

CHAIR'S ANNUAL STATEMENT for the year ending 3 May 2021

The British Academy Superannuation Scheme (“the Scheme”)

Introduction

The Scheme was set up on 1 April 1972 and converted to a Group Money Purchase Plan (a Defined Contribution (“DC”) pension scheme) on 5 April 1988. It operates under a Trust Deed and Rules dated 3 May 1988. The Scheme has been closed and no further contributions received since 18 August 2001.

PTL Governance Ltd (“PTL”) was appointed as the Independent Sole Trustee with effect from 20 July 2020. Steve Longworth, representing PTL, has been appointed as Trustee Chair.

In March 2015, the Department of Work and Pensions (“DWP”) set out new rules for the governance of DC schemes. From 6 April 2015, the Trustee of each DC scheme is required to produce an annual statement, signed by their Chair, setting out a number of prescribed matters. Such a statement had not been provided by the previous trustees and as such this statement, which covers the year ending 3 May 2021, is the second statement that has been produced for the Scheme. This statement is also available on the PTL Website:

<https://www.ptluk.com/Chairs-annual-statements/>

Default investment strategy note and Funds holding investments

As there are no current active members in the Scheme, contributions ceased prior to 6th April 2015 and the Scheme is not used as a qualifying scheme for auto-enrolment, the Scheme does not have a default arrangement in terms of the regulations governing the Chair's Statement. As there are currently only fourteen members (including the pensioners), the Scheme is not required to prepare a Statement of Investment Principles.

As at 3 May 2021 (and the date of this statement), the Scheme has seven deferred members whose funds are invested in the Phoenix Life PLAL NPL Unitised With Profits Fund (“the With Profits Fund”). There is a guaranteed 4% growth on reversionary bonus ordinary units in the With Profits Fund. A market value reduction is applied if a member retires early, or the benefits are transferred from Phoenix Life prior to normal retirement date. In addition to the members in the With Profits Fund, there is one further deferred member, who is over age 75, whose fund was disinvested from the With Profits Fund and accrues interest in a deposit fund with Phoenix Life.

The latest performance figures provided by Phoenix Life show that the annual bonus applied to the With Profits Fund for the calendar year ending 31 December 2020 was 4.0% (2019: 4.0%) being the guaranteed minimum rate.

In addition to the above investments, the Scheme has annuities for six pensioner members with Phoenix Life and ReAssure. ReAssure was acquired by Phoenix Life in July 2020.

The Phoenix Life Principles and Practices of Financial Management (“the PPFM”) notes that the primary requirement in the investment strategy for the With Profits Fund is to maintain the financial position of the fund at a level agreed by the Phoenix Life Board and protect

guaranteed benefits. Further, the PPFM notes that the need to meet, as far as possible, policyholders' reasonable expectations on the levels of pay-outs in excess of the guaranteed benefits is secondary to primary requirement.

At 31 December 2020, the With Profits Fund was invested as follows:

UK Government bonds	10%
Corporate bonds	89%
Cash	1%

More details about the With Profits Fund can be found on the Phoenix Life website: <https://www.phoenixlife.co.uk/customer-centre/PeterboroughNPLL/with-profits#npi-and-national-provident-life>

Core financial transactions and administration

There have been no new contributions received and there have been no investment switches within the Scheme during the year to 3 May 2021.

Phoenix Life have internal procedures in place to ensure that core financial transactions are dealt with promptly and accurately.

As and when transactions take place PTL, as Sole Trustee, will deal with any requests promptly and will request Phoenix Life to report on how long each transaction takes.

Phoenix Life provide the Trustee with annual statements for the deferred members and other correspondence for members close to retirement. Phoenix Life do not hold member addresses for the majority of the members and neither did the previous trustee or the British Academy. PTL have been using an external tracing agency and the Department for Work and Pensions to trace the missing member addresses, but had not succeeded in confirming details for three of the members during the year ending 3 May 2021. However, after the year end, two of these members have subsequently been traced. Therefore, it was not possible to issue all the annual statements and retirement correspondence to all members during the year ending 3 May 2021. PTL are arranging for further tracing to attempt to trace the one remaining missing member.

