

Chair's statement (Cont)

Chair's statement regarding the governance of defined contribution arrangements, Scheme year – 1 June 2023 to 31 May 2024

1. Introduction

- 1.1. This statement has been prepared by the Trustee Directors of RM Pension Scheme Trustee Limited (the Trustee), the Trustee of the Research Machines plc 1988 Pension Scheme (the Scheme), to report on compliance with governance standards.
- 1.2. The governance standards apply to defined contribution (DC) arrangements and are designed to help members achieve good outcomes from their pension savings.
- 1.3. The main areas of governance covered by this statement are:
 - The investment arrangements, including the asset allocation;
 - The processing of core financial transactions;
 - Member borne charges and transaction costs (including illustrations of the impact of charges);
 - The net investment returns for the Scheme's investment options;
 - Value for members assessment; and
 - Trustee knowledge and understanding.
- 1.4. This statement covers the Scheme Year 1 June 2023 to 31 May 2024.
- 1.5. A copy of this statement will be included in the Scheme's Annual Report and Accounts and will be published on a publicly available website: <https://rmpensions.co.uk/schemes/rm-scheme-documents/>
- 1.6. This statement does not contain advice in respect of actions that members should take and it is not intended to be used for that purpose. If members need advice they can get help finding a regulated financial adviser through the MoneyHelper website at www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/find-a-retirement-adviser.

2. The Scheme's DC arrangements

- 2.1. Under the Scheme, the DC arrangements are comprised of:
 - Assets transferred from other pension schemes into the Scheme on a money purchase basis;
 - Money purchase investments for some members built up through the payment of Additional Voluntary Contributions (AVCs);
 - Money purchase underpins that relate to the main final salary benefit entitlement; and
 - Money purchase benefits with a defined benefit underpin for some members which were accrued in the "Under 25" category of the Scheme or where a transfer in with a Guaranteed Minimum Pension (GMP) entitlement has been received.

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3. DC investment arrangements

- 3.1. Most DC schemes have a default arrangement, where member contributions are invested for those members who do not elect to make their own investment decisions. The Scheme is not a qualifying scheme for auto-enrolment purposes; it has been closed to new members and no employee contributions have been paid into it since 31 October 2012. Therefore, it does not have a default arrangement per se.
- 3.2. The DC arrangements within the Scheme (other than the AVCs) are set up so that the members do not have any choice on where the funds are invested. The Trustee is responsible for investment governance and this includes setting the broader investment strategy and monitoring the investments. The Scheme's SIP is attached to this statement setting out the Trustee's investment objectives and policies. All members in the Scheme with DC assets also have Defined Benefit (DB) benefits and most of these members have a guaranteed minimum value that the DC assets will be assessed against at retirement.
- 3.3. Given this, the primary objective for the DC investments (excluding the AVCs) is to invest the assets in a manner that is expected to outperform inflation over the long term, to grow members' assets in real terms, with the management of the investment risk being secondary to this target due to the existence of the underpin on most members' DC benefits.
- 3.4. Through the regular quarterly monitoring reports which the Trustee receives from their investment advisers, the Trustee has been able to monitor that the investment funds have performed in line with the stated aims and objectives.
- 3.5. The DC investment arrangements are reviewed at least every three years and the last review commenced in November 2021. After careful consideration it was decided that all of the DC assets would be transferred to the Schroders Stable Growth Fund. This was completed prior to the beginning of this Scheme year.
- 3.6. The AVCs were considered within the same review, and the report recommended no changes to the AVC policies given the minimal membership with Scottish Friendly holdings and the large proportion of Prudential policy assets invested in a with-profits fund. The Trustee will look to review the AVC policies again towards the end of 2024.

Asset allocation of the Schroders Stable Growth Fund

- 3.7. We have provided further details in the table below of the underlying asset allocation of the Schroders Stable Growth Fund. We have provided this information in line with statutory guidance.

