

CHAIR'S ANNUAL STATEMENT:
The Architects Registration Board Retirement Benefits Plan
("the Scheme")
2020

Introduction

In March 2015 the Department of Work and Pensions (DWP) set out new rules for the governance of Defined Contribution (DC) pension schemes . From 6 April 2015, the Trustee of each scheme will have to produce an annual statement, signed by their Chair, setting out a number of prescribed matters. Further legislation was introduced in the The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018, requiring the annual statement to provide detail on the charges and transaction costs borne by members.

The Scheme was set up in 1986 and this is the 2019 annual statement. It explains how the Scheme is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC) and is in respect of the year to 31 December 2019.

The Scheme operates under a Trust Deed and Rules dated 1 January 1986.

These are available from Marc Stoner at Architects Registration Board, 8 Weymouth Street, London, W1W 5BU.

What do you need to do next?

This report is for noting. You do not need to take any action. If you have any questions or require any further information you should contact Marc Stoner at Architects Registration Board, 8 Weymouth Street, London, W1W 5BU.

Investment strategy

The only investment option available to members is the Legal & General conventional With-Profits fund. This fund is invested in a range of assets and bonus rates are declared and added to each member's fund annually. The investment returns are smoothed which aims to even out some of the short-term ups and downs that may be experienced when investing in other assets.

The Trustee has made no changes to the investment options during the year, as the majority of members are relatively close to retirement and may benefit from the associated guaranteed annuity rates.

Default fund and Statement of Investment Principles

As the Scheme has fewer than 100 members there is no statutory requirement to have a statement of investment principles. In addition, as all the members joined the Scheme before 2001 there is no statutory requirement to have a default fund in place.

Core financial transactions

Legal and General confirmed to the Trustee that there have been no financial transactions in the past 12 months, therefore the Trustee is unable to comment on the timeliness or accuracy of the core financial transactions that may usually occur.

That being the case during a year where transactions take place the Trustee would ensure that the core financial transactions of the Scheme were processed promptly and accurately by having an agreement with their service provider committing them to defined service level agreements (“SLAs”) which are noted in the table at the end of this section and reviewing the performance of any core financial transactions against these SLAs.

The core financial transactions include:

- The investment of contributions to the Scheme
- The transfer of assets relating to members into and out of the Scheme
- Payments from the Scheme to, or in respect of, members

Process	Process service time
Claims Processing	
Individual Retirement and transfer Claims	6 Working Days
Quotes processing	
Retirement and transfer Quotes	6 working days
General Enquiries	
General Enquires & statement requests	6 working days
Trustees End of Year Accounts	8 working days
Policy Updates	
Updates - Change of address, change of nominated beneficiary etc	6 working Days
Money in processing	
Cheques and Bacs Payments	3 working days
Direct Debit amendments	3 working days
Direct Debit payments	These are automatically allocated on date of receipt.

Charges and transaction costs

The Trustee approached the investment fund managers, Legal and General, to obtain details of the transaction costs applicable to the investment funds. Charges are not deducted explicitly from individual member funds. Instead, all charges are implicitly deducted when bonuses are declared, and very little information is available to help quantify the charges that apply to individual members.

As in previous years, Legal and General were approached by the Trustee asking for the required information detailing the charges and transaction costs borne by members.

Legal & General confirmed the transaction costs for the 12 months up to the end of Q1 2020 to be as follows:

Implicit Transaction Costs	Explicit Transaction Costs	Total Fund Transaction Costs
0.10%	0.15%	0.24%

Within the conventional With-Profits Fund, the effect of transaction costs borne by members is all captured within the credited amount of bonus.

Legal & General also reiterated that for their With-Profits funds there is no explicit annual management charge but:

- Allowance is made in the calculation of the bonus rate for expenses, other sources of surplus and smoothing.
- The deduction varies for different bonus pools.
- There is a higher deduction made on initial units.

Despite the information provided by Legal & General noted above, the Trustee has continued to be frustrated and concerned by the lack of detail and transparency provided by Legal & General in respect of the charges and costs applied to members' funds. As noted above, within the conventional With-Profits Fund, the effect of transaction costs borne by members is all captured within the credited amount of bonus.

Cumulative effect of charges

Legislation introduced by the Department for Work and Pensions (DWP) states that the Trustee must provide an illustrative example of the cumulative effect of costs and charges incurred by the member as part of the Chair's Statement. The Trustee has presented the costs and charges typically paid by a member using a realistic and representative pot size, contribution rates, real terms investment returns, time and rate of charges and costs.

