

Gleeds Retirement Benefits Scheme

31 May 2023

Chair's Statement

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In accordance with the requirements of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 ('the Regulations'), the Trustees are required to provide a statement relating to the governance of the Scheme. This statement covers the period from 1 June 2022 to 31 May 2023 and has been prepared on behalf of the current Trustees.

In accordance with the requirements of the Regulations, Ross Savage has been appointed as Chair of the Trustees.

Background to the Scheme's DC benefits

The DC Section of the Scheme commenced on 5 April 1997 following the closure of the Final Salary Section to new members. The Scheme then closed to all future benefits on 31 May 2010. The DC Section of the Scheme is operated as an unbundled trust based defined contribution scheme. This means that separate service providers supply investment management and administration services. Investment management is undertaken by Legal & General Investment Management ('LGIM') with administration services being provided by First Actuarial.

Governance of the default investment arrangement

As at 31 May 2023, the DC funds under management with Legal & General Investment Management were as follows:

Fund	Funds under management (£)
LGIM Global Equity Fixed Weights 60:40 Index Fund	11,225,000
LGIM Diversified Fund	9,111,536
LGIM Sterling Liquidity Fund	1,443,703
LGIM UK Equity Index Fund	458,295
LGIM Over 5 Year Index Linked Gilts Index Fund	296,062
LGIM Over 15 Year Gilts Index Fund	233,033
Total	22,767,629

The Trustees are keen to ensure that assets are invested in the best interests of members and beneficiaries.

The Trustees have adopted a Statement of Investment Principles which sets out the Trustees' aims and objectives relating to the default investment strategy. This includes the Trustees' policy on risk, return and ethical investing. The Statement of Investment Principles ("SIP") was published in August 2019 and an addendum was added in August 2020. A copy of the SIP can be found at <https://www.gleedspensions.com>. The SIP is due to be updated to reflect the changes in the investment strategy.

In February 2017, following a formal review of the DC section's investment strategy in December 2016, the Trustees implemented changes to reflect the greater flexibility available to members at retirement following changes to legislation in 2015.

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A further investment review was undertaken in Q4 2022 which recommended changes to the current investment strategy. These changes were implemented shortly after 1 June 2023, following the Scheme year end. For the default investment fund, this means a reduction in the UK equity exposure within the DC Section's equity allocation, currently fully invested in the L&G Global Equity Fixed Weights (60:40) Index Fund and splitting this allocation between the L&G World Equity Index Fund and the L&G World Equity Index Fund –GBP Hedged.

The investment performance of the funds underlying the default investment strategy and other available funds is considered at each Trustees' meeting, with investment monitoring reports considered at Trustee meetings.

The Trustees are satisfied that the investment performance (net of fees) remains in line with the stated objectives for the funds available to members.

Charges and transaction costs

The annual ongoing charges levied by the investment manager and deducted from members' investments depend on the funds used and the table below shows these charges.

LGIM have only been able to produce the charges and transaction costs to 31 March 2023 currently.

During the scheme year, members invest in the default investment option invest 50% in each of the Global Equity Fixed Weights 60:40 and Diversified funds. These investments are subject to an ongoing equivalent investment management charge (Total Expense Ratio) of 0.27% per annum during the growth phase. These funds are used up until the final 4 years before target retirement date. To reduce risk as members approach retirement the Sterling Liquidity Fund is introduced with 10% extra allocation added every year to retirement with corresponding reductions in the Global Equity Fixed Weights 60:40 fund.

In addition to these explicit charges, members also incur transaction costs. Transaction costs are defined in regulations as the costs incurred as a result of buying, selling, lending or borrowing investments and they can have a significant impact on members' fund values.

Transaction costs are typically categorised as explicit costs or implicit costs. Explicit costs are directly observable e.g. taxes such as stamp duty. Implicit costs cannot be observed in the same way but will result in a reduction in the total amount of money invested e.g. buying and selling spreads and market impact and can have a significant impact on net returns.

The costs and charges for the default arrangement and the self-selected options chosen by members are regularly reviewed.

Due to the methodology used in calculating transaction costs, these costs may be negative, therefore having a positive impact on the fund. The transaction costs incurred as disclosed by LGIM are shown in the table below.

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LGIM Fund	Unique fund identifier	Fund Management charge	Additional indirect fees	Total expense ratio (TER) **	Transaction costs
Global Equity Fixed Weights 60:40 Index Fund*	CH	0.16%	0.05%	0.21%	0.04%
Diversified Fund*	MAAB	0.30%	0.02%	0.32%	0.00%
Sterling Liquidity Fund*	VL	0.13%	0.01%	0.14%	-0.04%
UK Equity Index Fund	AS	0.10%	0.08%	0.18%	0.03%
Over 5 Year Index Linked Gilts Index Fund	AT	0.10%	0.00%	0.10%	0.21%
Over 15 Year Gilts Index Fund	AM	0.10%	0.00%	0.10%	0.19%

*The default investment fund is a blended Lifestyle fund that include these individual underlying funds at varying points towards a member's term to retirement. All other funds shown above are "self-select" alternatives that members can choose at any time.

