

CRYSTAL MARTIN GROUP PENSION FUND AND LIFE ASSURANCE SCHEME

YEAR ENDED 31 DECEMBER 2021

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2021 – 31 DECEMBER 2021

This statement is produced pursuant to Regulation 17 of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 and the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018. It explains how the Defined Contribution Section (DC Section) of the Crystal Martin Group Pension Fund and Life Assurance Scheme is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits. It also confirms the position in relation to AVC holdings with Prudential, Scottish Life / Royal London.

The Scheme is managed by Trustees who ensure that the Scheme is run in the best interests of the members, and in accordance with the Scheme's rules and the law.

The Trustees receive professional advice from Mercer and usually hold two meetings a year. Due to changes in working patterns resulting from the COVID-19 pandemic, in 2021 the Trustees held two full, virtual meetings. Mercer attended these meetings.

At the Trustee meetings, the high level operational framework of the Scheme is set, monitored and managed, so that the Scheme continues to be run within relevant codes of practice and best practice, and evolved over time as appropriate.

Oversight and monitoring of the day-to-day activity and performance of the Scheme is also undertaken at these Trustee meetings to check that the Scheme is operating effectively.

Over the course of 2021, the Trustees have completed a buy-in with Legal and General (L&G) to secure the Scheme's Defined Benefits. In addition to the full Trustee meetings, there were several project based meetings relating to the buy-in.

This Chair's Statement sets out the actions the Trustees have undertaken over the Scheme Year in addressing key areas of Governance; including investment, charges, administration, communications, as well as in relation to Additional Voluntary Contributions (AVCs) paid by members.

This provides a framework for the Trustees to satisfy themselves that the Scheme continues to provide value for members, as concluded later within this Statement.

This Statement includes information about costs and charges in relation to members' investments, and a cumulative projection as required by the regulations, which is set out in Appendix 1. This information will be made available online at www.cmidocs.co.uk/Chairmans%20Statement%202020%20-%20Published.pdf

Investment of the DC Section funds

The Scheme's investment strategy is designed to be appropriate for a majority of the members and to meet the changing investment needs of a typical pension investor, as they progress through life towards retirement. This is known as a Default Investment Strategy. If a member does not wish to be part of the Default Investment Strategy, they have the option to make their own investment choices by investing in a selection of funds made available to members by the Trustees.

Following the pension reforms announced in the 2014 Budget the Trustees of the Scheme undertook an investment strategy review to ensure members continue to be able to invest their pension savings in line with the new Pension Freedoms. Following the review, the Trustees changed the default lifestyle strategy in 2016 and added a new self-select fund to the core range.

The Trustees undertook a further review of investment strategy at the 17 October 2019 Trustee meeting in conjunction with Mercer, their investment adviser. This concluded that the Crystal Martin Lifestyle Investment Strategy, the Scheme's default strategy, is working well and remains appropriate for members. It also concluded that the fund range remains appropriate, but that the Standard Life GARS fund would be removed from the core range available for members. It was agreed that the use of funds with a specific Environmental, Social and Governance (ESG) focus would be given consideration in 2020.

Due to Covid-19, the further review of ESG funds was deferred. With the GARS fund providing good protection against falling markets in Q1 2020, and based on further advice from Mercer, the Trustees also deferred its removal from the core fund range.

All DC members of the Scheme also have final salary, Defined Benefits in the Scheme. Following the completion of the buy-in with L&G for the Defined Benefits, the Trustees are currently working with L&G to transfer the Scheme's DC funds to the L&G Master Trust alongside the members' DB benefits. They have therefore put on hold further changes to the investment strategy and fund range for the DC Section. In the meantime, the Trustees remain satisfied that at the current time the investment strategy remains appropriate.

The DC Section is closed to new members and to future contributions, and is therefore ever reducing in size. At 31 December 2021, all members, except for two, were invested in the default strategy arrangement.

