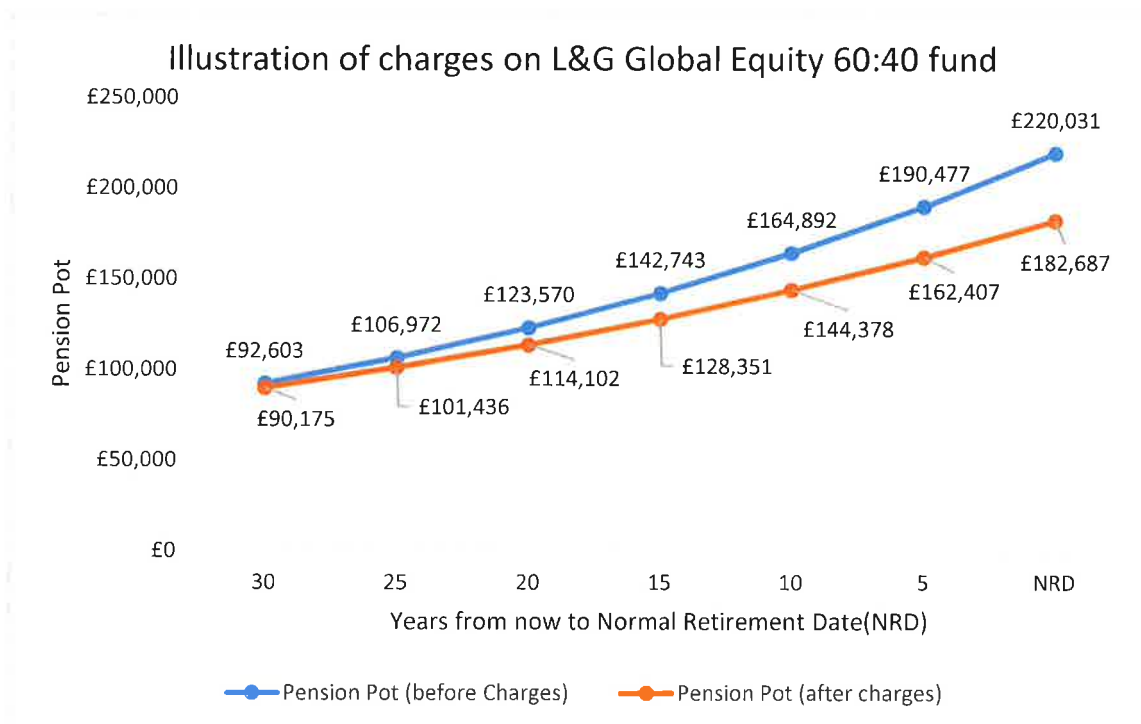
The Cranswick plc Retirement Benefits Scheme Chair's Statement

An illustration of the charges levied on members

Below you can find an illustration of the effect of the Total Expense Ratio costs met by members on an example Pension Pot over time. This is for illustration 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 Legal & General Global Equity 60:40 Fund – which is the most commonly used fund option with c.50% of members have investments in this option;
- An initial Pension Pot of £80,000 (a mean average of pension pot)
- Nil Contributions as the plan is closed to new contributions
- Investment Returns (after inflation) are estimated as 3.00% p.a. for the Legal & General Global Equity 60:40 Fund.
- Inflation of 2.5% p.a.

Illustrations for all of the Funds available that members are currently invested in within the Scheme are shown in Appendix 1 of this Statement.



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

- The Occupational Pension Schemes (Scheme Administration) Regulations 1996;
- The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018;
- The Pensions Regulator's Code of Practice number 13 on 'Governance and administration of occupational trust-based schemes providing money purchase benefits'; and
- The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix.