**The Total Expense Ratio is made up of an Annual Fund Management Charge and other fees and charges incurred by the fund.

In addition to the above transaction costs, LGIM operate an approach where, depending on net inflows or outflows into a fund on a particular day, then costs may be incurred by members when monies are switched or disinvested. The extent of these costs is reflected in unit prices and is unknown in advance of the transaction (and can be nil). This approach is common for single-priced daily dealt funds and the level of cost that members could be exposed to are in line with other investment managers.

There is also an "anti-dilution levy" to protect existing fund investors from having their performance diluted through meeting the trading costs of other investors. This is a common feature of pooled funds.

There have been no performance fees payable to LGIM in the year to 31 March 2023.

Details of costs and charges are provided to members in their annual benefit statement. In addition, this statement is available on the Scheme's website, details of which are provided in the annual benefit statement and in the annual newsletter that is issued to all members.

The cost of ongoing governance and administration services, communications and support with decision making (including annuity broking, where this benefit option is chosen by members) are met from final salary section assets, which are funded for through regular fixed monthly contributions from Gleeds; members meet investment management charges only.

In assessing value for members (see below), the Trustees only considered the costs and charges met by members.

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Cumulative costs and charges

The Trustees have conducted an analysis of the cumulative impact of the member-borne costs and charges within the various investment funds for typical members of the Scheme, which is set out in the Appendix.

Net Investment Returns for the DC Section

The following table reflects the performance of each fund over varying periods based on investment after charges have been deducted and has taken into account the statutory guidance when preparing this section of the statement. They have been calculated on a geometric basis and assume a £10,000 investment fund.

LGIM Fund	1 year	3 years	5 years	10 years	15 years	20 years	Since launch
Default funds (%)							
Global Equity Fixed Weights 60:40 Index Fund	2.21	10.22	4.90	7.16	6.94	n/a	8.27
Diversified Fund	-4.09	3.12	3.05	n/a	n/a	n/a	3.37
Sterling Liquidity Fund	2.73	0.94	0.82	n/a	n/a	n/a	0.71
Self-Select funds (%)							
UK Equity Index Fund	0.44	10.23	2.86	n/a	n/a	n/a	4.20
Over 5 Year Index Linked Gilts Index Fund	-26.99	-15.78	-6.37	n/a	n/a	n/a	-4.97
Over 15 Year Gilts Index Fund	-28.67	-20.63	-8.48	n/a	n/a	n/a	-6.24

*n/a - Funds were not launched at the time or net investment performance was unavailable. LGIM have only been able to provide performance since portfolio inception, rather than fund inception.

Value for Members

We have assessed the value for member of the DC Section of the Scheme by considering the following aspects of the Scheme:

- Costs and charges
- Net investment performance
- Governance and administration

Looking at costs and charges, for the default fund, the assessment showed that they were comparable. The self-select funds were generally comparable where a close equivalent fund was been used.

Reviewing investment performance, there were some mixed results with some under and over performance. The default fund performance did not quite meet the broadly comparable performance benchmark. However, given changes made shortly after the year end as a result of the recent investment strategy review, this point has already been addressed at the time of writing this statement.

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Finally, looking at administration and governance, we believe that members have and will benefit from the changes implemented over the last 12 months. The only issue highlighted is that the Statement of Investment principles did not reflect the updated investment strategy in the DC section. This document is in the process of being updated to reflect the changes.

Overall, our assessment concludes that the DC Section does not quite meet the full requirements laid down by The Pensions Regulator. However, actions related to investment performance have already been implemented and the Statement of Investment Principles is in the process of being updated.

Core financial transactions

The Trustees receive and review reports from First Actuarial at each Trustees' meeting in order to monitor and ensure that good administration services are being provided to our members.

The processing of core financial transactions is regularly monitored by our administrators, who have implemented internal controls procedures that help ensure that such transactions are processed promptly and accurately (including a relevant review process) and the prompt resolution of any inconsistencies identified. Investment switches implicit within the default investment strategy are covered by these procedures.

Other activities covered include controls and procedures to manage the accuracy of investment allocations, settlement of benefits and individual transfers out.

To help gain assurances that the administration is being dealt with promptly and accurately, we undertake on a regular basis the following with input from First Actuarial:

- Monitoring services against contractual service level agreements
- Reviewing the administration reports provided by First Actuarial at each formal Trustee meeting (typically four per year)

The Trustees are satisfied that during the period of this statement, the service levels were generally met. Between 01/05/2022 and 21/04/2023, 95% of service levels were met, although it is noted that there was a short-term reduction in performance due to unusually heavy workloads in March 2023. The reports are produced for Trustee meetings and therefore do not cover the full Scheme year.

