

Ironsides Lubricants Ltd
Directors & Executives Retirement Plan (“the Scheme”)
Annual Governance Statement for the year ended 31 March 2024

Governance Statement from the Chair of Trustees – 31 October 2024

1. Purpose

As Trustee of the Scheme, we have reviewed and assessed the extent to which our systems, processes and controls across key governance functions are consistent with those set out in the Pensions Regulator’s,

- General Code of Practice: Communication and disclosure – Information to Members – Chairs Statement and;
- Regulatory guidance for defined contribution schemes.

This statement aims to summarise, in a way that is proportionate to the size of the Scheme, how those requirements are met by the Trustee. We are committed to adopting the standards of practice set out in the DC code and DC regulatory guidance which we believe will help deliver better outcomes for members at retirement.

2. Type of pension scheme & background

The Scheme is a defined contribution occupational pension scheme set up under Trust. It was established by a deed dated 23rd March 1978 and is currently governed by rules established in 2006 when the Scheme formed a part of the Abbey Life Assurance Company, which was subsequently acquired by Phoenix Life Ltd.

The Principal Employer sponsoring the Scheme is Ironsides Lubricants Ltd whose registered office is at Shield Street, Stockport SK3 0DS (company registration no. 00360850).

Align Pensions Ltd whose registered office is at 2nd Floor, Tuition House, 27-37 St George’s Road, Wimbledon SW19 4EU (company registration no. 11960909) were appointed as sole independent trustee to the Scheme on 13 June 2024. This appointment means that Align Pensions Ltd are the only trustee of the Scheme, to the exclusion of all previous trustees.

There is no record of an Annual Governance Statement or Value for Money assessment having been completed by the Trustees in previous years. The current Trustees of the Scheme, having been recently appointed, have prepared this statement based on documentation and records available. They have requested, and are currently awaiting, further information from Phoenix Life in order to provide additional information that may be useful to the membership.

As of 31 March 2024, it is understood that there were 4 deferred members and 1 active member in the Scheme. The Principal Employer concluded a statutory consultation with the single remaining active member on 23 October 2024, whereby it was confirmed that the Scheme will close to future accrual with effect from 31 October 2024.

There is no default investment fund and Scheme assets are invested according to an individual selection from a restricted range of managed and pooled funds. With the exception of a single member (who has recently transferred funds to the low-risk Phoenix Life Security Fund), all member assets are currently held in the Phoenix Life AL Managed fund. This is a ‘balanced’ fund with the objective of providing long-term growth from investment in an actively managed portfolio of investments in United Kingdom and international equities, fixed interest securities and United Kingdom commercial property

3. Appointed advisers & projects in progress

The Scheme is currently insured with Phoenix Life (“the Insurer”). There are two policy reference numbers

(244080000M and 240739000P). The original policy commenced with Abbey Life and was incorporated into Phoenix Life in January 2019.

The Insurer undertakes the day-to-day administration of the Scheme on behalf the Trustee.

Neon Legal were appointed as advisers to the Trustee in March 2024 and, as well as providing day-to-day guidance on matters arising, are advising the Trustee on the recent proposal to close and wind-up the Scheme to ensure regulatory compliance in the interest of the members.

During August 2024, the Trustee appointed Quantum Advisory to carry out a review of the Scheme. Constituting regulated investment advice, the purpose of the review was to determine the best way forward for the Scheme and whether wind-up might be a viable option given the costs incurred by the Principal Employer in continuing to run the Scheme and the increasing governance burden being placed on the Trustee.

Quantum Advisory provided advice to the Trustee that noted that the Scheme provided a valuable option to all members (with one exception) via the provision of Guaranteed Annuity Rates (GARs), which provide a fixed price for purchasing a pension irrespective of financial conditions at the time a member chooses to retire. In consideration of this, and other factors including the financial strength of Phoenix Life, the advice concluded that because a majority of members would retain the GARs if the Scheme were wound-up (and benefits assigned to them by way of an individual policy with Phoenix Life as the default option), it would not be unreasonable for the employer to trigger a wind-up of the Scheme.

The Trustee shared and discussed Quantum's advice with the Principal Employer, who subsequently formally requested that the Scheme be closed to new entrants and future contributions, and then wound up in accordance with the Plan Rules (in a letter dated 29 October 2024). The Trustees held a meeting to consider further the Company's request, including the advice provided by Quantum and Neon Legal, and confirmed agreement with the Company's proposals. As such, a wind-up of the Scheme was triggered on 31 October 2024.