Asset Class	Allocation (%)
Cash	1.8%
Bonds	30.5%
Listed Equities	59.1%
Private Equity	0.0%

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Infrastructure	0.0%
Property/Real Estate	0.0%
Private Debt/Credit	0.0%
Other	8.6%
Total	100.0%

4. Core financial transactions

- 4.1. The Trustee has a duty to ensure that 'core financial transactions' are processed promptly and accurately.
- 4.2. As the Scheme does not receive DC contributions the core financial transactions comprise the following:
- transfers out of the Scheme;
 - other payments out of the Scheme;
 - investment switches (only applicable in respect of the AVC arrangements where some, albeit limited investment choice is available).
- 4.3. Core financial transactions for the DC benefits, excluding the AVCs, are undertaken by the main Scheme administrator, Barnett Waddingham.
- 4.4. Core financial transactions for the AVC arrangements are undertaken by the AVC providers - Scottish Friendly and Prudential. We recognise that AVC providers offer a limited administration service with benefit statements being provided for distribution to members and members do not interact directly with Scottish Friendly or Prudential, this is via the main administrator, Barnett Waddingham.

Controls and monitoring arrangements

- 4.5. The controls in place in relation to ensuring the promptness and accuracy of core financial transactions are:
- The Trustee has Service Level Agreements (SLAs) in place with Barnett Waddingham and aims to ensure a minimum of 95% of core financial transactions are processed within the SLAs set out below:

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Core financial transaction

Service Level Agreement

Transfer out payments

3 working days

Deaths

2 working days

Retirement payments

5 working days

- In order to monitor the administrator's performance against these SLAs, the Trustee received regular administration reports during the period from Barnett Waddingham.
- The Barnett Waddingham quarterly administration reports include cashflow monitoring, summaries of member transactions, reporting of service performance against the SLAs and identifying any issues arising regarding administration timeliness and/or accuracy. Reports are considered at each Trustee Meeting.
- Internal checking procedures are applied to all processes by Barnett Waddingham to monitor the accuracy of core financial transactions.
- Monitoring of accuracy is undertaken via the auditing of the Scheme's annual report and accounts and periodic auditing of the Scheme's membership data. At the end of the reporting period the common data score was 88.35% and the conditional data score was 85.51%. In addition, the administrator's processes are subject to internal controls procedures.
- Barnett Waddingham operates a pooled banking facility. The Barnett Waddingham pension administration system is updated daily to show reconciled balances to the pooled banking system.
- Additional measures that help to monitor the accuracy of core financial transactions includes the external audit of the Scheme's annual report and accounts by the independent auditor.
- Barnett Waddingham also publishes an annual Assurance Report on Internal Controls which is externally audited. No concerns have been raised by the audit which needed to be brought to the Trustee's attention.
- Any material issues uncovered regarding inaccuracies with core financial transactions would be included within the administrator's quarterly reporting to the Trustee together with details of the actions to be taken to resolve the issue.

4.6. The Trustee is satisfied that the Scheme's administrator has sufficient processes and controls in place to process core financial transactions promptly and accurately.

Performance during the Scheme Year

4.7. During the Scheme year Barnett Waddingham decided, along with agreement from the Trustee, to transfer their administrative services for the Scheme from its Cheltenham office to its Bristol office, to improve the administration resourcing. This was completed in November 2023 with no issues to declare.

4.8. The Trustee received quarterly reports from the administrators during the Scheme Year. Due to the nature of the DC benefits and the interaction with the DB benefits the SLAs provided for the Trustee are not split between DB and DC activity. However, the total SLA performance from Barnett Waddingham from 1 June 2023 to 31 May 2024 was 93%. This is marginally below the

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expected level and the change in the administration team location should help to improve the performance against SLAs going forwards.

