

CHAIR'S ANNUAL STATEMENT:
The Architects Registration Board Retirement Benefits Plan
("the Scheme")
2021

Introduction

In March 2015 the Department of Work and Pensions (DWP) set out new rules for the governance of Defined Contribution pension schemes. Since 6 April 2015, the Trustee of each scheme has to produce an annual statement, signed by their Chair, setting out a number of prescribed matters. Further legislation was introduced in 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 2020 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) and is in respect of the year to 31 December 2020.

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 ReAssure 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 can be experienced when investing in other assets, outside of a With-Profits fund.

Legal & General Assurance Society Limited (“Legal & General”) transferred its traditional insurance-based savings, pensions, life and with-profits policies to ReAssure Limited (“ReAssure”) under Part VII of the Financial Services & Markets Act 2000.

As part of this, the Scheme transferred from Legal & General to ReAssure, on 7 September 2020, following approval by the High Court.

ReAssure have confirmed that the terms of the policy are unaffected by the transfer and the Guaranteed Annuity Rates previously underwritten by Legal & General have been preserved.

Therefore, 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.

The Trustee is currently liaising with ReAssure to confirm that all data and material in respect of the members has been transferred from Legal & General effectively, and that this information has been robustly interrogated by ReAssure to ensure it is complete and correct. The Trustee is continuing to monitor this situation and is in ongoing dialogue with ReAssure.

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

ReAssure 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	Service Target
Cash Allocation	10 working days
New Business	10 working days
Payments Out (Death, Transfer, Vesting)	10 working days
Death Quotes	10 working days
Annual Statements	20 working days
Wake-Up Packs	10 working days
Fund Switches	10 working days
General Servicing	10 working days

Charges and transaction costs

The Trustee approached the investment fund managers, ReAssure, to obtain details of the transaction costs applicable to the investment funds and for information detailing the charges and transaction costs borne by members. 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.

ReAssure has not been able to confirm the transaction costs for period, stating that there are no explicit transactional charges or annual management charges on the policies by virtue of them being traditional With-Profits policies. Within the conventional With-Profits Fund:

- the effect of transaction costs borne by members is all captured within the credited amount of bonus.
- 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.

For a number of years and as set out in previous reports, the Trustee had been 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 previously noted, the Trustee is actively engaging with the new provider, ReAssure, to ensure there is transparency on terms of the policy, and clarity and completeness in respect of the data held in respect of the members, as well as in relation to costs and charges going forward.

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	£7,200	£7,200	£205	£205	£72
55	£7,405	£7,333	£211	£209	£73
56	£7,616	£7,469	£217	£213	£75
57	£7,833	£7,607	£223	£217	£76
58	£8,056	£7,748	£230	£221	£77
59	£8,286	£7,892	£236	£225	£79
60	£8,522	£8,038	£243	£229	£80
61	£8,765	£8,187	£250	£233	£82
62	£9,015	£8,338	£257	£238	£83
63	£9,272	£8,493	£264	£242	£85
64	£9,536	£8,650	£272	£247	£87
65	£9,808	£8,810	£280	£251	£88
66	£10,088	£8,973	£288	£256	£90
67	£10,376	£9,139			

Notes

1. The starting pot size is assumed to be £7,200
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 2.85%
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 £96.06 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. 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 ReAssure, it is not possible to separately contract for administration services, nor influence the quality of member communications and support which is provided directly from ReAssure in any meaningful way.

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 ReAssure.

Members benefit from the Scheme governance, management, oversight and experience of a sole professional trustee and the Trustee takes professional advice when appropriate.

Overall, the Trustee believes that the Scheme does provide value for money for members who choose to retire with ReAssure rather than transferring to another arrangement due to the fact that members benefit from the Guaranteed Annuity Rates available to them through ReAssure.

Future developments

As noted, the Trustee is actively engaging with the new provider, ReAssure, to ensure there is transparency on terms of the policy and clarity and completeness in respect of the data held in relation to the members.

Once this position is confirmed, the Trustee intends to discuss with ReAssure 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, and the guarantee terms can be replicated.

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 Louisa Harrold. Louisa is an accredited member of the Association of Professional Pension Trustees as well as a qualified Actuary. Louisa has significant knowledge, experience, 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 (for example, a minimum of 25 hours per year as an accredited member of the Association of Professional Pension Trustees).. Where gaps in skills or knowledge are identified, additional training is provided and the Trustee maintains a log of all training undertaken. PTL also follows the Code of Practice for Professional Corporate Sole Trustees, which was introduced on 1 January 2021. This sets out a range of governance and risk controls that sole trustee firms must adhere to, in order to ensure that scheme members' interests are properly protected. These include a requirement for at least two accredited professional trustees to be involved in decision-making processes. Louisa has worked with a second accredited professional trustee within PTL, having a number of meetings over the year to discuss key matters relating to the Scheme.

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. The Trustee 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 Louisa's own experience and training, allows her to properly exercise her function as a Trustee. Louisa 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: *Louisa Harrold*

Name: Louisa Harrold

Position: Client Director, PTL

Date: 29 July 2021