Members will be advised of the decision to trigger the wind-up of the Scheme in letters to be issued during November 2024. Following this initial announcement, further communications will be sent to members which will provide details of options available to them upon wind-up of the Scheme. It is anticipated that assignment of benefits into individual Phoenix Life policies will be the default option for each member, as recommended by Quantum Advisory.

4. Scheme assets and investments

The Scheme is not a qualifying scheme for the purposes of the Occupational Pension Schemes (Charges and Governance) Regulations 2015 as it is not used for auto-enrolment purposes. As such, there is no "default arrangement" (as defined in those Regulations).

As of 31 March 2024, all the assets of the Scheme were invested in the previously mentioned Phoenix AL Managed fund, except for one member holding assets in the Phoenix Life Security fund. It is the Trustees' intention, therefore, to provide information/commentary on this fund and relevant data from the Insurer has been requested. An update on the fund's performance, member charges and transaction costs will be provided as soon as the information is made available.

In the meantime, more details about how this fund is invested and the level of performance can be obtained from the Phoenix Life website (www.phoenixlife.co.uk). Once on the website, select "Customer Centre" section, and then "Unit-linked fund prices". You can then filter by Pension Fund / Abbey Life Pension Funds.

Guaranteed Annuity Rates (GARs)

The policy with Phoenix Life includes guaranteed annuity rates (GARs) that apply to a majority of the funds held by the members. These GARs provide a fixed price for purchasing a pension irrespective of the economic climate at the time a member chooses to retire. When compared to current open-market annuity rates, this is potentially a very valuable benefit.

GARs apply for retirement between the ages of 50 and 75 and provide members with a single life, level (i.e. non-increasing) annuity, with a 5-year guarantee*. The Trustees have confirmed with the Insurer that GARs would continue to apply in the Scheme was wound-up and rates are provided below according to selected retirement ages:-

Retirement age (years)	GAR for males (per £1,000 of member's fund value)	GAR for females (per £1,000 of member's fund value)
55	£88.70	£82.10
60	£98.20	£89.20
65	£111.10	£99.00
70	£128.10	£112.60

An example of how the GAR works in practice for a female member with a fund value of £50,000 retiring at age 60 is as follows:-

Guaranteed annuity = £50,000 / £1,000 x £89.20 = £4,460 per annum.

At the time of writing, a female retiring at age 60 with a fund value of £50,000 could expect to achieve an equivalent annuity of around £3,280 per annum on the open market. This assumes the member is in good health and lives at SK3 ODS.

**5-year guarantee – a pension is payable for life, but if a member died within 5 years of retirement, the balance of pension payments for the rest of the 5 year period would be paid as a lump sum.*

Lifestyle Investing

The Scheme does not operate a lifestyle matrix (i.e. the option within the policy of automatically switching assets into different funds as a member approaches retirement) and Phoenix Life does not offer a life styling option within the policy.

Investment strategy

As mentioned above, although there is no default investment strategy, the Trustees feel it is appropriate to show annualised net investment returns (i.e. returns after all transaction costs and charges) for the Phoenix AL Managed fund. The Insurer has been approached for information and an update will be provided in due course.

Impact of costs, charges and inflation

As mentioned above, although there is no default investment strategy, the Trustees feel it is appropriate to illustrate the potential impact over time of inflation and costs/charges borne by members on projected values of the Phoenix AL Managed fund. The Insurer has been approached for information and an update will be provided in due course.

5. Statement of Investment Principles

As the Scheme has fewer than 100 members, a Statement of Investment Principles (prepared in accordance with regulations 2A of the Occupational Pension Schemes (Investment) Regulations 2005) is not required.

6. Investment Review

The Trustee recognises a number of risks for the members and the main ones are:

- Inflation risk – the risk that the purchasing power of their investment account is not maintained.
- Pension purchase risk – the risk that the value of pension benefits that can be purchased by a given defined contribution amount is not maintained. This risk is mitigated for some members of the Scheme who benefit from the guaranteed annuity rates (GARs) built into the policy.
- Capital risk – the risk that the value of the element to provide a tax-free cash sum is not maintained.
- Communication risk – the risk that communication to members is misleading or unclear and leads to inappropriate decisions being made.
- Inappropriate member decisions – the risk that members make inappropriate decisions regarding their investments.
- Other risks, in addition to the above, include mismatching risk, manager risk, liquidity risk and concentration risk.