CRYSTAL MARTIN GROUP PENSION FUND AND LIFE ASSURANCE SCHEME

YEAR ENDED 31 DECEMBER 2021

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2021 – 31 DECEMBER 2021 (CONTINUED)

Default arrangement

Members of the DC Section who do not make an explicit choice regarding the investment of their funds will be invested in the default strategy arrangement.

Defined contribution schemes place the investment risk with the member. For the default option, the Trustees have assumed responsibility for setting an investment strategy that provides a broad level of protection against the key investment risks. This requires a transition of investments from growth assets into protection assets as a member approaches retirement age – this is known as a Lifestyle Strategy.

Normal Retirement Age is 65 but members are able to target their lifestyle strategy to a different retirement age as appropriate via the Aegon (formerly BlackRock) website.

Further information on the Lifestyle Investment Strategy is set out in the Statement of Investment Principles (SIP), which is available online at the link below.

In addition to the Default Lifestyle Investment Strategy, members have the option to invest in the full range of funds on the Aegon (formerly BlackRock) platform. To help narrow down the investment choice for members the Trustees have determined a core range of funds which they believe provide members with a good range of options.

A list of the core range of funds and their fees is included below.

Monitoring Investment Performance

The Trustees receive performance monitoring reports from Aegon (formerly BlackRock) on a quarterly basis and review these to check that performance is in line with expectations. Monitoring of the investment performance of the DC Section is also a standing item on the agenda for all regular Trustee meetings and is considered in conjunction with Mercer, the Trustees' investment adviser.

From 1 October 2021, Trustees of all relevant pension schemes are required under Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 ('the 2021 Regulations') to calculate and state the return on investments from their default and self-select funds net of transaction costs and charges for all the funds members were invested in over the year to 31 December 2021. This has been prepared in line with statutory guidance.

Performance information up to 31 December 2021, net of fees, for the funds invested in, is set out in the table below:

Fund	1 Year (%)	3 Years (%p.a.)	5 Years (%p.a.)
AGN BLK Global Equity (60:40) Index Fund	17.1	11.5	7.7
AGN BLK Dynamic Allocation Fund	4.0	7.5	5.3
AGN BLK DC Cash Fund	-0.3	0.1	0.1
Aegon BLK American Growth (BLK)	27.6	21.8	15.6
Aegon BLK 50/50 Global Growth	17.4	16.6	11.0

The Trustees are satisfied that investment performance was reasonable in the context of the funds and the objectives of the funds.

Statement of Investment Principles

The Scheme's investment strategy is described in further detail in the Scheme's Statement of Investment Principles (SIP), which was updated in February 2022, replacing the previous version from September 2020. This sets out the Trustees' key investment principles in relation to the default lifestyle arrangement for the DC Section. A copy of the full SIP is available online at:

<http://www.cmidocs.co.uk/Crystal%20Martin%20Statement%20of%20Investment%20Principles%20February%202022.pdf>

Members will also be notified as to where they can find the SIP in their annual benefit statements.

Administration

The Trustees have responsibility for ensuring the sound administration of the Scheme, including a specific duty to secure the core financial transactions (including the transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC Section are processed promptly and accurately.

These transactions are undertaken on the Trustees' behalf by the Scheme administrator, Mercer, and the DC Section investment platform provider, Aegon. The Trustees note that all members of the DC Section also have benefits in the DB Section and therefore the Scheme administrator co-ordinates the payment of benefits from both sections.

CRYSTAL MARTIN GROUP PENSION FUND AND LIFE ASSURANCE SCHEME

YEAR ENDED 31 DECEMBER 2021

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2021 – 31 DECEMBER 2021 (CONTINUED)

The Trustees have considered the latest internal control reports, which review processes and controls implemented by these organisations, and are satisfied that there were no material issues highlighted.

The Trustees have agreed service levels and reporting of performance against those service levels.

At each meeting the Trustees review the latest Mercer Administration Report, which reports on core financial transactions and also a service level report from Aegon. These enable the Trustees to monitor that delivery is in line with the agreed service levels and member expectations.

Members will also approach the Trustees from time to time if they have questions about their benefits, or concerns or issues with the Scheme's administration. Feedback from members therefore provides a good independent check that the Scheme is operating in line with members' expectations.

The Trustees are satisfied that there were no material issues during the Scheme Year.

In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges – default arrangement and additional funds

The law requires the Trustees to disclose the charges and transaction costs borne by DC scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds.

Below are the details of the Annual Charge (Total Expense Ratio) and transaction costs for the funds used within the default strategy:

Fund	Annual Charge	Transaction Costs*
AGN BLK Global Equity (60:40) Index Fund	0.31%	0.09%
AGN BLK Dynamic Allocation Fund	0.45%	0.37%
AGN BLK DC Cash Fund	0.33%	0.02%

* Transaction costs have been calculated using the 'Slippage Method' and were provided by Aegon.

The allocation to the above funds within the Default Lifestyle Investment Strategy varies depending on time until retirement. The annual charges that apply for the Crystal Martin Lifestyle Investment Strategy are therefore an average of the funds that are invested in at any given time. However, the annual charges for each of the funds used within the Default Lifestyle Strategy are well below the charge cap of 0.75% per annum, as set out by the Regulator.

In addition to the Default Lifestyle Investment Strategy, members have the option to invest in the full range of funds on the Aegon platform. To help narrow down the investment choice for members, the Trustees have determined a core range of funds, which they believe provide members with a good range of options. Below is the list of the core funds available, along with the accompanying annual charge:

Core Fund	Annual Charge (%)
AGN BLK DC Aquila 50:50 Global Equity Index	0.36
AGN Standard Life GARS (BLK)	1.16
AGN BLK Alpha Smaller Companies	0.75
AGN BLK Emerging Markets Equity	0.79
AGN BLK Cash	0.33
AGN BLK 60/40 Global Equity Index	0.31
AGN BLK Pre Retirement	0.50
AGN BLK Dynamic Allocation Fund	0.45
AGN BLK Diversified Growth	0.70
BLK DC 60/40 Global Growth	0.75
AGN BLK UK Growth	0.75
AGN BLK Index Linked Gilt	0.40
AGN BLK Property*	1.08

* The AGN BLK Property Fund was suspended from 19 March 2020 until 26 January 2022, although the Trustees note that no members are invested in it* The AGN BLK Property Fund was suspended on 19 March 2020 and remains suspended, but the Trustees note that no members are invested in it.

CRYSTAL MARTIN GROUP PENSION FUND AND LIFE ASSURANCE SCHEME

YEAR ENDED 31 DECEMBER 2021

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2021 – 31 DECEMBER 2021 (CONTINUED)

At 31 December 2021, two members have self-selected the Aegon BLK American Growth Class M (annual charge 0.9% p.a.) and the Aegon BLK 50/50 Global Growth Class M (annual charge 0.75% p.a.) funds. The transaction costs for the Scheme Year for these funds were 0.096% and 0.1287% respectively.

All other members invested in the default lifestyle strategy, and therefore we have not provided information in relation to transaction costs for the other funds.

The Trustees have a good understanding of the demographic of the DC Section and as such have a view as to what good member outcomes should look like for the members in aggregate.

With this in mind, the Trustees have assessed the fees disclosed above and they are satisfied that these are reasonable for members and that the stated explicit charges represent good value for money in the context of the outcomes targeted by such funds and the current market rates for similar investments levied on members of schemes with a similar membership profile.

An illustrative projection of members' funds allowing for all costs and charges as required by the regulations is attached to this statement.

Additional Voluntary Contributions (AVCs)

Members have historically been offered arrangements with Prudential, Scottish Life / Royal London and Scottish Friendly in which to invest their AVCs and some funds remain with Prudential and Scottish Life / Royal London.

Members with Prudential are invested in a With Profits arrangement. The Trustees note that With Profits AVCs provide smoothing and guarantees for members that maybe perceived as more valuable than the ability to switch into other types of investments, but also that it is difficult to obtain information about expenses and transaction costs for these funds.