As the Scheme is closed no contributions have been included in the illustration and an average pot size and the average age of the membership has been used to build this illustration. The illustration is as follows:

Age	Pot (gross)	Pot (net)	Investment return (gross)	Investment return (net)	Charges (net)
54	£5,000	£5,000	£250	£250	£50
55	£5,250	£5,200	£263	£260	£52
56	£5,513	£5,408	£276	£270	£54
57	£5,788	£5,624	£289	£281	£56
58	£6,078	£5,849	£304	£292	£58
59	£6,381	£6,083	£319	£304	£61
60	£6,700	£6,327	£335	£316	£63
61	£7,036	£6,580	£352	£329	£66
62	£7,387	£6,843	£369	£342	£68
63	£7,757	£7,117	£388	£356	£71
64	£8,144	£7,401	£407	£370	£74
65	£8,552	£7,697	£428	£385	£77
66	£8,979	£8,005	£449	£400	£80
67	£9,428	£8,325	-	-	

Notes

1. The starting pot size is assumed to be £5,000
2. No contributions are assumed as the Scheme is closed
3. Values shown are estimates and are not guaranteed
4. The projected growth rate for the fund is 5%
5. Assumed charges of 1% per annum have been deducted. Actual charges deducted will vary from this figure

Good Value

As all funds are invested in a conventional With-Profits fund, regular bonuses, where added, will increase the members' original sum assured (the minimum guaranteed fund value at normal retirement age). The guaranteed minimum value members receive is made up of the contributions invested (adjusted for any withdrawals) and any regular bonuses that have been added; less charges. The guaranteed amount will be paid to members when they reach the Scheme's retirement date, or upon death if earlier.

A Guaranteed Annuity Rate (GAR) is available to members once they reach their retirement date. For example, the GAR provides an annuity of £96.15 per year for male members at age 65 for every £1,000 of their fund (or part thereof). This rate applies only if benefits are taken at the members' retirement date, on an index linked dual life basis, payable monthly in advance and guaranteed for five years. The Trustee has reviewed the current market conditions and rates available on the open market and concluded that these GARs are significantly better than annuities available on the open market.

As the scheme is a full service arrangement with Legal & General, it is not possible to separately contract for administration services, nor influence the quality of member communications and support in any meaningful way.

Members benefit from the governance of a sole professional trustee and the Trustee takes professional advice when appropriate.

The range of flexibilities available to members is limited but in most cases this is appropriate because of the value of the guaranteed annuity rates that would otherwise be given up. Members must transfer to another pension arrangement in order to benefit from a wider range of retirement options than those offered by Legal & General.

The members also benefit from Scheme governance and management which includes remunerated professional trustee oversight and risk management. The Trustee also receives professional advice on certain aspects of the Scheme.

Overall the Trustee believes that the Scheme does provide value for money for members who choose to retire with Legal & General rather than transferring to another arrangement due to the fact that members benefit from the guaranteed annuity rates available to them through Legal & General.

Future developments

Legal & General have confirmed to the Trustee that they are proposing to transfer the Scheme to another provider, ReAssure, on 7 September 2020 (subject to approval by the Pensions Regulator).

Legal & General have confirmed that ReAssure would carry forward the Guaranteed Annuity Rates that are currently underwritten by L&G. The Trustee is monitoring this and believes from a service perspective the proposed transfer can only be good news due to the poor service provided by Legal & General.

Depending on whether and when the proposed transfer goes ahead, the Trustee intends to discuss with either ReAssure or Legal and General as appropriate whether it is feasible to transfer the policy out of the Plan trust, potentially via a Section 32 buyout whereby the members' funds will be written into individual policies held in their own names. Such an action will only be taken if the Trustee assesses that it is in the interests of the Plan and the Plan members to do so.

Knowledge and understanding of the Trustees

The Scheme is overseen by a sole independent Trustee; PTL Governance Ltd (PTL). PTL is on the Pension Regulator's approved list of independent professional trustees and has in place professional indemnity insurance.

PTL is a specialist provider of independent governance services. PTL act as an independent trustee on a variety of trust based pension schemes and also sit on a number of Master Trust Boards.

PTL is represented by Keith Lewis. Keith is a qualified Actuary and previously worked for a number of pension benefit consultants. Keith has significant knowledge and understanding of the law relating to pension trusts and of pension funding and investment.

The Trustee is required to undertake a minimum level of Continual Professional Development each year and also holds the Pensions Management Institute Trustee Certificate. Where gaps in skills or knowledge have been identified, additional training has been provided and the Trustee maintains a log of both required and voluntary training.

As part of the induction process when PTL were appointed the Trustee reviewed the Scheme documentation, including the Trust Deed and Rules and current policies, and along with the professional advice, which is discussed in the next paragraph, keeps a working knowledge of these documents throughout the year.

The Trustee receives professional advice in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules. The advice received by the Trustee along with Keith's own experience and training allows him to properly exercise his function as a Trustee. Keith is also supported by a Pensions Manager at PTL who helps with the day to day running of the Scheme.

Independence of Trustee

The Trustee during the year was independent of any undertaking which provides advisory, administration, investment or other services to the Scheme.

Any potential conflicts of interest are recorded in a log and considered by the Trustees in accordance with their conflict of interest policy.

Signed:..... 

Name: Keith Lewis

Position: Client Director, PTL

Date: 23 July 2020