The Cranswick plc Retirement Benefits Scheme Chair's Statement

Core financial 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:

- having an agreement in place with Legal & General and Phoenix Life (as Scheme administrator(s)) committing them to defined service level agreements ("SLAs"). This covers, amongst other matters, the accuracy and timelines of all core financial transactions;
- having both L&G and Phoenix report regularly on their performance against the SLAs above as a means of monitoring the SLA requirements were being met and to cover what they did to ensure no issues arose; and

The core financial transactions include:

- the investment of contributions;
- the transfer of assets relating to members into and out of the Scheme;
- the transfer of assets relating to members between different investments within the Scheme; and payments from the Scheme to, or in respect of members.

These transactions are undertaken and managed on behalf of the Trustees by XPS, the Scheme administrator, who work directly with the Scheme's DC fund managers.

The Trustees consider that with regards to Legal & General, the procedures and timescales have been adhered to; over the period covered by this statement.

The Trustees have major concerns over the poor service delivered by Phoenix Life. In February 2016 Phoenix Life reviewed the cash commutation factors applied to benefits accrued post January 2002, which resulted in an increase to the factors. XPS (on behalf of the Trustees) raised concerns with Phoenix Life over the calculation of transfer and retirement payments between 2002 and 2016, and has asked that all benefit settlements made during this period are revisited. Phoenix Life has refused to recalculate the benefits, and this issue remains unresolved. The Trustees have not received a satisfactory resolution or response to the service levels provided to members from the queries and concerns raised with Phoenix Life. Therefore in order for the Trustees to ensure that the correct benefits have been paid they have requested XPS to report the issue to the Pensions Ombudsman.

This matter will continue to be monitored until resolved or an alternative solution can be found to move members away from Phoenix Life without any detriment or real reduction in benefits.

Value for Money for Members

In terms of the benefits of membership the Trustees have identified what it believes their members value most, given the nature of the DC arrangements within the Scheme. These are:

- *Scheme Governance: Good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes.*
- *Investments: A well-designed investment portfolio that is subject to regular monitoring will play a large part in delivering good member outcomes.*

The Cranswick plc Retirement Benefits Scheme Chair's Statement

- Administration: *Good administration and record keeping play a crucial role in ensuring that scheme members receive the pension pot or income that is due to them. In addition, the type and quality of service experienced by members has a bearing on the level of member engagement.*

Following a review the Trustee has concluded that in addition to the Annual Management Charges and transaction costs shown in this statement that the Scheme does represent good Value for Money ("VfM") for members for the following reasons:

- 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');
- the returns achieved by the investment funds compared to the expenses levied that are met by members (as set out in this Statement) are VfM;
- the investment options available which give members various options and asset types in which to invest;
- the support of XPS in dealing with benefits that span both sections of the Scheme; and
- Cranswick plc (company) pays the expenses of running the Scheme over and above the charges noted as met by members in this Statement, which is of benefit to the members.
- The level of charges provided sit below many modern arrangements and well below the charges cap that would apply to an auto enrolment pension scheme. Therefore the Trustees are content that the member borne charges and transaction costs deliver good value for Members.

In relation to the Legal & General section, the Trustees' assessment concludes that the costs and charges represent good Value for Members but as detailed above the performance of Phoenix Life and the lack of detail of the charges the Trustees feel that currently they are unable to conclude that members are receiving good value and are actively working with XPS to address this with Phoenix Life and the Ombudsman to establish a clearer picture to the level of charges or costs within the With Profit fund along with the overall administration performance.

It has been noted however, that this section is a With Profit Deferred Annuity Contract which has in place various aspects that could impact members choices:

- Guaranteed Annuity Rates of 10% applicable at the Scheme's NRA of 60. Members have the freedom to defer taking their benefits beyond age 60 without loss of the Guaranteed Annuity Rates. In deferment, the Fund Value rolls up at 3% per annum compound but the Guaranteed Annuity Rates decrease by 0.2% per annum so reducing from 10% at NRA 60 to 9.8% at 61, 9.6% at 62, 9.4% at 63 and so on.
- Death before retirement benefits payable is "**Return Of Contributions No Interest**" and not "**Return Of Fund**".

