

# Portsmouth Aviation Pension Plan

## Plan number: 402827000L

### Annual statement regarding governance

The Trustee of the Portsmouth Aviation Pension Plan (the Plan) 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 January 2021 to 31<sup>st</sup> December 2021 (the Statement Period).

### The default investment option

The Plan 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 Plan 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 Plan (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

All members of the Plan are invested in the Phoenix Abbey Life Pensions International fund and the Phoenix Abbey Life Pensions Security fund.

All performance is net of the specific charges under the Plan. Three and five year performance is annualised.

| Fund                                      | 1 year to<br>31.12.21 | 3 years to<br>31.12.21 | 5 years to<br>31.12.21 |
|---|-----------------------|------------------------|------------------------|
| Phoenix Abbey Life Pensions International | 18.14%                | 15.01%                 | 9.57%                  |
| Phoenix Abbey Life Pensions Security      | -1.35%                | -0.87%                 | -0.85%                 |

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 within the Plan. However there has been 2 transfers processed as well as an UFPLS Payment and a death payment.

## Administration

The Pensions Regulator (tPR) expects 100% of records to have all Common Data elements up to date and accurate. The Trustee has reviewed the quality of the Plan's data during the Statement Period and can confirm that 100% of the Common Data is recorded.

## 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 consist 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 Plan, 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 Plan in relation to its trustee, consultants, legal advisers and auditors as well as statutory levies are met by Portsmouth Aviation, the Sponsor of the Plan.

In accordance with FCA & DWP regulations, governance bodies of workplace pension plans must perform a value for members assessment for their plan 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 Plan and is provided to assist with value for member assessments. 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. Where fund managers have not used this methodology, it is shown below. The Trustees have taken account of relevant published statutory guidance when preparing this section of the Statement. The data in the table below has been provided by the Plan's administrator Phoenix Life and shows the charges applied to an individual member's earmarked policy:

|                           |  |
|---------------------------|--|
| Fund Administration Costs | This is the total of the fund's annual management charge and additional expenses. This does not include the Plan's administration charge over and above the agreed member charge. It also does not reflect any member specific adjustments or enhanced allocation rates, which may be dependent on the policy terms and investment. (There are no specific enhanced allocation rates to a Plan member's earmarked policy). |
| Total Transaction Costs   | The total annual fund transaction costs. This is the total of the 'Buying and Selling' costs and 'Lending and Borrowing' costs as described below.   |

## Fund range

| Fund Name                                 | Fund Administration Costs | Total Transaction Cost | Illustrative costs per £1,000 invested during the year |
|---|---------------------------|------------------------|--|
| Phoenix Abbey Life Pensions International | 0.82%                     | 0.11%                  | £9.30  |
| Phoenix Abbey Life Pensions Security      | 0.76%                     | 0.00%                  | £7.60  |

## 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.

### Deferred members

Below a table is provided which assumes members have ceased active membership of the Plan and are no longer paying regular contributions, and that members have an accrued pot of £10,000.

|  | Total expense ratio* (TER) | Short term (5 years) | Medium term (15 years) | Long term (25 years) |
|--|----------------------------|----------------------|------------------------|----------------------|
| No Charges   | 0%                         | £10,912              | £12,994                | £15,473              |
| Phoenix Abbey Life Pensions International - <b>Highest fund charge in Plan</b> | 0.93%                      | £10,416              | £11,301                | £12,262              |
| Phoenix Abbey Life Pensions Security - <b>Lowest fund charge in Plan</b>       | 0.76%                      | £10,505              | £11,593                | £12,794              |
| Qualifying workplace pension Charge Cap  | 0.75%                      | £10,510              | £11,611                | £12,826              |

\*Inclusive of plan 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 2.2% 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, they 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 represents poor 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.

A handwritten signature in black ink, appearing to read 'S. Escott', written in a cursive style.

**Simon Escott**

Chair of the Trustee of the Portsmouth Aviation Pension Plan

Date: 04/1//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      |