Members with Scottish Life / Royal London AVCs are able to invest in unit linked funds, and members have investments in the RLP Managed Fund. The charge for this fund is 1% p.a. (the Trustees note that the charge cap of 0.75% p.a. does not apply to AVC arrangements) and the Trustees have reviewed the performance of the fund over periods to 31 December 2021 and concluded this to be satisfactory on a net of fees basis.

The above charges relate to the cost of the money purchase provider. The AVC benefits will be processed by Mercer's Administration Team, whose costs are met directly by the Trustees and are therefore not borne by the members.

The Trustees have requested information on dealing costs incurred by the RLP Managed Fund, but are still awaiting this information despite numerous requests. Once the information has been received, it will be available for members to request.

The Trustees have previously reminded members with AVCs that they have the option of transferring their AVCs into the main DC Section.

With this in mind, the Trustees are satisfied that a sufficiently wide range of options is available to members. The Trustees therefore conclude that members receive value for money in relation to the AVCs provided by the Scheme.

Communications

The Trustees are keen for members to be engaged in the Scheme so as to improve the benefits they derive and achieve successful outcomes. The Trustees note that over the year ending 31 December 2021, the communications plan included:

- Information available to members about the Scheme and their investment options via the Aegon website <https://lwp.aegon.co.uk/targetplan/>
- Newsletter to members incorporating a summary of the latest audited Scheme Accounts, general information about pensions and current issues, details of the current investment strategy and performance, and key contacts and support information
- Annual benefit statement incorporating the Statutory Money Purchase Illustration
- Letters for members approaching retirement age providing information about retirement options
- An 'at retirement' "Pensions Decision Service" provided by Mercer and offered to members as part of their retirement communications. This provides personalised support to members to help them navigate their choices at retirement including written guidance and a recommendation to seek independent financial advice where appropriate.

The Trustees are therefore satisfied that members are provided sufficient information about their benefits.

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2021 – 31 DECEMBER 2021 (CONTINUED)

Trustees' knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out 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 DC Code of Practice (13), paragraphs 41 to 50. The comments in this section relate to the Trustee as a body in dealing with the whole Scheme and are not restricted to the DC Section.

The Trustees are experienced in their roles, with two of Trustees having been in place for over 10 years, and there is an Independent Trustee representing PAN Trustees UK LLP.

The Trustees receive advice from professional advisers, who attend all meetings and the relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.

The experience of the Trustees and the assistance of the advisers, both at meetings, and outside meetings as required, helps the Trustees to make sure that the Scheme is administered in accordance with its governing documents and policies, as well as the overriding pensions legislation, as well as the Statement of Investment Principles (SIP). The Trustees demonstrated a knowledge of the SIP when it was updated to include the new legislative requirements that were largely in relation to the Trustee arrangements with the investment managers, with the new version approved in February 2022.

The Trustees also demonstrated a knowledge of the Scheme rules, overriding pensions legislation and the importance of due process and due diligence when undertaking the buy-in with L&G for the Scheme's Defined Benefits.

The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs. The Trustees review these self-assessments and arrange for training to be made available to individual Trustees or to the Trustee body as appropriate.

All of the existing Trustees have completed the Pension Regulator's Trustee Toolkit and new Trustees are required to complete this within six months of taking up office, as set out in regulations 3 and 4 of the Occupational Pension Schemes Regulations 2006 and underpinned by guidance in the DC Code of Practice (13), paragraph 43.

Over the Scheme Year, the Independent Trustee completed over 39 hours of training of which over 13.25 hours was directly relevant to DC schemes and investment matters, whilst the Chair of the Trustees kept abreast of developments via Mercer updates, Press articles, updates from TPR, as well as via quarterly information provided by a Chairs' Forum organised by Mercer.

The Trustees have also received updates on legislative developments in the course of their regular meetings. Also a Current Pensions Issues document from Mercer is included on the agenda at each full Trustee meeting, so that the Trustees can satisfy themselves that they are kept up to date with relevant developments.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to them, the Trustees consider that they are enabled to properly exercise their functions as Trustees of the Scheme.

In addition, while most schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour, otherwise trustees cannot be certain that a scheme remains fit for purpose.

Value for Members

In making their assessment of whether the Scheme has provided Value for Members over the Scheme Year, the Trustees have taken into consideration:

- The Scheme's overall governance framework, competency of administration, default investment strategy and range of investment options, investment performance, investment charges including transaction costs, member communications, including the Aegon website, as well as their own knowledge and understanding;
- Advice from Mercer, in relation to these factors and the costs of comparable arrangements.

The Trustees reviewed these factors at their meeting of 29 June 2022 and concluded that they are satisfied that over the year ending 31 December 2021, the Scheme provided Value for Members.

CRYSTAL MARTIN GROUP PENSION FUND AND LIFE ASSURANCE SCHEME

YEAR ENDED 31 DECEMBER 2021

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2021 – 31 DECEMBER 2021 (CONTINUED)

Governance statement

As Trustees of the Scheme, we have reviewed and assessed our systems, processes and controls across key governance functions and we are satisfied that the actions taken by the Trustees over the year are consistent with those expected by the Pensions Regulator.

In preparing this Chairman's Statement, the Trustees have reviewed their compliance with the DC Code of Practice to ensure that the DC Section continues to apply good practice so far as appropriate to the circumstances of the Scheme.

The Chairman's Statement regarding DC governance was approved by the Trustees on 29 June 2022 and signed by Mr D Sadler, as Chair of the Trustees of the Crystal Martin Group Pension Fund and Life Assurance Scheme.

CRYSTAL MARTIN GROUP PENSION FUND AND LIFE ASSURANCE SCHEME

YEAR ENDED 31 DECEMBER 2021

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 JANUARY 2021 – 31 DECEMBER 2021 (CONTINUED)

APPENDIX 1

Example illustration

Purpose of this example illustration

This isn't a personal illustration, it is based on the assumptions detailed later on in this document. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds you invest in over time.

	Fund transactional costs and charges total (%)		
	CM Lifestyle*	Aegon BlackRock American Growth (BLK)	Aegon BlackRock 50/50 Global Growth (BLK)
Growth	-1.90% to 3.00%	3.00%	3.00%
AMC	0.30% to 0.42%	0.90%	0.75%
AAE	0.01% to 0.03%	0.00%	0.00%
TC	0.03% to 0.21%	0.18	0.19

* As the Lifestyle investment option consists of multiple investment funds we have shown the range of growth and fund costs & charges.

Growth is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

AMC is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

AAE are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

TC are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the average of the actual annual transaction costs for the period 01/01/2019 to 31/12/2021.

The impact of transactional costs and charges on fund values (€)

The 'Before Charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

Years	CM Lifestyle*		Aegon BlackRock American Growth (BLK)		Aegon BlackRock 50/50 Global Growth (BLK)	
	Before Charges	After all charges	Before Charges	After all charges	Before Charges	After all charges
1	42189	42046	42189	41736	42189	41794
3	44470	43994	44671	43247	44671	43429
5	46434	45548	47300	44813	47300	45128
10	50101	47921	54568	48982	54568	49672
15	50298	46779	62953	53537	62953	54674
16	49471	45759	64778	54498	64778	55733

About this illustration

Your current age is 49 and retirement age is 65. This is based on the age of the youngest person in the scheme.

The existing fund value is £41,000 which is based on the median value of the total holdings within the scheme. We calculate this by listing the total holdings of each member in the scheme, from the lowest to the highest value and selecting the value in the middle.

No future contributions will be paid.

We've shown the default CM Lifestyle Investment Option that the majority of members invest in.

We've also shown the Aegon BlackRock American Growth (BLK) and Aegon BlackRock 50/50 Global Growth (BLK) funds to show examples of Self-Select funds in use within the scheme.

Investment growth

The value of your investments will grow at a rate appropriate to the funds you're invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) you're invested in.

The assumed growth rate used for each fund is shown above. This rate is based on our view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.