The Cranswick plc Retirement Benefits Scheme Chair's Statement

Knowledge and understanding of the Trustee

The Trustees relevant knowledge and understanding has been considered by the Trustees during the year and they have complied with the knowledge and understanding requirements in section 248 of the Pensions Act 2004. The requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of Scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

Each Trustee ensures that they take personal responsibility for keeping themselves up-to-date with relevant developments and training needs. A formal training log is maintained by the Secretary to the Trustee to record the training undertaken.

In addition to the skills within the Trustee board, the Trustees also engage with appointed professional advisers regularly to ensure that the Scheme is run and functions are exercised properly. Regular meetings are held where advice is provided, discussions are held and decisions are taken in relation to any matters material to the Scheme's running. The wider knowledge and background of the Trustees from each individual's 'day job', which include positions in the Company's finance and HR departments, also assist in the Trustees functioning as an effective body.

As a result of the training activities which have been completed by the Trustees individually and collectively, and taking into account the professional advice available to the Trustees, the Trustees are confident that they have met the legislative requirements for knowledge and understanding and that the combined knowledge and understanding of the Trustees enables them to properly exercise their duties as Trustees. Examples of the training activities in the year include General data Protection Regulation training provided by the Scheme's legal advisors.

The Trustee is also fully conversant with the Scheme's documentation and has copies of these documents for reference in order to carry out its duties as trustee of the Scheme.

Conclusion

The Chair and Trustee submit this report in compliance with the Chair's Statement requirements, in the belief that in the reporting period the Scheme was operated and governed appropriately.