Trustee Knowledge & Understanding

It is important that the Trustees continue to have sufficient knowledge and understanding to fulfil their duties. This is complemented by having a professional trustee (Zedra) on the Trustee Board. All new Trustees are required to undertake training following their appointment, including use of the Pensions Regulator's Trustee Toolkit. All Trustees have also been provided with, and have a working knowledge of, the Scheme's documents including the Trust Deed and Rules, SIP and other policies.

The Trustees are supported by independent and professional advisers who ensure that they are kept abreast of the latest legislative, regulatory and market developments that apply to the Scheme. These advisory appointments are also periodically reviewed.

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Training is delivered during Trustee meetings when the Trustees are considering issues, the understanding of which is enhanced through discussion. Relevant training materials are included in Trustee meeting packs.

All training received by the Trustees is recorded and the training needs of the Trustees are regularly reviewed by the Trustees and their advisers to identify any relevant gaps in knowledge.

During the Scheme year, DC specific investment training was provided alongside the investment strategy review. A training session was delivered at the May 2023 Trustee meeting on the process involved in discharging DC benefits.

Member Communications

Annual benefit statements provide detailed information on the default investment strategy as well as setting out alternative investment options that are available.

An annual newsletter is issued to engage members with the latest scheme developments and pensions news. Members are also made aware of an online portal where they can view an up-to-date valuation of their pension pot and access a modeller to consider their benefits given different scenarios and assumptions.

A review of the effectiveness of member communications would be beneficial to measure the level of engagement.

How to contact the Trustees

If you have any further queries regarding the Scheme, please contact:

Trustees of the Gleeds Retirement Benefits Scheme
c/o First Actuarial LLP
Mayesbrook House
Lawnswood Business Park
Leeds
LS16 6QY

Telephone: 0113 818 7300
Email: leedsadmin@firstactuarial.co.uk

Signed:



Date: 20 12 23

Ross Savage
Chair of the Trustees of the Gleeds Retirement Benefits Scheme

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Appendix – Cumulative impact of costs and charges

The tables below show the cumulative impact of costs and charges (as set out in the main body of this Statement). The Trustee has taken account of the statutory guidance when preparing these illustrations.

Funds used in the Scheme's default

Projected Pension Pot in today's money						
Years	LGIM Global Equity 60:40		LGIM Diversified		LGIM Sterling Liquidity	
	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£57,582	£57,444	£57,020	£56,843	£56,035	£55,979
3	£62,520	£62,071	£60,708	£60,145	£57,615	£57,444
5	£67,882	£67,072	£64,635	£63,639	£59,239	£58,948
10	£83,387	£81,407	£75,599	£73,287	£63,504	£62,880
15	£102,432	£98,807	£88,423	£84,398	£68,075	£67,075
20	£125,827	£119,925	£103,423	£97,193	£72,976	£71,550
25	£154,565	£145,556	£120,966	£111,928	£78,229	£76,323
30	£189,867	£176,666	£141,486	£128,898	£83,860	£81,415
35	£233,232	£214,425	£165,487	£148,439	£89,897	£86,846
40	£286,502	£260,255	£193,558	£170,944	£96,369	£92,640

Other funds available to members

Projected Pension Pot in today's money						
Years	LGIM UK Equity Index		LGIM Over 5yr IL Gilts Index		LGIM Over 15yr Gilt Index	
	Before charges	After all costs and charges	Before charges	After all costs and charges	Before charges	After all costs and charges
1	£57,582	£57,466	£56,035	£55,863	£56,035	£55,874
3	£62,520	£62,143	£57,615	£57,088	£57,615	£57,122
5	£67,882	£67,201	£59,239	£58,339	£59,239	£58,397
10	£83,387	£81,721	£63,504	£61,589	£63,504	£61,711
15	£102,432	£99,378	£68,075	£65,019	£68,075	£65,212
20	£125,827	£120,851	£72,976	£68,641	£72,976	£68,913
25	£154,565	£146,963	£78,229	£72,464	£78,229	£72,823
30	£189,867	£178,717	£83,860	£76,501	£83,860	£76,956
35	£233,232	£217,332	£89,897	£80,762	£89,897	£81,323
40	£286,502	£264,291	£96,369	£85,260	£96,369	£85,938

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Assumptions:

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation
2. The starting pot size is assumed to be £55,261
3. Inflation is assumed to be 2.5% each year
4. No further contributions have been assumed
5. Values shown are estimates and are not guaranteed
6. The projected growth rate for each fund are as follows:

Default funds

LGIM Global Equity Fixed Weights (60:40) Index	4.20% above inflation
LGIM Diversified	3.18% above inflation
LGIM Sterling Liquidity	1.40% above inflation

Self-select funds

LGIM UK Equity Index	4.20% above inflation
LGIM Over 5yr Index Linked Gilts Index	1.40% above inflation
LGIM Over 15yr Gilts Index	1.40% above inflation