AVC core financial transactions

- 4.9. Scottish Friendly have agreed Service Levels of 5 working days for all activities. Due to the small population with AVCs in that policy they have confirmed that during the period there were no core financial transactions undertaken to measure against the SLA.
- 4.10. Prudential have in place robust processes to help meet service levels including a central financial control team; peer checking and authorisation of payments; daily bank account monitoring and daily checking and reconciliation of member unit holdings. Their administration service is measured against an end-to-end service reporting to help trustee boards understand the true member experience.
- 4.11. The Prudential end-to-end service performance (that is the time it takes a member from first contacting Prudential through to the point at which the action is completed – and this might involve activity outside of Prudential and by the member) is measured as follows:

Work Type	Upper Target Days = 75% of cases completed	Lower Target Days = 95% of cases completed	Tail Target Days = no more than 1% of cases completed beyond
Bereavements	< 29	< 77	> 100
Claims	< 10	< 22	> 43
Servicing	< 8	< 20	> 48

- 4.12. Prudential have confirmed there is minimal activity on the policy and over the Scheme year they confirmed there had been only seven cases. When comparing these against the end-to-end service targets, six were within the Upper Target and one was within the Lower Target. The case which was within the Lower Target days was a claim case i.e. a core financial transaction.
- 4.13. The Trustee's advisers receive regular updates from Prudential to seek assurances that the administration performance is improving towards meeting the service standards set.

Core financial transactions summary assessment

- 4.14. In view of the controls and monitoring arrangements, the Trustee believes that the administrators were operating appropriate procedures, checks and controls; there were no material administration errors that have been brought to the attention of the Trustee; and, with oversight from Barnett Waddingham, core financial transactions have been processed promptly and accurately.

5. Member-borne charges and transaction costs

- 5.1. The Trustee is required to report on the charges and transaction costs for the investments available to members and comment on whether these charges and costs represent good value for members. The charges borne by members are typically made up of:

- Annual Management Charges (AMC) – the fund's investment administration and management fee

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- Additional Expenses – these are additional fund expenses such as custody costs which together with the AMC make up the Total Expense Ratio (TER)
- Transaction costs - these relate to the variable costs incurred within an investment fund arising from the trading activities of the fund, e.g. incurred in the buying and selling of securities, which are not accounted for in the TER charge.

Schroders were unable to provide a breakdown of the TER by detailing the Annual Management Charge and Additional Fund Expenses separately. This report therefore notes the total cost.

Charges in relation to the DC Benefits (excluding AVCs)

- 5.2. The following table provides details of the charges and transaction costs for each of the underlying components of the investments in the Schroders Stable Growth Fund for the year ending 31 May 2024 (data sourced from Schroders):

Investment option	Total Expense Ratio (TER) *	Transaction costs** (p.a.)
Schroders Stable Growth Fund	0.37%	0.13%

* The TER comprises the Annual Management Charge and Additional Fund Expenses which are met by members.

** In certain circumstances, the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes down the price of the asset being traded, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

Charges in relation to AVCs

- 5.3. The following table provides details of the charges and transaction costs for each of the unit-linked investment options currently available for the policy with Prudential. The figures below have been provided by Prudential (these show the AMC and "Further costs", the latter depending on which funds are invested in and when costs are calculated) and are correct as at July 2024. The transaction costs cover the most recent period which is 1 April 2023 to 31 March 2024.
- 5.4. Members can also invest in the With-Profits fund at Prudential, however, due to the nature of this fund, charges are not transparent. Nevertheless, we understand that the estimated charges are in the order of 1% p.a. Details for the funds are as follows:

Investment option	Annual Management Charge (AMC)	Further costs	Transaction costs**
Prudential With-Profits Cash Accumulation Fund**	No explicit AMC as charges are deducted before bonuses are applied; they are estimated to be in the region of 1%		0.16%
Prudential Global Equity**	0.75%	0.02%	0.24%
Prudential International Equity**	0.75%	0.03%	0.19%
Prudential Positive Impact	0.75%	0.01%	0.01%
Prudential Fixed Interest**	0.75%	0.01%	0.00%

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Investment option	Annual Management Charge (AMC)	Further costs	Transaction costs**
Prudential Index-Linked**	0.75%	0.01%	-0.09%
Prudential Long-Term Gilt Passive	0.65%	0.01%	-0.02%
Prudential Discretionary**	0.75%	0.02%	0.16%
Prudential UK Equity Index**	0.65%	0.01%	0.61%
Prudential UK Equity	0.71%	0.01%	0.32%
Prudential Cash	0.55%	0.00%	0.02%

* Transaction costs are provided for the 12 months to 31 March 2024. In certain circumstances, the methodology used for calculating transaction costs (known as slippage) can lead to negative costs being reported. This can be, for example, where other market activity pushes down the price of the asset being traded, whilst the transaction was in progress, resulting in the asset being purchased for a lower price than when the trade was initiated.

