

# **BIRCHAM DYSON BELL LLP GROUP MONEY PURCHASE SCHEME**

## **ANNUAL REPORT FOR THE YEAR ENDED 30 NOVEMBER 2023**

### **THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 1 DECEMBER 2022 TO 30 NOVEMBER 2023**

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This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Bircham Dyson Bell LLP Group Money Purchase Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC). This Chair Statement should be read in conjunction with the Value for Members statement.

#### **Default arrangement**

The Scheme is currently administered as a paid up Scheme, with no new contributions being made to the Defined Contribution section.

Members of the Scheme who did not make an explicit choice regarding the investment of their funds were invested in the default strategy arrangement chosen by the Trustee with the advice of their Investment Consultant. There is presently only one member in the Defined Contribution Section.

The Scheme's investment strategy is reviewed every year, with an in-depth review taking place triennially on the overall investment strategy for all liabilities. The default strategy arrangement for the DC section is to invest 100% in the Managed Fund with Aviva (formerly Friends Provident Pensions Limited and ex London and Manchester Pensions Limited). The fund is in a pooled investment vehicle structured, as a unit-linked insurance contract in the multi asset sector. The DC section does not qualify for auto-enrolment.

The fund aims to provide a diversified portfolio of assets in order to generate combined capital growth and income. The fund will mainly be invested in equities and bonds. It may also invest in warrants, convertibles, money market instruments, short term bonds, commodities, private equity, hedge funds, other alternative assets classes and direct property. The fund may invest directly or indirectly.

Having considered the Scheme's demographics, the Trustee believes that the majority of members will be accessing their savings as cash.

For the purpose of the fair value hierarchy analysis the pooled investment vehicles have all been included in level 2 as the pooled investment funds themselves are not exchange traded.

A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

#### **Asset allocations of the Default Fund (as at 29.02.2024)**

The fund invests in different type of assets, such as equities, bonds, property and cash/money market. The following table shows the types of asset classes and percentages that the fund invests in. These percentages may vary.

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#### Aviva Managed LMP / FPP Fund

Asset class	Weighting (%)
International Equities	49.0%
International Bonds	19.9%
Managed Funds	2.0%
Alternatives	11.2%
UK Equities	10.4%
UK Gilts	2.5%
UK Corporate Bonds	10.8%
Property	0.3%
Investment Trusts	0.1%
Other (including Commodities)	1.2%

Source: Aviva.

#### Investment returns

The value of the default fund is not guaranteed and can go up and down. The figures show actual fund performance after yearly fund charges have been deducted.

#### Aviva Managed LMP / FPP Fund

Period	Investment return (%)
1 year to 29/02/24 Fund	5.33%
1 year Sector Average	5.52%
3 years to 29/02/24 Fund	5.08%
3 year Sector Average	8.79%
5 years to 29/02/24 Fund	22.43%
5 years Sector Average	25.50%
10 years to 29/02/24 Fund	55.50%
10 years Sector Average	64.04%

Source: AVIVA FE fund info performance to 29/02/24, bid to bid income reinvested GBP

#### Aviva Managed Fund LMP / FPP Fund

Period	Total return (%)	Annualised (%)
1 year return	5.33	5.3
3 year return	5.08	1.6
5 year return	22.43	4.4

Source: AVIVA Managed Pension Fund Statistics for Total Return, calculated by Professional Pensions and Investments Ltd, annualised (rounded)

The Trustee reviews the performance of the funds available to members periodically. The fund performances were factored into the review undertaken over the year.

The Trustee has set up processes to publish relevant information on the default arrangement online at the following URL: <https://www.bdbpitmans.com/bdb-group-money-purchase-scheme> and will notify members about this in their annual benefit statements.

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#### Net Investment Returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance Amendment) Regulations 2021 require the Trustee to calculate and state the investment return, net of transaction costs and charges.

These costs are those paid by a Scheme member from their member pot. They include total ongoing charges which are paid by the member rather than by the Employer. The Employer meets other running costs of the Scheme. Figures shown are not guaranteed.

Years	Age Now: 60, Deferred Member, Nil Contributions Starting Value: £200,000	
	Charges £	
	Before	After
0	200,000	200,000
1	202,927	201,356
3	208,910	204,096
5	215,069	206,874

#### Notes

1. Projected pension pot values shown in today's terms
2. Retirement age assumed to be age 65
3. Inflation assumed to be 2.5% per annum
4. Aviva Managed Fund growth rate assumption: 1.5% above inflation
5. Investment annual management 0.75% plus transaction costs 0.03%, totalling 0.78%

This approach clearly shows the differing cost implications of investment fund choices in each year of membership, so providing clarity of costs.

Such assumptions as inflation and the implicit charges change over time.

The Trustee will keep this aspect under review and consider inclusion in future years. Members also receive a Statutory Money Purchase Illustration (SMPI) of their own benefit annually.

#### Processing Scheme transactions

The Trustee has a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately, including 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. As the Scheme is paid-up, no further investment of contributions to the Defined Contribution section are payable.

