Chair’s Statement

St Catherine’s Hospice Retirement Benefits Scheme (the “Scheme”)

15 September 2022 to 14 September 2023

Introduction

As the Chair of the Trustees of the St Catherine’s Hospice Retirement Benefits Scheme, I am required to provide an annual statement to demonstrate how the Scheme has met the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 in relation to:

- Providing a default investment arrangement for members (the “default arrangement”)
- Processing financial transactions promptly and accurately
- Details and impact of charges and transaction costs borne by members
- Assessment of the values members received from being a member of the Scheme
- Meeting the requirements for trustees knowledge and understanding

The period this statement covers is the scheme year from 15 September 2022 to 14 September 2023 (the “Scheme Year”).

This statement is made available online, as required by the Pensions Regulator, at Chair pension statement page’ and members are informed of this periodically. The Chair’s Statement can also be provided, on request, in hard copy.

Default Investment Strategy

The Scheme’s status was changed to ‘Closed to new members’ on 18 January 2002. At 15 September 2023, there were 5 Active members of the Scheme and 8 deferred members and so the default investment strategy must be tailored to this membership group. New employees are no longer eligible to join this Scheme and must instead join the Qualifying Workplace Pension Scheme (QWPS) offered by St Catherine’s Hospice and also in place with Scottish Widows.

As there are still members active in the Scheme, contributions are still being made for and on behalf of this group. All contributions and any existing fund holding for all members is invested in the Scottish Widows With Profits fund. This is, and always has been the default investment strategy for all members of the Scheme and the only current option available to the trustees, without disrupting the valuable guaranteed elements of the Scheme. Members are not required to make their own decision on investment strategy although they can choose an alternative if they wish, that does not offer the specific guarantees laid out in this report.

Scottish Widows have advised that there are no other available funds for the Scheme or the membership to invest in that would retain these beneficial guarantees and members are therefore unable to switch their benefits from the With Profits fund without detriment. Valuable protected benefits are made available to members investing in this With-Profits fund such as Guaranteed Annuity Rates (GARs) but the trustees understand their duties and their obligation to regularly review these investment options to satisfy regulations and ensure that members are receiving a fair outcome. Investment returns through the With Profits fund are determine by the Scottish Widows With-Profits Committee and awarded by way of reversionary bonuses, determined by contribution increments and historical contribution patterns. Final bonuses are payable and continue to be paid to members based on these contribution histories.

It's worth noting that the Scheme is not used for auto-enrolment purposes despite it accommodating several active members. The employer ensures that cyclical re-enrolment rules and procedures are followed diligently so that any employee who is not active in the company's QWPS at each regular cyclical event (every 3 years) is subject to an automatic opt-in process to ensure compliance. Any member that is taken through this process is given the tools and the relevant information to make informed decisions. If they choose to opt-out of the QWPS at this cyclical event, they are free to remain in an alternative pension scheme (including the Scheme) without the ongoing commitment from employer and employee alike to maintain certain contribution minimums and comply with all other aspects of auto-enrolment legislation. Advice and guidance for the employer, the trustees and the membership is available from our professional advisers, Ascot Lloyd.

Investment Review & Overview
Good Scheme governance dictates that the trustees should regularly and thoroughly review the default investment strategy as follows;

- Review the investment strategy and objectives of the default investment strategy at regular intervals, and at least once every 3 years
- Consider the needs of the Scheme membership when designing and reviewing the default arrangement

The trustees of the Scheme have not designed the default investment strategy in situ for this Scheme, instead they have historically selected a fund that would work for the membership in place at that time. The way in which With-Profits funds operate means that members are generating valuable member guarantees from their first induction, building as they and their employer invests more. The With-Profits fund in place with Scottish Widows is the only fund available to this Scheme (without detriment to the members) and whilst members can elect to switch away from this product and therefore the investment strategy should they individually decide to, doing so would result in a loss of these valuable protected elements including the availability of Guaranteed Annuity Rates on retirement. The Employer and the Trustees make available advice and support from Ascot Lloyd annually for those members who wish to discuss and consider their pension provision.

As our Scheme does not accommodate more than 100 members we understand that we are not legally obliged to create and maintain a Statement of Investment Principles (SIP) nor are we required to create and maintain an Implementation Statement. That said, the trustees take their responsibilities seriously and want to ensure that we are compliant with the rules at all times. As trustees we understand our responsibilities in monitoring and regularly reviewing the objectives of the default investment strategy (to ensure they remain fit for purpose) and the performance of said funds. Whilst the trustees are willing and able to undertake these regular reviews, the nature of the current investment strategy means that a switch or change of investment strategy is unlikely due to the resulting loss of valuable benefits for the membership.

The trustees have recognised the requirement for more regular formal review and will include this process in our trustee meetings annually, so that the discussion and ultimately the decisions taken, can be formally documented and form the basis of the content of the Chair's Statement.

Asset Allocation & Performance Monitoring

The Asset Allocation as at 31 December 2023 (along with a comparison as at 31 December 2022) is as follows;

Asset Allocation	At 31 December 2022	At 31 December 2023
Fixed Interest (UK Government Bonds)	3.00%	2.00%
Fixed Interest (Corporate Bonds)	15.00%	19.00%
Property	10.00%	10.00%
Equity (UK Shares)	8.00%	8.00%
Equity (Non-UK Shares)	32.00%	38.00%
Absolute Return Funds	12.00%	7.00%
Private Debt	4.00%	3.00%
Emerging Market Debt	7.00%	7.00%
Other Investments (Mainly Cash)	9.00%	6.00%

The requirement to meet guarantees means that Scottish Widows take account of the possibility of poor market conditions in deciding how much of the overall fund to invest in the riskier asset classes that offer the better long-term returns. Because the strength of the Scottish Widows With-Profits fund is currently strong, it means that they can hold a more significant part of the fund in Equities and Property that have the potential to perform well. The rest of the fund is invested in lower-risk assets such as fixed-interest bonds, including highly secure Government issued Bonds and others from companies that carry some risk but offer the opportunity for higher returns.

Whilst the Trustees of the Scheme fully understand that the governance on default fund selection and monitoring is clearly our responsibility, we are comforted that Scottish Widows have a robust process in place to review and adjust the asset classes used by the With-Profits fund regularly. Their With-Profits Committee adjusted the asset class distribution in 2023 as you can see, to decrease the investment in Absolute Return funds and increase exposure to Corporate Bonds for example.

The trustees are now aware of their role and responsibilities to continuously monitor the investment strategy for the plan. However, we are mindful that the restrictions on the availability of alternative funds through Scottish Widows significantly affects the ability of the trustees to undertake a more detailed investigation to determine the ongoing suitability of the With-Profits fund as the default.

Whilst the assets are invested in the With-Profits fund, they will benefit from guaranteed returns and from GARs when they come to take their benefits (as long as they are at the prescribed timescales). Should the trustees take a decision to switch the scheme and the assets, they run the risk of exposing the membership to losing those guaranteed returns as well as the option to take their benefits utilising the GARs. They also expose the members to the risk of having an MVR (Market Value Reduction) applied to their fund value by Scottish Widows. While we understand that the membership is small, we have a duty as trustees to ensure that we are not making any decisions that would significantly impact them negatively.

The trustees delegate the day to day oversight of their elected default investment strategy to Scottish Widows as Investment Managers. They are responsible for the ongoing review of the investment performance of the With-Profit fund.

Core Financial Transactions

The trustees are required to report on the processes and controls in place in relation to the Core Financial Transactions. The law specifies that these include the following;

- Ensuring that scheme contributions are paid on time, in line with statutory timeframes.
- Investment of contributions paid into the Scheme.
- Transferring assets related to members into or out of the Scheme
- Transferring assets between different investments within the Scheme.
- Making payments from the Scheme to or on behalf of members.

As a live Scheme with active members still in place, all of these 5 core areas are valid for this Scheme.

Active contributions from Employer and the Employee are made to the Scheme on a monthly basis. The Employer and the trustees are aware of their responsibilities to ensure that all contributions are collected, paid across to Scottish Widows and invested in line with the statutory guidelines. I can confirm that all contributions made within the specified Scheme Year were paid and invested on time.

The Scheme does not permit members switching their holdings between investment strategies as previously explained throughout this report, without losing valuable guaranteed benefits or exposing themselves to the risk of penalties, therefore in practice, there is no switching between investment funds.

The administration of any settlements or transfers (to and from) under the Scheme are handled by our professional advisers, Ascot Lloyd and the Scheme provider, Scottish Widows. They both operate in line with strict Service Level Agreements (SLAs) and internal processes including peer review to ensure that the members receive a positive experience and that all core financial transactions are completed in a timely manner. Any failure by our Advisers to meet the expected levels of service would be discussed with them to ensure that there was no repeat and that the processes were reviewed.

I am pleased to advise that during the last Scheme Year, there were no reports of any material administration service issues which would need to be reported by the trustees. We are confident that the processes and controls in place with our service providers are sufficiently robust to ensure that all core financial transactions are dealt with professionally.

Member Borne Charges & Transaction Costs

As trustees, we should regularly monitor the level of charges borne by members of the Scheme through the investment funds being utilised and elsewhere. These charges comprise of;

1) Charges – explicit charges representing the costs associated with the operation of the investment funds. They can be identified as a Total Expense Ratio (TER) or as an Annual Management Charge (AMC), which is a component part of the TER.
2) Transaction costs – these are not explicit and are incurred when the Scheme's fund managers buy and sell assets within an investment fund but are exclusive of any costs incurred when members invest in or sell out of funds.

The charges, or specifically the Annual Management Charge of the Scottish Widows With-Profits fund is not disclosed. Scottish Widows have not made this detail available to the trustees however, the implied 'cost' of With-Profits investments is 1.00%, although the very nature of this type of investment means that these charges are implied rather than explicit.

Members of the Scheme do not incur any additional charges as a result of the role of other service providers play in the operation of this Scheme. Our professional Advisers, Ascot Lloyd are remunerated through direct fees paid by the Employer for their involvement in the Scheme.

Scottish Widows have confirmed that none of the transaction costs applicable for any internal switch of assets (sale or purchase) would be directly handed down to the members of the Scheme.

As you will be aware, the Hospice does accommodate other active members in a QWPS also held with Scottish Widows and which complies fully with auto-enrolment legislation with an AMC of 0.75%. Members of the Scheme do have the option of auto-enrolling through the Employer's main QWPS and advice and guidance is available for these members from our professional Advisers, Ascot Lloyd.

Value for Members/Money

As trustees, we are required to carry out an assessment of the extent to which member-borne costs charges represent good value for members, in accordance with the **Occupational Pension Schemes (Scheme Administration) Regulations 1996** and the **Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021**.

The trustees have considered the following in undertaking this assessment;

1) The level of costs and charges paid by members compared to other similar schemes
2) The performance of the Scheme's fund(s) net of costs and charges.
3) The scope and quality of the services that members receive.

The trustees understand that value for money does not necessarily mean the lowest fee and the overall quality of the service received is also taken into consideration in the assessment. As trustees, we believe that the costs for members, assumed to be around 1.00% represents good value. As a direct comparison with other similar Schemes also offering With-Profits investment strategies at their core would be at the same Annual Management Charge or around 1.00%. We can directly compare the AMC directly to the St Catherine's Hospice QWPS, also insured with Scottish Widows. Whilst the AMC is lower at 0.75% under the QWPS, the availability of the additional guaranteed benefits under the Scheme represents good value for the members overall.

As a With-Profits fund, the performance is determined by Scottish Widows but guarantees a level of annual return which is positive for members. Whilst With-Profits returns have obviously reduced over time, they still represent a good return for our members with no risk of negative returns. Clearly, the investments are set to match these required rates of return and so members may be able to achieve greater returns elsewhere, but without the safety net that With-Profits fund afford.

The availability of GARs for members who wish to take their benefits directly from the Scheme at or around normal retirement date also demonstrate extra overall value for the members.

Trustees Knowledge & Understanding

The legal requirement on trustees Is that they should have or have access to, enough knowledge and ability to run the Scheme effectively. Specifically, the trustees need to demonstrate a continuous working knowledge of;

1. The Scheme's Trust Deed & Rules (including any amending deeds)
2. The Scheme's investment strategy
3. Any other documents relating to the responsibilities and operation of the Scheme

As trustees of the Scheme we take our role and responsibility seriously. We meet regularly to discuss matters collectively and decisions are always fully documented. We have access to the Trust Deed & Rules and have a working understanding of how it operates to enable us to effectively govern the Scheme. Whilst each trustee is responsible for ensuring that our knowledge and understanding is maintained and kept up to date, working with our professional Advisers and other stakeholders, we are regularly 'trained' in our day to day involvement in the Scheme. Any specific training is generally delivered during trustee meetings or on a needs basis.

Whilst the trustees have an understanding of the Scheme's investment strategy, we delegate the day-to-day management to Ascot Lloyd and Scottish Widows, as Adviser and Provider for the Scheme. They are able to supplement the trustees knowledge to ensure that we have the tools and the experience to operate the Scheme effectively.

Full Name	**Signature**	**Date**
Lorraine Norris	Lorraine Norris	04/06/2025