

# The Matthew Clark Group Money Purchase Scheme - Chair's Statement

## Introduction

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This is the Matthew Clark Group Money Purchase Scheme ('the Scheme') Chair's Statement ('the Statement') for the period 6 April 2019 to 5 April 2020 (the 'Scheme Year').

The Statement has been prepared by Accolade Wines Pension Trustees Limited ('the Trustee') in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended); and supporting guidance issued by the Pensions Regulator.

The Scheme has been closed to active members and contributions since 1 April 1997, so all members have '*deferred*' benefits. The Scheme does not have a relevant default arrangement investment option for inclusion in this Statement and is not (and has never been) used as a qualifying scheme for automatic enrolment purposes by the Principal Employer (Accolade Wines Limited) or any other employer. However, commentary on the Scheme's investment options; the costs and charges met by members with illustrations; the value for members and the Trustee's knowledge and understanding are included in this Statement.

Due to the Scheme having fewer than 100 members and never having had contributions paid into it for automatic enrolment purposes, it is consequently not required to have (and indeed does not have) a Statement of Investment Principles nor a Default Statement of Investment Principles. Therefore, these are not included in the Statement as would otherwise have been the case.

### 01.01 Queries

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If you have any questions or require any further information please contact XPS Pensions Group, Queen's Quay, 33-35 Queen Street, Bristol, BS1 4LU, or call 0117 202 0420.

### 01.02 Processing core financial transactions

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Phoenix Life provides the administration and investment services to the Scheme. These are provided under an agreement ('Policy') with Phoenix Life, part of the Phoenix Group. The Policy forms part of Phoenix Life's workplace pension arrangements, which are overseen by the Phoenix Independent Governance Committee (the 'IGC'). The IGC is an independent body, which acts on behalf of the members of these arrangements, assessing matters including 'Value for Members'. The Trustee of the Scheme has reviewed the IGC's report for the period and considered the conclusions made by the IGC alongside specific detail of its own Policy where available.

Phoenix Life provides a service level commitment to respond to requests (from advisors, trustees and members) within 6 to 10 working days. Although requested by the Trustee, Phoenix Life does not provide reports on its performance versus this commitment for each scheme. Neither does it do so for the core financial transactions being:

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

The Trustee understands that this is typical of legacy type arrangements such as this, and therefore this lack of reporting and transparency is reflected in the Trustee's 'Value for Members' assessment. Nonetheless, the Trustee is disappointed with this lack of reporting which is a factor in considerations regarding the future of the Scheme.

The Trustee understands there have been very few transactions in the period. There are only 11 deferred members as at June 2020; and all of these are invested in the two funds that make up the 'Standard' investment strategy.

# The Matthew Clark Group Money Purchase Scheme - Chair's Statement Continued

The lack of member activity is demonstrated by no members having switched to any of the alternative investment fund options in this period. The Trustee will therefore continue to engage with Phoenix Life in an effort to attain this information and report this within future Statements. There have been no issues or complaints raised to the Trustee by Phoenix, the Scheme's advisors XPS Pensions Group or the members during the Scheme Year.

To assist their consideration on the performance of Phoenix, the Trustee notes the Phoenix IGCs report relating to its overall workplace arrangements (of which the Scheme Policy is part) for the period 6 April 2019 to 5 April 2020.

The Trustee understands from the IGC report that Phoenix performed within its key customer service targets on matters including:

- > Speed of retirement claim pay-outs of 9.69 (10.73 days last year), versus a target of 12 days;
- > Customer satisfaction of 94% (93% last year), versus target of 90%; and
- > Servicing complaints as a % of customer transactions of 0.43% (0.59% last year), versus a target of less than 0.5%.