These transactions are undertaken on the Trustee's behalf by the Scheme administrator, Aviva. The Trustee periodically reviews the processes and controls implemented and consider them to be suitably designed to achieve these objectives. The Trustee has an agreement in place with the Scheme administrator which covers the accuracy and timeliness of all core transactions and receives reports to monitor the performance about service.

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The processes adopted by the Scheme administrator to help meet reasonable standards include dynamic checklists, a central financial control team separate to the admin team and daily monitoring of bank accounts. During the period covered by this statement there were no issues relating to the processing of Scheme transactions. We continue to consider performance of the agreement and receive an annual Assurance Report on Internal Controls (AAF 01/06) from Mercer who are a subcontract for AVIVA on administration service.

We also challenge the Scheme's administrators on matters of efficiency using available means and in connection with member movements on the Scheme.

In light of the above, the Trustee considers that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met. In making this judgement the Trustee notes the size of the Scheme and takes a proportionate view in respect to the nature of the Scheme overall.

#### **Charges and transaction costs – default arrangement and additional funds**

The law requires the Trustee to disclose the charges and transactions 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. We have taken account of statutory guidance when preparing this section of the report.

Transaction costs have been provided by the Scheme's investment manager. There were no purchases or sales over the accounting periods that have resulted in direct transaction costs.

Transaction costs are borne by the Scheme in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the swinging price or the bid/offer spread of these investments is not separately reported. All funds are subject to a 0.75% Annual Management Charge and a 0.03% Additional Charge, giving a total annual fund charge of 0.78%.

We are comfortable that the costs for the default arrangement are reasonable both in terms of the outcomes the funds are targeting and the fees in the wider market applicable to similar investment strategies. We acknowledge the 0.75% annual charge is at the limit of the default charging cap and are in engagement with the member about alternative strategies

#### **Value for members**

Bearing in mind that there is only one member in the DC section the Trustee has a good understanding of the membership demographics of the Scheme and as such have a view as to what good member outcomes should look like. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, including available Employer support, the efficiency of administration services, the robustness of scheme governance, fund management and performance of the funds. Member outcomes are an important aspect of the investment. The Trustee will consider the benefit of buyout or transfer the member liability.

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The performances of funds are discussed regularly. The same applies with the efficiency of administration services, which are also discussed regularly with the Scheme administration manager. With this in mind, the Trustee has assessed the fees disclosed above and we are satisfied that we have a deal as agreed historically for members and that the stated explicit charges for the Scheme's funds represent value for members 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.

The Trustee has set up processes to publish relevant information on the costs and charges of the default arrangement and self-select funds online at the following URL: <https://www.bdbpitmans.com/bdb-group-money-purchase-scheme> and will notify members about this in their annual benefit statements.

#### **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 Codes of Practice 07 and 13 which the Trustee adheres to and is described below.

The Trustee has in place arrangements for ensuring that we take responsibility for keeping ourselves up to date with relevant developments and carry out analysis of training needs on an ongoing basis. The Trustee is Winterbourne Trustee Services Ltd. As an Independent Professional Trustee appointed to the Scheme, Winterbourne provide an experienced representative to deal with matters in the Scheme. The Team at Winterbourne includes experienced professionals who are well versed in the operation and practices of occupational pension schemes. The wider team hold qualifications and have professional experience appropriate to all aspects of managing an occupational trust based pension scheme. Each member of that team undertakes continuous professional development appropriate to their specific discipline. The team expertise extends to Scheme Administration, Scheme Governance (both DC and DB aspects), Legal Documentation and Regulation, Investment and Actuarial matters. Each of their team maintains adequate professional knowledge by undertaking more than 25 hours of professional training annually in their chosen speciality and has undertaken the Pensions Regulator Trustee toolkit training. On the appointment the Trustee receives a copy of the Trust Deed, the Scheme Rules, the Scheme Accounts, the current SIP, copies of the recent Trustee Minutes and all other relevant Scheme documentation. This initial process includes some time discussing the Scheme with the Scheme administrator, thereby ensuring a level of appropriate knowledge at outset as to the specifics of the Scheme and matters that are in hand at the time. This is in effect an appropriate induction session. This ensures the role as Trustee can be exercised appropriately.

The Trustee receives advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors. The Trustee also includes legislative updates and Trustee Knowledge and Understanding on the agenda for each of our meetings.

Throughout the year, the Trustee has demonstrated a working knowledge of the trust deed and rules on a number of occasions, particularly relating to the running of the Scheme.

Taking account of actions taken individually and as a Trustee body and the professional advice available to us, the Trustee considers that they are enabled properly to exercise their functions as Trustee of the Scheme. Throughout the year, consideration has appropriately been given to whether formal legal advice is required on particular issues.

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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.

Given the extent of the knowledge and training above, the Trustee is comfortable that it has demonstrated sufficient knowledge of the law relating to pension schemes and trusts and the principles relating to the funding and investment of pension schemes. As Chair I am also satisfied that the Trustee has demonstrated a working knowledge of the Scheme's trust deed and rules, Statement of Investment Principles and all other documents setting out the Trustee policies.

This Chair statement regarding DC governance was approved by the Trustee and signed on their behalf by:

Mike Weir  
For Winterbourne Trustee Services Ltd as Trustee

Date: