

Portsmouth Aviation Pension Scheme

232061000L

Annual statement regarding governance

The Trustee of the Portsmouth Aviation Pension Scheme (the Scheme) presents its annual Chair's statement on governance (the 'Statement') of the DC Section as required under legislation. (Note: Appendix A attached to this Statement sets out the regulatory requirements and is referenced in superscript in the Statement). The Statement covers the period 1 March 2021 to 28 February 2022 (the Statement Period).

The default investment option

The Scheme is not used for automatic enrolment purposes so is not required to provide members with a default investment strategy. In addition, at the outset of the Scheme, the members were asked to select their investment fund and so the Trustee does not have a designated default investment strategy. Therefore, no default investment strategy review is required under regulation 2A(2) of the Investment Regulations 2005.

There are currently less than 100 members within the Scheme (actives and deferred) and in accordance with regulation 2A of the Investment Regulations 2005, the Trustee is not required to produce a Statement of Investment Principles.

Investment performance

Scheme members are invested across a range of Phoenix Abbey Life pension funds for which performance (net of scheme specific charges) is shown below. Performance is to the nearest quarter end date of 31 March 2022.

Fund	1 year to 31.03.2022	3 years to 31.03.2022	5 years to 31.03.2022
Phoenix Abbey Life Pensions American	20.61%	18.49%	13.88%
Phoenix Abbey Life Pensions European	11.90%	3.42%	3.21%
Phoenix Abbey Life Pensions Equity	5.48%	8.63%	6.19%
Phoenix Abbey Life Pensions International	10.45%	11.39%	8.57%
Phoenix Abbey Life Pensions Japan	-7.66%	2.63%	2.05%
Phoenix Abbey Life Pensions Security	-0.82%	-0.34%	-0.31%
Phoenix Abbey Life Property	9.97%	-2.98%	-0.12%
Phoenix Abbey Life Managed	4.54%	5.05%	4.10%

Source: Phoenix Life

Requirements for processing financial transactions

As required by the Administration Regulations, the Trustee must ensure that core financial transactions are processed promptly and accurately.

These include:

- Investment of contributions paid to the Plan;
- Transfer of members' assets into and out of the Plan;
- Transfers of members' assets between different investment options available in the Plan; and
- Payment from the Plan to, or in respect of, members.

There were no contributions invested during the Statement Period as there are no active members. However there has been tax-free cash lump sum, annuity, triviality and UFPLS payments plus a transfer out.

Administration

The Pensions Regulator (tPR) expects 100% of records to have all Common Data elements up to date and accurate.

However the data quality held by Phoenix Life is poor with only 41% of records passing a data review of common and conditional data held by the Scheme Administrator.

Charges and transaction costs

As required by the regulations, the Trustee reports on the charges and transaction costs for the investments used by members and its assessment of the extent to which the charges and costs represent good value for members.

The Fund Administration Costs consists principally of the investment manager's annual charge for managing and operating an investment fund, but also includes the costs for other services paid for by the Scheme, such as the administration costs, registration fees, custodian fees and additional expenses. Transaction costs and details are also set out below.

These charges and transaction costs are all deducted from a member's fund. The costs of operating the Scheme in relation to its trustee, consultants, legal advisers and auditors as well as statutory levies are met by Portsmouth Aviation, the Sponsor of the Scheme.

In accordance with FCA & DWP regulations, governance bodies of workplace pension schemes must perform a value for members assessment for their scheme which includes looking at the costs involved in managing pension funds which are borne by members.

The table below shows the administration and transaction costs for each fund in the Scheme and is provided to assist with value for member assessments.

The Total Expense Ratio (TER) consists of an Annual Management Charge of 0.75% which is taken from each members by Phoenix Life fund to cover the costs of managing and administration, plus in addition a fund administration charge which applies to the different funds held under the Scheme.

The Total Transaction Costs are the costs incurred when the fund's managers buy or sells assets within the fund.

The FCA has prescribed the 'slippage cost' methodology for calculating transaction costs. The slippage cost methodology calculates the transaction cost of buying or selling an investment as the difference between the price at which an asset is valued immediately before an order is placed into the market and the price at which it is actually traded.

The Trustee have taken account of relevant published statutory guidance when preparing this section of the Statement.