Further, the IGC reports that

*"During 2019, we have noted improvements in the governance and performance of the funds in which many of you are invested. Customer service has also improved, and we note ongoing enhancements to the way in which Phoenix communicates with you. We hope that these improvements will make it easier for you to engage with your retirement savings and make more informed choices about your future."*

On the basis of the information set out in this section, the Trustee believes that core financial transactions have been processed promptly and accurately and the Trustee is not aware of any major issues with the services provided to members in the period. Therefore, the Trustee is comfortable that overall there have been no material administration service issues, and that Phoenix is performing satisfactorily. The Trustee will continue to request the information specific to its Policy from Phoenix for future reporting periods, to ensure that the performance of the Scheme is in-line with the broader performance of Phoenix reported by its IGC. The Trustee and Principal Employer are currently considering whether the Scheme continues to be appropriate and effective in providing benefits to members and what potential alternatives there may be. The lack of reporting from Phoenix will form part of these considerations.

## 01.03 Charges and transaction costs

All members' plans are invested in the NPLL Unitised With-Profit Fund and the Phoenix NPI Pension Managed Fund (shown below \*). The Total Expense Charge met by members in all of the available funds are (source Phoenix Life):

Fund	Total Expense Charge	Fund	Total Expense Charge
Phoenix NPI Pens America	1.00%	Phoenix NPI Pens Indexed Gilt	0.75%
Phoenix NPI Pension Deposit	0.75%	Phoenix NPI Pension Overseas Equity	1.00%
Phoenix NPI Pens Distribution	1.00%	Phoenix NPI Pens Managed*	1.00%
Phoenix NPI Pens European	1.00%	Phoenix NPI Pens UK Equity	1.00%
Phoenix NPI Pens Far East	1.00%	Phoenix NPI UK Equity Tracker	1.00%
Phoenix NPI Pens Fixed Interest	0.75%	NPLL Unitised With-Profit Fund*	1.00%
Phoenix NPI Pens Global Care	1.00%	NPLL NPI Capital Account	1.00%
Phoenix NPI Pens Global Care Managed	1.00%		

Members may select any of the funds above and switch between these options should they wish.

# The Matthew Clark Group Money Purchase Scheme - Chair's Statement Continued

There are two prices for each fund. Members buy units at the higher price, which is known as the 'offer' price. Members sell at the lower price, which is known as the 'bid' price. Should members make a switch (i.e. sell and buy within the Policy), these are bought and sold at the 'bid' price.

A Market Value Adjustment (MVA) may apply if switching out of the NPLL Unitised With-Profit Fund. An MVA ensures that when an investment is switched out, it properly reflects its share of the fund's assets. This is to protect the plan holders who remain invested in the fund, by ensuring that its total value is not unfairly reduced. Should an MVA be applied, the proceeds you receive when you switch out of the fund is reduced.

In addition to the charges above, on buying and selling investments, there can be 'transaction costs'. These are typically referred to as 'implicit' and 'explicit' transaction costs. The Trustees are required to seek and then disclose these in the Statement for the funds in which members were invested in the Scheme Year covered by the Statement.

Implicit transaction costs are the difference between the price the fund managers expect to receive or pay when they decided to sell or buy an investment and the price they actually got when the sale or purchase happened.

Explicit transaction costs include taxes and levies including stamp duties, broker commissions incurred when buying and selling investments; and the cost of borrowing and lending securities.

The total Transaction costs for the period 1 October 2018 to 30 September 2019 in the Phoenix NPI Pensions Managed Fund were 0.05% (0.04% in 2018). The Trustee has requested data for the Statement period (i.e. 6 April 2019 to 5 April 2020) from Phoenix Life on several occasions, but Phoenix has to date not provided the correct data. The Trustee's advisor most recently requested this again on 19 August 2020, and Phoenix has undertaken to provide this in writing within 3 weeks. The Trustee therefore expects to be able to disclose this in next year's Statement, assuming this is provided as requested by Phoenix Life. The Trustee regards the lack of provision of this information so far as not acceptable given the introduction of the Regulations some time ago to provide such information.