**Funds actually used by members in the period

- 5.5. A small number of members also hold AVCs in a Scottish Friendly (formerly known as MGM) policy with both unit-linked and With-Profits funds being utilised. Scottish Friendly have provided details of the AMC on the unit-linked funds available, albeit members are only currently using the MGM Managed Fund and the MGM Conventional With-Profits Fund. The transaction costs have not been provided but have been requested from Scottish Friendly and an update will be provided when this information is received.

Investment option	Annual Management Charge (AMC)	Investment option	Annual Management Charge (AMC)
MGM Managed	1.25%	MGM UK Index Tracker	1.15%
MGM Fixed Interest	1.05%	MGM Global Index Tracker	1.20%
MGM Property	1.50%	MGM Active Balanced Fund	1.85%
MGM Deposit	0.40%	MGM Bonus Growth	1.25%
MGM Building Society Fund	0.50%		

The charges for investments in the With-Profits Fund are implicit in the bonuses declared and information has not yet been provided by Scottish Friendly. The Trustee has requested this information and will provide updated information when it is received.

Impact of costs and charges

- 5.6. To demonstrate the impact of member-borne charges and transaction costs on the value of members' pension savings, the Trustee has produced illustrations in accordance with statutory

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guidance. These show the impact of charges and transaction costs for representative cross-sections of the membership, allowing for investment in the Schroders Stable Growth Fund.

- 5.7. For each illustration, the DC benefit has been projected twice: firstly for the assumed investment return gross of costs and charges; and secondly for the assumed investment return net of costs and charges.
- 5.8. Projected pot sizes are shown in today's terms, so do not need to be reduced further for the effects of future inflation. Inflation is assumed to remain constant throughout the term of the illustrations, at 2.5% per year.
- 5.9. On grounds of materiality, the illustration has only been prepared for the Pure DC investments not the DC funds with underpins or the AVC funds. The table below shows the projected DC benefit in today's money:

Years from taking benefits	Starting pot size £13,300	
	Before charges	After charges
1	£13,738	£13,673
3	£14,658	£14,451
5	£15,639	£15,273
10	£18,389	£17,538
15	£21,622	£20,140
20	£25,424	£23,127

- 5.10. Note on how to read this table: If a member had £13,300 invested in this option on 1 June 2024, after 10 years of membership, the savings pot could have increased to £18,389 if no charges are applied or £17,538 with charges applied.

- 5.11. Notes:

- Values shown are estimates and are not guaranteed.
- The starting date for the illustrations is 1 June 2024.
- An initial starting fund size of £13,300 has been used to represent the average fund size for members with Pure DC benefits i.e. not those elements of DC benefits with underpins or guarantees for whom this type of illustration has limited benefit given the nature of their benefits.
- No future contributions are assumed as the Scheme is closed.
- Timeframe: the illustrations are shown over a 20-year time frame as this covers the approximate duration that the youngest member would take to reach retirement age.
- The projected annual return for the investment is 3.375% above inflation in line with the SMPI assumptions used by Schroders for benefit statements for the year to 31 May 2024.

6. Disclosure of net investment returns

- 6.1. As per the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021 that came into effect from 1 October 2021, the Trustee is required to report on the Scheme's net investment returns. As required, the figures shown have been produced in line with the June 2021 statutory guidance entitled "Completing the annual Value for Members assessment and Reporting of Net Investment Returns".

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- 6.2. The statutory guidance recommends trustees disclose net investment returns covering at least a five-year period. The Trustee reports on the Scheme's net investment returns in the table below (Source: Prudential/Schroders – data has been requested from Scottish Friendly but this was not available at the time of completing this statement):

Annualised net investment returns in relation to DC assets

- 6.3. The following table provides the annualised net performance for the current fund option provided through the Scheme. The table includes performance for the periods ending 31 May

Fund	1 year	3 years (p.a.)	5 years (p.a.)	10 years (p.a.)
Schroders Stable Growth Fund	14.2%	N/A	N/A	N/A

2024:

Figures for longer periods are not applicable for members of the Scheme and have been excluded.

Source: Schroders

Annualised net investment returns in relation to AVCs (as at 31 May 2024)*

Fund	1 year	3 years (p.a.)	5 years (p.a.)
Prudential With-Profits Cash Accumulation Fund	2.5%	1.7%	1.4%
Prudential Global Equity Fund	14.0%	5.0%	6.2%
Prudential International Equity Fund	16.2%	6.8%	8.7%
Prudential Fixed Interest Fund	2.9%	-8.5%	-4.6%
Prudential Index-Linked Fund	1.0%	-14.0%	-7.6%
Prudential Discretionary Fund	11.4%	2.5%	4.6%
Prudential UK Equity Index Fund	14.3%	7.1%	5.8%

Performance is for the period stated to 31 May 2024.

*Prudential only provide net investment returns for funds where members have been invested.

Source: Prudential

7. Value for members

- 7.1. The Trustee is required to assess annually the extent to which the charges and transaction costs borne by members represent good value.
- 7.2. Analysis was undertaken by the Trustee's professional advisers, Barnett Waddingham LLP, and the findings set out in a report dated 14 November 2024. The Trustee subsequently considered this report and confirmed agreement with the Value for Members assessment.

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- 7.3. Recognising that low cost does not necessarily mean good value, the assessment considered whether the services for which members pay or share the costs are suitable for, relevant to and (likely to be) valued by members and whether performance of the services had been effective. Consideration was also made of the costs relative to other options available in the market.
- 7.4. Various investment-related services for which members do not directly bear the costs are nevertheless inextricably linked to creating the environment under which investment returns are delivered, e.g. strategy, monitoring, and the investment governance structure, so these were included in the assessment.
- 7.5. Other services paid for by RM Education Ltd (the Company) were excluded but nevertheless deliver value to members, e.g. the services of professional advisers and the operation of the Trustee Board, with a duty to act in the best interest of members.

DC Benefits (excluding AVCs)

- 7.6. In relation to the DC benefits (excluding AVCs), the member-borne charges and transaction costs relate to investment services only. All other charges, including the costs of administration and communication services are met by the Company. It is also recognised that majority of the DC benefits have some level of DB underpin.
- 7.7. The assessment considered in relation to investment services:
 - the investment strategy;
 - the arrangements for monitoring the performance of the investments and reviewing the investment strategy; and
 - the investment governance arrangements.
- 7.8. The Trustee concluded that the DC Section offers good value in relation to the charges and transaction costs borne by members.
- 7.9. In reaching this conclusion, the Trustee recognised:
 - A robust investment governance structure is in place.
 - During the reporting period, the Trustee took advice from its professional investment advisers.
 - Investment matters are considered by the full Trustee Board at each meeting.
 - Most members have a defined benefit underpin which enables access to be given to an investment approach which is aimed at maximising the investment return members earn in the knowledge that a minimum benefit underpin is provided.

AVCs

- 7.10. In relation to AVCs, the member-borne charges and transaction costs relate to:
 - investment services;
 - administration services; and
 - provider communication services.
- 7.11. The assessment considered the broad value for members of these services, taking a proportionate approach that reflects the relatively low value of the AVC pension savings concerned.
- 7.12. The Trustee concluded that the AVC arrangements offer reasonable value in relation to the charges and transaction costs borne by members.
- 7.13. In reaching this conclusion, the Trustee recognised:

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- The range of investment options with Prudential is satisfactory, although there is minimal choice with Scottish Friendly.
- The providers deliver a basic administration service which is supplemented by Barnett Waddingham, the Scheme administrator.
- Communication services are basic and there is no online member access.
- The costs are broadly in line with AVC arrangements of a similar size and closed nature and there is likely to be limited opportunity for the Trustee to change the service provider.