Signed



Date

30.11.2018

Mark Bottomley

Chairman of the Trustees of the Cranswick plc Retirement Benefits Scheme

The Cranswick plc Retirement Benefits Scheme Chair's Statement

Appendix 1

Real Terms Investment Rates (%)*	L&G Cash Fund		L&G Ethical Fund		L&G Fixed Interest Fund		L&G Global Equity 70:30 Index Fund		L&G Global Equity Fixed Weights 60:40 Index Fund		LGIM Global Equity 50:50 Index		Phoenix Life With-Profits Fund		
	2.00%	1.50%	4.50%	3.91%	4.50%	4.00%	5.50%	4.97%	5.50%	4.97%	5.50%	4.97%	5.50%	4.97%	0.50%
Costs (%)**	0.00%	0.50%	0.00%	0.59%	0.00%	0.50%	0.00%	0.53%	0.00%	0.53%	0.00%	0.53%	0.00%	0.53%	0.00%
Pension Pot Value at Start	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000	£80,000
Years from Now	Pension Pot (before Charges)	Pension Pot (after Charges)	Pension Pot (before Charges)	Pension Pot (after Charges)	Pension Pot (before Charges)	Pension Pot (after Charges)	Pension Pot (before Charges)	Pension Pot (after Charges)	Pension Pot (before Charges)	Pension Pot (after Charges)	Pension Pot (before Charges)	Pension Pot (after Charges)	Pension Pot (before Charges)	Pension Pot (after Charges)	Pension Pot (after Charges)
1	£79,774	£79,375	£81,729	£81,247	£81,729	£81,320	£82,074	£82,511	£82,074	£82,511	£82,074	£82,511	£82,074	£82,511	£78,601
2	£79,385	£78,593	£83,324	£82,343	£83,324	£82,493	£84,926	£84,926	£84,926	£84,926	£84,926	£84,926	£84,926	£84,926	£77,067
3	£78,997	£77,818	£84,950	£83,455	£84,950	£83,682	£87,412	£86,029	£87,412	£86,029	£87,412	£86,029	£87,412	£86,029	£75,563
4	£78,612	£77,052	£86,607	£84,581	£86,607	£84,888	£89,970	£88,078	£89,970	£88,078	£89,970	£88,078	£89,970	£88,078	£74,089
5	£78,229	£76,292	£88,297	£85,723	£88,297	£86,112	£92,603	£90,175	£92,603	£90,175	£92,603	£90,175	£92,603	£90,175	£72,643
6	£77,847	£75,541	£90,020	£86,880	£90,020	£87,353	£95,314	£92,323	£95,314	£92,323	£95,314	£92,323	£95,314	£92,323	£71,226
7	£77,467	£74,796	£91,776	£88,052	£91,776	£88,612	£98,103	£94,521	£98,103	£94,521	£98,103	£94,521	£98,103	£94,521	£69,836
8	£77,089	£74,059	£93,567	£89,241	£93,567	£89,889	£100,975	£96,772	£100,975	£96,772	£100,975	£96,772	£100,975	£96,772	£68,473
9	£76,713	£73,329	£95,393	£90,445	£95,393	£91,185	£103,930	£99,076	£103,930	£99,076	£103,930	£99,076	£103,930	£99,076	£67,137
10	£76,339	£72,607	£97,254	£91,666	£97,254	£92,499	£106,972	£101,436	£106,972	£101,436	£106,972	£101,436	£106,972	£101,436	£65,827
11	£75,967	£71,891	£99,152	£92,903	£99,152	£93,833	£110,103	£103,851	£110,103	£103,851	£110,103	£103,851	£110,103	£103,851	£64,543
12	£75,596	£71,183	£101,086	£94,157	£101,086	£95,185	£113,325	£106,324	£113,325	£106,324	£113,325	£106,324	£113,325	£106,324	£63,283
13	£75,227	£70,482	£103,059	£95,428	£103,059	£96,557	£116,642	£108,856	£116,642	£108,856	£116,642	£108,856	£116,642	£108,856	£62,049
14	£74,860	£69,787	£105,070	£96,716	£105,070	£97,949	£120,056	£111,448	£120,056	£111,448	£120,056	£111,448	£120,056	£111,448	£60,838
15	£74,495	£69,099	£107,120	£98,021	£107,120	£99,361	£123,570	£114,102	£123,570	£114,102	£123,570	£114,102	£123,570	£114,102	£59,651
16	£74,132	£68,419	£109,210	£99,344	£109,210	£100,793	£127,187	£116,819	£127,187	£116,819	£127,187	£116,819	£127,187	£116,819	£58,487
17	£73,770	£67,744	£111,341	£100,685	£111,341	£102,246	£130,909	£119,601	£130,909	£119,601	£130,909	£119,601	£130,909	£119,601	£57,346
18	£73,410	£67,077	£113,513	£102,044	£113,513	£103,720	£134,741	£122,449	£134,741	£122,449	£134,741	£122,449	£134,741	£122,449	£56,227
19	£73,052	£66,416	£115,728	£103,422	£115,728	£105,215	£138,684	£125,365	£138,684	£125,365	£138,684	£125,365	£138,684	£125,365	£55,130
20	£72,696	£65,761	£117,986	£104,817	£117,986	£106,732	£142,743	£128,351	£142,743	£128,351	£142,743	£128,351	£142,743	£128,351	£54,054
25	£70,940	£62,585	£129,955	£112,085	£129,955	£114,649	£164,892	£144,378	£164,892	£144,378	£164,892	£144,378	£164,892	£144,378	£48,982
30	£69,227	£59,561	£143,138	£119,856	£143,138	£123,154	£190,477	£162,407	£190,477	£162,407	£190,477	£162,407	£190,477	£162,407	£44,386
35	£67,555	£56,684	£157,659	£128,165	£157,659	£132,290	£220,031	£182,687	£220,031	£182,687	£220,031	£182,687	£220,031	£182,687	£40,222
40	£65,923	£53,946	£173,652	£137,051	£173,652	£142,103	£254,172	£205,500	£254,172	£205,500	£254,172	£205,500	£254,172	£205,500	£36,448