For the other fund in which members are invested i.e. the Unitised With Profits Fund, charges (including transaction costs) are included within the Total Expense Charge and are not levied in addition. Members receive bonuses on the With Profits funds post deduction of all charges and costs, and therefore any transactions costs are already deducted prior to the bonuses being declared. For completeness, the Trustee has requested confirmation of the transaction costs included within the Total Expense Charge disclosed – but this has yet to be received from Phoenix Life. The Trustee's advisor has asked Phoenix for this information several times, most recently on 19 August 2020 and Phoenix has undertaken to provide this in writing within 3 weeks. The Trustee therefore expects to be able to disclose this in next year's Statement, assuming this is provided as requested by Phoenix Life.

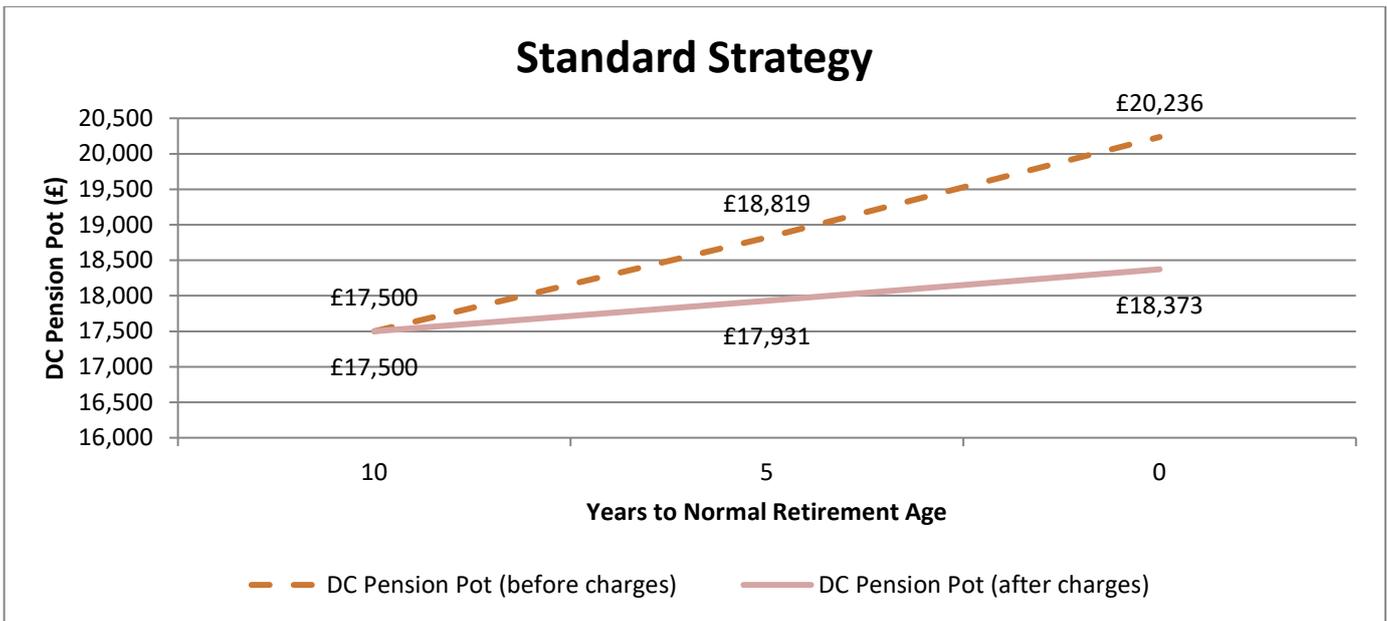
## 01.04 An illustration of the charges and transaction costs levied on members

Below you can find an illustration of the effect of the 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 'Standard' investment option, which is 45% invested in the NPLL Unitised With-Profit Fund and 55% invested in the Phoenix NPI Pens Managed. At 6 April 2020 all members were invested in this option;
- > Member is aged 55 (i.e. 10 years from the Normal Retirement Age of 65);
- > An initial pension pot of £17,500;
- > No additional contributions;
- > Investment returns are estimated as 4.00% p.a. before inflation and charges;
- > Inflation of 2.5% p.a.

# The Matthew Clark Group Money Purchase Scheme - Chair's Statement Continued



Illustrations for a range of potential alternative returns are shown in the Appendix to 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';
- > The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix; and
- > The Department for Work and Pensions' guidance (Cost and charge reporting: guidance for trustees and managers of occupational schemes); published in September 2018.

## 01.05 Value for Members ('VfM')

The Trustee has considered the member charges and costs shown in this Statement, alongside the returns for the funds in which the members are invested, the evidence presented in the Phoenix IGC report, and the broader considerations noted in this Statement. Whilst it is certainly not satisfactory, Phoenix provide limited information to the Trustee for this legacy contract and the Phoenix IGC is provided with far more information. Therefore, the conclusion of the Phoenix IGC are relevant – although the experience of the members of this Scheme may vary from other workplace pension members.

The Trustee has concluded that the Scheme represents reasonable value for members. The Trustee is considering how value can be improved from within the Scheme, or alternatively whether this could be achieved by amending the Scheme or the use of an alternative arrangement. The Trustee expects to confirm its conclusions in the next Statement or to members in advance of this as proves suitable depending on the conclusions.

# The Matthew Clark Group Money Purchase Scheme - Chair's Statement Continued

The Trustee has reached the conclusion of reasonable value as:

- > The Trustee has considered the conclusions reached by the Phoenix IGC. The Trustee notes that the policy it holds is but part of the wider arrangements that the IGC considers, but, considering the lack of reporting from Phoenix at a Policy level, the Trustee believes this is valuable evidence as to Phoenix's arrangements and capabilities.
- > The Phoenix IGC Report notes: *"The IGC has concluded that Phoenix continues to offer value for money to members of its various workplace personal pension plans. The performance area ratings and resulting overall value for money score that the IGC would give Phoenix this year for the business within our scope are shown in the following table":*

Performance Area	Score (out of 4)	Weighting	Contribution to overall score	RAG
Investments	4	5	20	Green
Customer Service	4	4	16	Green
Customer Communications and Engagement	3	4	12	Green with a hint of Amber
Risk and Governance	4	3	12	Green
Costs and Charges	3	4	12	Green with a hint of Amber
Management Culture	4	2	8	Green
Application of Environmental, Social and Governance Principles to Investment	3	3	9	Amber with a hint of Green
<b>Overall Total</b>			<b>89%</b>	

> Considering the Scheme itself, the Phoenix Policy held and the Trustee's thoughts on these:

- For the investments held by the members of the Scheme:
  - o Fund performance for the Phoenix Pens NPI Managed Fund, it had a quartile rating of 2 (1 being the highest, 4 the lowest) for the 1 year, 3 year and 5 year periods (versus the ABI Fund Performance Figures for the periods to the end of September 2019);
  - o The NPLL With Profits Fund had an 'Annual bonus' of 4% applied as an increase in unit price from 1 January 2020. This is due to the fund's guaranteed reversionary bonus of 4% p.a. to Normal Retirement Date.
  - o The Trustee therefore considers these returns as satisfactory
- The Trustee is not aware of any administrative issues relating to the service provided to members and having considered the matters noted in this Statement.
- The Member communications provided to members from Phoenix are limited in their scope and design. On an annual basis, this mainly consists of the Annual Benefit Statement. Therefore, this is limited, but, typical of such legacy type arrangements. The Trustee is considering this as a factor in the review of value and alternative strategies as mentioned earlier in this section of the Statement.
- Members' continue to have no online access to their accounts, something which the Trustee would expect to be available in DC arrangements today. However, this is not untypical of 'legacy' type arrangements like this, and again is being considered by the Trustee and methods for providing greater value.

# The Matthew Clark Group Money Purchase Scheme - Chair's Statement Continued

## 01.06 Knowledge and understanding (TKU) of the Trustee

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The Trustee is a corporate trustee and is also appointed to the Principal Employer's defined benefit pension arrangement. Therefore, the Trustee undertakes regular training on matters related to pensions in general, investment, governance, data protection and defined contribution pension matters.