The varying nature of the risks faced by a defined contribution investor through time means that no single investment product will necessarily adequately meet the needs of the investor throughout the investing period.

7. Charges and transaction costs and allocations

The Trustee understands the importance of the charges and transaction costs applicable and has requested further information from the Insurer.

8. Value for Money

Although the Scheme is a “specified scheme” for the purposes of Occupational Pension Schemes (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021, the Trustee is not required to carry out a detailed value for members assessment required by the 2021 Regulations. This is because a Scheme wind-up has now been triggered. This detailed assessment would require a comparison of investment performance and costs and charges with three comparator schemes with over £100m of assets along with a detailed assessment of the Scheme’s administration and governance across seven key areas.

The Trustee is aware, however, that members benefit from generous Guaranteed Annuity Rates (GARs) as compared to prevailing open market rates, and consider it unlikely that an improvement in terms and conditions could be obtained by moving the members to an alternative provider/scheme. On this basis, it is suggested that a Value for Member exercise would be of limited value due to attractive GARs, which are also confirmed to remain available to members after the Scheme has wound-up (assuming the member elects to have a policy with the Insurer assigned in their own name).

9. Administration, including processing of financial transactions

The Trustee understands the importance of being able to effectively monitor core financial transactions of the Scheme, including transfers into and out of the Scheme, benefit payments out of the Scheme as well as the administration service and in particular that agreed service levels are being met.

The processing of core financial transactions is regularly monitored by our administrators, Phoenix Life, who have internal control procedures that help ensure that core financial transactions are processed promptly and accurately. This includes controls and procedures to manage the payment of benefits to members.

Phoenix Life provide annual benefits statements for all members, and these were last produced in June 2024 and sent to all members for whom the Trustee holds a verified address.

As most members benefit from GARs, the Trustee has concluded that remaining in the Phoenix Life policy is likely to be in the best interests of members and therefore the default wind-up option will be to be assign existing policies in individual names. Overall, the Trustee is satisfied, given the fact that most members benefit from GARs, that the Scheme does provide good value for members.

10. General

Prior to the triggering of the wind up of the Scheme, the Trustee reviewed Scheme records and governance procedures as part of its oversight and effective running of the Scheme. Legal and investment advisers have been appointed, whilst auditors will shortly be engaged to provide audited Scheme accounts. The Trustee continues to have ongoing correspondence with the Company and prepares and maintains recommended governance documentation for a scheme in wind-up. The last Trustee meeting was held On 29 October 2024 and a final meeting will be held to document the completion of the wind-up of the Scheme. All required communications regarding the wind-up of the Scheme are currently in preparation and will be issued to members in due course.

Trustee knowledge and understanding

The Trustee is required to have appropriate levels of trustee knowledge and understanding. This is achieved in a number of ways including:

- Align Pensions Ltd is an independent professional trustee and is a wholly owned subsidiary of the Pi Partnership Group.
- The staff of Align Pensions Ltd undertake appropriate training at or outside of regular Trustee meetings. Staff also benefit from experience gained from managing other occupational pension schemes
- As sole independent Trustee, staff on the trustee team are required to complete continual professional development (CPD) of at least 25 hours a year, of which only 10 hours can be reading. This will take the form of attending internal and external seminars, training sessions, and webinars hosted by various pension services providers and industry bodies and reading material.

During the year topics included training on decumulation pathways, the General Code, pensions dashboards, new funding requirements, Cyber Security, EDI and member communications. Training is logged and reviewed annually. In addition, the various pension professional bodies, like the Pensions Management Institute and Institute of Actuaries, have their own CPD requirements that relevant staff adhere to. These CPD requirements were achieved during the year under review. Both the lead representative and second representative at the Trustee are Accredited Professional Trustees with the APPT.

The Trustee ensures that all members of the trustee team have knowledge of the Scheme's governing documents and is supported by the Insurer, Phoenix Life, its advisers and the Principal Employer.

Signed



David Martland
Professional Trustee

On behalf of the Trustees of the Ironsides Lubricants Ltd Directors & Executives Retirement Plan.

Date: 31 October 2024