Fund	TER	Transaction costs	Total charges	Relative to The Scheme
Phoenix Abbey Life Pensions American	0.76%	-0.02%	0.74%	£7.40
Phoenix Abbey Life Pensions European	0.84%	0.22%	1.06%	£10.60
Phoenix Abbey Life Pensions Equity	0.76%	0.22%	0.98%	£9.80
Phoenix Abbey Life Pensions International	0.82%	0.11%	0.93%	£9.30
Phoenix Abbey Life Pensions Japan	0.77%	0.18%	0.95%	£9.50
Phoenix Abbey Life Pensions Security	0.76%	0.00%	0.76%	£7.60
Phoenix Abbey Life Property	1.03%	0.06%	1.09%	£10.90
Phoenix Abbey Life Managed	0.78%	0.14%	0.92%	£9.20

Illustrative impact of charges

This section provides a detailed illustration of the likely impact of charges for a short-, medium- and long-term member invested in each of the funds compared to the charge cap requirements of a qualifying workplace pension plan.

The illustrations below are based on a deferred member of the Scheme who is no longer paying regular contributions and has an accrued pot of £10,000.

	Short term (5 years)	Medium term (15 years)	Long term (25 years)
No Charges	£10,859	£12,805	£15,099
Phoenix Abbey Life Pensions Property - Highest total charge in Scheme at 1.09%	£10,283	£10,872	£11,496
Phoenix Abbey Life Pensions American - Lowest fund charge in Scheme at 0.74%	£10,464	£11,459	£12,548
Qualifying workplace pension Charge Cap of 0.75%	£10,459	£11,442	£12,517

*Inclusive of scheme charge and transaction costs

Starting assumptions:

- Normal Retirement age: 65
- Contributions: £0 per month.
- Nominal fund growth: 4% p.a.
- Figures in today's terms based on an assumed inflation rate of 2.3% pa

Source: Punter Southall Aspire Pension Calculator

Value for Members

The Trustee is required to undertake an assessment of the charges and transaction costs incurred by members in order to ascertain whether or not they represent good value for members.

The Trustee appointed Punter Southall Aspire to undertake a value for members assessment. The Trustee received a report of Punter Southall Aspire's professional view on the value for members provided, which the Trustee considered in conjunction with its own knowledge of the Plan and its membership. Within the Trustee's assessment, the considered costs and charges met by members, administration, communication, investment and governance.

The Trustee concluded that whilst the Plan provided good value for members from an investment perspective the plan overall represent poor to average value for members. The reasons underpinning this conclusion include:

- The level of governance and oversight is poor.
- The member borne charges incurred are high.

Following this assessment, we therefore believe that we need to consider seeking alternative arrangements to the Plan to ensure the value for members is improved.

Trustee knowledge and understanding

The Trustee is required to maintain an appropriate level of knowledge and understanding which, together with professional advice which is available to them, enables them to properly exercise their functions and duties in relation to the Plan.

As part of the latest value for members assessment carried out in Q4 2022, the Trustee would have been expected to ensure their training requirements were up to date. The assessment has concluded that the Trustee has not maintained its knowledge and understanding of the Plan to the required level.

Therefore, the Trustee concludes that its knowledge and understanding of the Plan and its regulatory duties are not adequate in supporting good member outcomes.

I confirm that the above statement has been produced by the Trustee to the best of our knowledge.



Simon Escott

Chair of the Trustee of the Portsmouth Aviation Pension Plan

Date: 04/11/2022

Appendix A – Chair’s Statement legislation and regulations

Reference	Regulation
1	Reg 23(1) – Administration Regulations 1996
2	Reg 23(1)(a)(i) – Administration Regulations 1996
3	Reg 23(1)(a)(ii) – Administration Regulations 1996
4	Reg 23(1)(a)(iii) – Administration Regulations 1996
5	Reg 23(1)(a)(iv) – Administration Regulations 1996
6	Reg 23(1)(b) – Administration Regulations 1996
7	Reg 23(1)(c)(i) – Administration Regulations 1996
8	Reg 23(1)(c)(ii) – Administration Regulations 1996
9	Reg 23(1)(c)(iii) – Administration Regulations 1996
10	Reg 23(1)(c)(iv) – Administration Regulations 1996
11	Reg 23(1)(ca) – Administration Regulations 1996
12	Reg 23(1)(d) – Administration Regulations 1996
13	Reg 23(1)(e) – Administration Regulations 1996