Charges and transaction costs

The Trustee noted that as there is no default investment strategy, the review of charges and transaction costs undertaken relate to those in place for the With Profits Fund.

There are a number of charges that are incurred in operating the With Profits Fund. These charges are not levied against individual policies but are allowed for when Phoenix Life sets the bonus rates that determine policy payouts. The Trustee has reviewed the PPFM, which sets out the basis on which charges are made to the With Profits Fund, but the expense deductions are not explicitly specified. The Trustee understands that members receive bonuses in the With Profits Fund after the deduction of all charges and costs and therefore the guaranteed minimum growth on the With Profits Fund is applied as an annual bonus after allowing for expenses. Further information and clarity is being sought from Phoenix Life.

The Trustee is required to provide members with information on the effect of costs and charges on their pension pot. The table below illustrates the potential impact of the costs and

charges after allowing for the guaranteed minimum growth on the With Profits Fund i.e., it has been assumed that the average growth after allowing for smoothing and the deduction of charges and costs results in the guarantee applying in the period to retirement and therefore the costs and charges do not impact the pension pot due to the guarantee.

Period Years	DC pension pot £		
	0	5,000	20,000
5	5,377	21,507	75,274
10	5,782	23,127	80,946

Notes

1. *Projected pensions pot values are shown in today's terms, with inflation removed from return expectations and as such they do not need to be reduced further for the effect of future inflation.*
2. *Inflation is assumed to be 2.5% over the long term.*
3. *A range of starting pots is shown to be representative of the different size of pots held by the membership below age 65.*
4. *We have assumed no further contributions as the membership are deferred members.*
5. *Values shown are estimates and not guaranteed. No allowance is made for the market value adjustment or any final bonuses.*
6. *The With Profits Fund is expected to grow at 4% in real terms p.a. after adjusting for bonuses over the long term.*
7. *The Trustee has had regard to the statutory guidance in preparing this table.*

Value for money

The elements we consider in assessing whether the Scheme provides good value for members are:

- **Scheme governance and management**
- **Investment**
- **Administration**
- **Communications**
- **Charges**

Scheme Governance and management – The Scheme has a sole professional trustee appointed from July 2020 whose charges are paid by the employer. The Scheme's assets are administered by Phoenix Life. Other advisers' costs will be met by the employer.

Investment – As detailed above, the majority of investments are held in the Phoenix Life PLAL NPL Unitised With Profit Fund. There is a guaranteed 4% growth on reversionary bonus ordinary units in the With Profits Fund. A market value reduction is applied if a member retires early.

Administration – Phoenix Life hold the members' data and deal with members via the Trustee when they wish to amend their details, take or transfer their benefits, or make any changes to their investment choice. Phoenix Life do not hold member addresses for the majority of the members and neither did the previous trustee or the British Academy. PTL

have been using an external tracing agency and the Department for Work and Pensions to trace all the missing member addresses, but had not succeeded in confirming details for three of the members during the year ending 3 May 2021. One member remains untraced at the date of signing this statement. Therefore, it has not yet been possible to issue all the annual statements and retirement correspondence to all members.

Communications – Communications are issued by Phoenix Life via the Trustee for the Scheme. The main item of communication is the annual benefit statement, including the Statutory Money Purchase Illustration. At retirement members receive the Money Advisory Service leaflet “Your pension it’s time to choose” and are provided with details of the Pension Wise service. They can also speak to the administrator to discuss the options available. The Trustee has undertaken a tracing exercise as noted above and issued statements to those members traced. As no address details were held for three members at the year ending 3 May 2021, communications have not been issued to all members and this is being addressed by the Trustee as noted above. The Trustee is still trying to trace one member.

Charges – The employer pays the cost of the Trustee and other advisor costs. The only charges borne by members are those within the With Profits Fund which are allowed for in the annual bonus, which is subject to the guaranteed minimum rate. Further information and clarity on the charges is being sought from Phoenix Life to provide the Trustee with clarity of the charges in the With Profits Fund.

Based on the information provided to the Trustee to date, the Trustee’s assessment is that the charges and transaction costs represent good value for members, but that the administration and communications from Phoenix Life and the previous Trustee fell significantly short of what members should expect. PTL as the current Trustee has been addressing this since being appointed. As noted above, the Trustee had traced and issued correspondence to all but three members in the year with one member still to be traced at the date of signing this statement.

The ongoing governance review will consider whether better value for money can be achieved by the use of alternative arrangement.

Knowledge and understanding of the Trustee

The Scheme is now run by a sole Professional Trustee, PTL. PTL is a specialist provider of independent governance services primarily to UK pension arrangements. Amongst other appointments PTL act as an independent trustee on several hundred trust based pension schemes and sit on a number of Investment Governance Committees (IGCs). PTL has oversight or responsibility for in excess of £120bn of pension assets. More information on PTL can be found at www.ptluk.com.

PTL have a training program for all of their staff and are subject to independent audit on their controls and processes through the AAF02/07 reporting. As part of the AAF process the Trustee is required to confirm that the current team have appropriate level of knowledge and understanding to be able to represent PTL as Trustee of the Scheme. The annual review process within PTL identifies training needs for each individual and has a requirement for a minimum of 15 hours Continuing Professional Development (CPD) to be completed each year. Each Client Director is supported by another Client Director and calls take place on a three monthly basis to provide a peer review to the work undertaken and

challenge the Client Director running the matter. All key decisions would be subject to peer review by the supporting Client Director or another Client Director.

PTL work for a broad range of clients and are familiar with the law relating to pensions and trusts. This can be demonstrated through the qualifications held by the Trustee and their continued involvement with many pension schemes.

PTL is represented by one of its Client Directors, Steve Longworth as Chair managing the Scheme. Steve is an Accredited Member of the Association of Professional Pension Trustees (APPT) and is a Fellow of the Institute of Actuaries (FIA). Steve is supported by a second Client Director. Debbie Mather and other members of the PTL team also provide day to day support and peer review functions.

Steve is subject to CPD requirements of the actuarial profession and the APPT and met the CPD requirements of both professional bodies. Steve has undertaken regular training throughout the year including:

- Training sessions on the issues to consider due to the disruption of COVID-19 on the investment market, and its impact on responsible investment and climate risk;
- Attending virtual annual conferences run by actuarial firms and industry groups which included presentations on Environmental, Social and Governance (“ESG”) issues and integration, member communication and the impact of technology, and on the importance of data;
- The Pension Scams module of the Pension Regulator’s Trustee Toolkit and various other training sessions on scam awareness and prevention;
- Studying for and passing the PMI Trusteeship examination required to become an Accredited Member of the APPT.

The Trustee has a working knowledge of the trust deed and rules and a working knowledge of all relevant Scheme documents and policies and is familiar with their terms. As part of PTLs ongoing training, the Trustee has sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational schemes.

PTL’s knowledge and understanding of pension schemes and the issues faced means the Trustee is well equipped to properly exercise its functions to act in members’ best interest with a view to delivering good member outcomes for the contributions made.

We believe that the combination of these factors enables the Trustee to properly exercise its functions as Trustee of the Scheme.

This statement has been prepared in accordance with Regulation 23 of the Occupational Pensions Schemes (Schemes Administration) Regulations 1996 (inserted via The Occupational Pension Schemes (Charges and Governance) Regulations 2015, as amended by The Occupational Pension Schemes (Administration and Disclosure) (Amendment Regulations 2018) and I confirm that the above statement has been produced by the Trustee to the best of my knowledge.

Signed by Steve Longworth, Client Director, PTL Governance Ltd as Trustee Chair of the British Academy Superannuation Scheme on 2 December 2021