8. Trustee knowledge and understanding

The Trustee Board

- 8.1. The Trustee Board comprises five Trustee Directors, two of whom are appointed by the Company and three nominated by the members.
- 8.2. One of the Company appointed Trustee Directors, Wayne Phelan of Vidett Trustee Services Limited, is the Chair and is an independent professional trustee.

Trustee knowledge and understanding

- 8.3. Trustees are required to be conversant with a scheme's main documents and have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets.

Approach

- 8.4. The Trustee Directors aim to remain conversant with the Scheme's trust deed and rules as well as all other Scheme documents such as the Statement of Investment Principles, the risk register and current policies, e.g. conflicts of interest. They do so through their experience in governing the Scheme, as well as specific activities over the Scheme Year and access to professional advice.
- 8.5. The Trustee Directors aim to achieve and maintain knowledge and understanding of the law relating to pensions and trusts, the funding of occupational schemes and investment of scheme assets through a combination of training, taking professional advice and the inclusion of a professional trustee as a Trustee Director and Chair.
- 8.6. The Trustee Directors consult with professional advisers as and when required, for example on consultancy, investment, and legal matters. The professional advisers are engaged to proactively alert the Trustee Directors on relevant changes to pension and trust law at quarterly meetings. Professional advisers also provide support in relation to understanding and reviewing the Scheme's documents, attending trustee meetings and often in the delivery of training at these meetings.
- 8.7. All new Trustee Directors are required to have completed the Pensions Regulator's online Trustee e-learning Toolkit as well as a Scheme-specific induction.
- 8.8. The Trustee Training Record provides a log of training sessions that have been provided by professional advisers over the year, with the training being taken individually or collectively.
- 8.9. There is an additional item on every Trustee Board meeting agenda to cover current issues in pensions and assess if there are any gaps in Trustee knowledge and subsequently the Trustee will plan appropriate training sessions for upcoming projects or Scheme events.
- 8.10. The Trustee includes an independent professional trustee whose skills and experience gained from other schemes supplements the Trustee Board knowledge. In addition, the professional trustee works for a company who have specific internal controls, which require them to undertake continual professional development so that they keep up to date with all the

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legislative requirements and pensions industry developments. In addition, the professional trustee is accredited under the PMI's "Accreditation in Professional Trustees" ("APTitude") accreditation programme.

Activities over the Scheme Year

- 8.11. The Trustee Directors reviewed the Scheme's Statement of Investment Principles (SIP) to take account of investment changes. Both the DB section and DC section of the SIP were updated in March 2024 to reflect the recent changes to DC assets.
- 8.12. The Trustee Directors also formally reviewed (and updated where appropriate) the Scheme's Business Plan, Risk Management Register and the Conflicts of Interest policy, during the period.
- 8.13. The structured training programme was followed during the Scheme Year with annual self-assessments completed by all Trustee Directors, and the training programme itself was also reviewed. The training record was reviewed and updated.
- 8.14. During the Scheme Year, the Trustee Directors took professional advice on the following DC-related matters:
 - DC investment changes;
 - Undertaking the annual Value for Members assessment;
 - Disclosure of costs, charges, investments, and net investment returns;
- 8.15. On 3 June 2024, just after the Scheme year end, the Trustee Board was replaced by Vidett Trust Corporation Limited as sole Professional Trustee. Due to this change requirements such as the trustee effectiveness review were put on hold until the change was complete.

Assessment

- 8.16. The Trustee Directors consider that their combined knowledge and understanding, together with their access to professional advice, enables them to properly and effectively exercise their trustee functions in the following ways:
 - the Trustee Directors can challenge and question advisers, service providers and other parties effectively;
 - Trustee decisions are made in accordance with the Scheme rules and in line with trust law duties; and
 - the Trustee Directors' decisions are not compromised by such things as conflicts or hospitality arrangements.

Chair's Declaration

This Statement has been prepared in accordance with Regulation 23 of the Occupational Pension Scheme (Scheme Administration) Regulations 1996 as amended by the Occupational Pension Scheme (Charges and Governance) 2015 (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee Directors of RM Pension Scheme Trustee Limited to the best of my knowledge.

Curtis Mitchell

18 December 2024

Chair of the Trustee

Date