This is illustrated by the Trustee's Training Log, which shows, for example, that the Trustee received training on DC Pensions Governance during the Scheme Year. The Trustee is in the process of undertaking a training needs analysis to set appropriate Trustee training sessions for 2021.

The Trustee Directors believe they have the relevant knowledge and understanding that is required to meet s248 of the Pensions Act 2004. The Chair of Trustees is a professional trustee. As part of professional practice standards, the Chair is required to undertake relevant ongoing training each year and to log this with the professional body and firm. The training comprises a mix of internal bespoke issues, external training and industry seminars, and assessed online education. This ensures that the Chair is aware of important upcoming developments in pensions obligations, so they can lead and support the Trustee board effectively. The Chair is able to assess through observation and review of meeting papers and minutes, whether the training has been effective on particular issues and use their experience to identify and address further gaps.

The Trustee has demonstrated the following key areas of TKU during the Scheme Year:

- i) a working knowledge of the Trust Deed and Rules of the Scheme – for example, by consulting the relevant documents regarding their specific application as need arises;
- ii) a working knowledge of all documents setting out the Trustee's current policies – for example, the Trustee reviews its various policies as required and makes any updates when needed;
- iii) sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes - for example, consideration of the investments held by the Scheme whilst drafting previous Chair Statements;
- iv) sufficient knowledge and understanding of pension and trust law - the Trustee takes advice from its professional advisors and undertakes relevant training.

There have been three new Directors of the Trustee over the course of the Scheme Year. New Directors are provided with training and familiarisation with Scheme documentation. New Trustee Directors are required to undertake the relevant modules of the Pension Regulators 'Toolkit' within 6 months of appointment (and those Directors appointed have either now completed this or for those more recent joiners are in the process of doing so) and are informed of the Scheme documentation (including Rules and policies).

The Trustee believes that through the Directors' combined knowledge and understanding, together with the advice available to them, this enables the appropriate exercise of its functions.

## Conclusion

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The Chair and Trustee submit this Statement in compliance with the Chair's Statement requirements.

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**Signature**

**Date**

**2 November 2020**

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Colin Richardson, Chair of Accolade Wines Pension Trustees Limited, as Trustee of the Matthew Clark Group Money Purchase Scheme

# The Matthew Clark Group Money Purchase Scheme - Chair's Statement Continued

## Appendix

The table below shows an illustration of the potential pension pot values for the Standard Investment Option (where all members are currently invested) and for alternative low growth, mid growth and higher growth scenarios.

There are also a range of alternative investment funds available to the members (as noted in the Statement). In general:

- > The 1% Gross Investment Return - represents the expected level of return of 'Cautious Risk' investments which may include "Cash" investments;
- > The 3% Gross Investment Return represents the expected level of return of 'Moderate risk' investments which may include "Gilt / Bond" investment funds;
- > The 5% Gross Investment Return represents the expected level of return of 'High Risk' investments which may include "Equity" investment funds.

The illustrations assume the following:

- > Member is aged 55 (i.e. 10 years from the Normal Retirement Age of 65)
- > An initial pension pot of £17,500
- > No additional contributions
- > Investment returns are as stated for each illustration
- > Member charges are as stated for each illustration
- > Inflation of 2.5% p.a.

	Standard Investment option (where all members are currently invested)		Low Growth		Mid Growth		High Growth	
	Gross Investment Return	Member Charges	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
Gross Investment Return	4.00%	4.00%	1.00%	1.00%	3.00%	3.00%	5.00%	5.00%
Member Charges	0.00%	1.00%	0.00%	1.00%	0.00%	1.00%	0.00%	1.00%
Years to Normal Retirement Age (65)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)	DC Pension Pot (before charges)	DC Pension Pot (after charges)
10	17,500	17,500	17,500	17,500	17,500	17,500	17,500	17,500
5	18,819	17,931	16,256	15,467	17,931	17,077	19,741	18,819
0	20,236	18,373	15,101	13,671	18,373	16,665	22,269	20,236