

## Annual Chair's Statement for the Vario Press Ltd (1984) Retirement Security Plan (RSP)

This statement covers the period from 1 April 2020 to 31 March 2021.

### Introduction

Governance requirements apply to defined contribution (DC) pension arrangements, to help members achieve a good outcome from their pension savings.

The Trustee of the Vario Press Ltd (1984) Retirement Savings Plan (RSP) (the 'Scheme') is required to produce a yearly statement (which is signed by the Chair of Trustees) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means any 'default arrangement' and other funds members can select or have assets in, such as legacy funds);
- the requirements for processing financial transactions;
- the charges and transaction costs borne by members;
- an illustration of the cumulative effect of these costs and charges;
- a 'value for members' assessment; and
- Trustee knowledge and understanding.

The Trustee is Vario Press Ltd. The Scheme was formerly held with Royal Sun Alliance. It is closed to closed to new members and to further contributions. The Scheme has two sections:

#### 1. Phoenix 003405 ("Section 1")

This section provides guaranteed annuity rates at retirement for benefits arising from contributions paid before 1 December 1998.

**The benefit of the enhanced annuity rate will be lost if benefits from this section are taken as a lump sum.**

#### 2. Phoenix 358 ("Section 2")

Members of this section have entitlement to a scheme-specific tax-free lump sum entitlement that is higher than the current standard 25% pension commencement lump sum.

- a) If you are a member of both sections, benefits held in Section 2 can be used as part of the pension commencement lump sum associated with the Scheme. This has the effect of increasing the amount of pension you might receive from Section 1.
- b) Benefits from Section 1 and Section 2 must be taken together to increase the pension in Section 1 as described in a) above.

**The enhanced benefits in either section will normally be lost if they are transferred to another policy.**

The Phoenix policies have been retained due to the unique features of with-profits funds held in most of the policies. The Trustee reviews these funds periodically and is currently reviewing these policies with its financial advisers.

### **Requirements for processing core financial transactions**

The Trustee must ensure that core financial transactions are processed promptly and accurately. This includes:

- investment of contributions paid to the Scheme (where applicable);
- transfer of members' assets into and out of the Scheme;
- transfers of members' assets between different investment options available in the Scheme; and
- payment from the Scheme to, or in respect of, members.

The processing of core financial transactions (such as transfers in and out of the Scheme, and payments to members) is managed by Phoenix Life ("the Insurer").

The Trustee receives regular Scheme data and transaction quality information and is satisfied that adequate internal controls are in place to ensure that core financial transactions for the Scheme are processed accurately.

Scheme financial transactions, such as the payment of levies and professional fees, are undertaken by the Trustee.

### **Default investment option**

As the Scheme was closed both to new members and further contributions prior to 6 April 2015, it does not have an active default investment arrangement.

The Scheme is not being used as a relevant qualifying scheme for any members for the purposes of automatic enrolment. As a result, the Trustee has applied a proportionate approach to meeting the relevant governance standards.

### **Investment Options and member-borne charges**

#### Section 1

The Trustee placed members of Section 1 in a traditional with-profits fund which has a guaranteed minimum return at the normal plan retirement date. There is no alternative investment option.

#### Section 2

Members currently hold investments in

- a. the Phoenix unitised with-profits fund (Series A) and
- b. the Phoenix Managed Growth Fund.

Alternative options are available to members on a self-select basis.

### With Profits:

The primary objective of the traditional and unitised with-profits funds is to provide a stable and smoothed level of investment return over the medium to long term to the member's retirement date. This approach is designed to provide the member with some certainty of their retirement outcome. The smoothing approach aims to reduce the level of investment market volatility for the member's policy.

Smoothing: In years when investment performance is high, some of the return is held back to 'top-up' returns when lower performance occurs. This reduces investment risk for the individual investor and provides a steadier pattern of return.

### Charges and transaction costs

The Trustee is required to set out the on-going charges incurred by members over the period covered by this Statement. The Trustee is also required to disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme's fund managers buy and sell assets within investment funds, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members. The charges and transaction costs have been sourced from the Insurer.

The level of charges for each fund and the transaction costs over the period covered by this Statement are set out in the following table.

Ongoing charges met by members consists principally of the Insurer's fund management costs and additional expenses (such as custodian fees) incurred by the fund manager. In addition, an administration charge may be levied on members to meet the cost of the administration service. Charges for the Phoenix Managed Growth Fund are set out below.

Investment	Ongoing Charges (% each year)	Ongoing Charges* (£ each year)	Transaction costs (% each year)
Phoenix Traditional With Profits**	Charges are implicit and taken into account in declared bonuses.		
Phoenix unitised with-profits fund (Series A)**	Charges are implicit and taken into account in declared bonuses.		
Phoenix Managed Growth Fund	1.00%	£1,000	0.1709%

\* Example annual cost based on a fund value of £10,000

\*\* There are no explicit charges or transaction costs levied against this fund. Charges are taken into account when declaring annual bonus rates. The Trustee can confirm that the charge cap provisions applicable to automatic enrolment funds do not apply to the Scheme.

## Illustration of Retirement Benefits

Illustrations are not available for with-profits funds. The charges and transaction costs for with-profits funds are deducted from the overall fund before bonus rates are set for all policyholders. As a result, the charges and transaction costs are effectively averaged across all policyholders and it is not possible to determine the exact charges and costs borne by the members of our Scheme. It should be noted that the implicit costs and charges for with-profits funds cover the cost of guarantees, as well as investment management and administration services.

Below is an example of retirement benefits for a member invested 100% in the Phoenix Managed Growth Fund.

### Assumptions:

- Current age 40
- Starting pension pot of £10,000
- Retirement age 65
- No ongoing payments
- Ongoing Charges 1.00% each year
- Transaction Costs 0.1709%
- Gross Annual Growth Rate 4.1709%

Year	Before Charges	After Charges
1	£10,200	£10,000
3	£10,600	£10,200
5	£11,100	£10,400
10	£12,300	£10,900
15	£13,700	£11,500
20	£15,200	£12,000
25	£16,900	£12,600

Source: Phoenix

### *Notes:*

- *Values are not guaranteed*
- *Projected values are shown in today's terms and do not need to be reduced further for the effect of inflation*
- *Inflation is assumed to be 2.00% each year*

## Transaction costs – Self-select options

Section 2 members have the option to invest in other self-select funds. The charges for these self-select funds are available from the Insurer, and the transaction costs over the period covered by this statement are set out in the following table below.

Fund Name	TER*	Transaction Cost**
PHX P Deposit: Pension Solutions Units	1.00%	0.000%
PHX P Equity Incs: Pension Solutions Units	1.00%	0.029%
PHX P Equity: Pension Solutions Units	1.00%	0.029%
PHX P European: Pension Solutions Units	1.00%	0.007%
PHX P Far East: Pension Solutions Units	1.00%	0.019%
PHX P Fixed Int: Pension Solutions Units	1.00%	0.000%
PHX P Index Linked: Pension Solutions Units	1.00%	0.003%
PHX P International: Pension Solutions Units	1.00%	-0.010%
PHX P Managed: Pension Solutions Units	1.00%	0.011%
PHX P Pens Protect: Pension Solutions Units	1.00%	0.003%
PHX P Property: Pension Solutions Units	1.00%	0.000%
PHX P UK Leader: Pension Solutions Units	1.00%	0.000%

\* The Annual Management Charge is 1.00%. Phoenix has not disclosed additional ongoing charges.

\*\* Transaction costs are for the 12 months to 31 December 2020 and are subject to change.

## Trustee knowledge and understanding

The Scheme's Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustees have measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding of the Scheme. During the Scheme year ended 31 March 2021, the Trustee has engaged with its Financial Advisers and increased its awareness and understanding of initiatives and releases from The Pensions Regulator, HMRC, and the Department for Work & Pensions, and the retirement options available under the Scheme in light of the pension freedoms introduced in 2015.

The Trustee has also been updated on additional regulatory measures to combat pension scams and is aware that this may delay member's efforts to transfer or withdraw pension benefits from the Scheme as the regulations come into force.

The Trustee has appointed pension advisers to the Scheme to provide support and advice where necessary. The pension advisers are fully qualified and authorised to advise on pension matters having passed all of the relevant professional examinations.

## **Value for members assessment**

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members when considered alongside investment performance and other Scheme factors, such as guarantees and services offered by the Scheme, and whether the quality of these services meets the members' needs.

Members have been allowed to remain invested in the with-profits funds due to the steady long term growth potential and the guarantees associated with the traditional with-profits fund. For members in both sections, the ability to use funds from Section 2 to enhance the available pension from Section 1 is also view to be an advantage.

Members also benefit from the additional services offered through the Scheme that do not cost the member any additional money, but are considered to increase the value added for members. The Scheme's pension advisers are able to help address any queries which members may have. This may happen in the form of pension 'surgery days', or on demand at the member's request. The cost of this service is met by Vario Press Ltd.

On balance, the Trustee considers that the Scheme offers value for members. Valuable enhanced benefits will be lost if members transfer benefits to another scheme.

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