

## CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended). It explains how the Trustee of the Newsquest Pension Scheme (the "Scheme") met the statutory governance standards that apply to occupational pension schemes that provide money purchase benefits during the period from 1 April 2021 to 31 March 2022 (the "Scheme Year").

This statement covers:

- (1) the default arrangement.
- (2) the processing of core financial transactions.
- (3) member-borne charges and transaction costs and how these represent value for members; and
- (4) Trustee knowledge and understanding.

This statement can be accessed online at: [www.newsquest.co.uk](http://www.newsquest.co.uk)

### Introduction – relevant benefits held within the Scheme

The Scheme contains defined contribution ("DC") AVC benefits and benefits which arose out of historic contracting out on a protected rights basis ("protected rights benefits"). There is ambiguity as to whether this latter category of benefits constitute DC benefits for the purpose of the legislative provisions on governance. Nonetheless, the Trustee has decided to err on the side of caution and produce a Chairman's statement in respect of all of these benefits.

The protected rights benefits are not standard DC benefits. There are two categories of members with protected rights benefits in the Scheme, as set out below:

- (1) **Underpin members:** some members have defined benefits ("DB") and the protected rights benefits are in the form of an underpin which is compared against the value of benefits on "crystallisation" (i.e. death, transfer or retirement). It is unusual for the underpin to bite in practice as a member's DB benefits are usually higher than their protected rights benefits.
- (2) **Protected rights only members:** there are also members who previously took a short service refund of contributions but, due to the legislation in force at the time, were not able to take a refund of their protected rights contributions. Therefore, they have no DB benefits in the Scheme and have just a notional protected rights fund which can be converted into a Scheme pension upon crystallisation.

Further, the CN Fund Section of the Scheme also has a historic notional underpin, as explained further below.

As a result of the nature of these benefits, some of the legislative requirements relating to the Chairman's statement do not apply to the Scheme. As per guidance from the Pensions Regulator, where this is the case the Trustee has referenced the relevant requirement and stated that it does not apply.

### Default arrangement

The Scheme has no default arrangement and is not being used as a qualifying scheme for auto-enrolment purposes. Therefore, the requirements of Regulation 2A of the Occupational Pension Schemes (Investment Regulations) 2005 do not apply and there is no default statement of investment principles to attach or review.

### Net investment returns

For the first time this year, the Trustee is required to report net investment returns for each default arrangement and for each non-default fund which Scheme members were invested in during the reporting period. Net investment returns are the returns on funds after the deduction of any member-borne charges and transaction costs relating to those investments.

The table below shows the performance of the funds in which members were invested over 1, 3 and 5 years to 31 December 2021.

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	Fund 5 yr % p.a.	Fund 3 yr % p.a.	Fund 1yr %
<b>Multi-Asset</b>			
Aegon BlackRock Balanced Growth (A)	7.6	11.9	11.4
L&G Managed (A)	4.3	7.1	6.5
Phoenix Life Global Care Managed (A)	8.0	12.7	9.9
Phoenix Life Managed (A)	4.3	7.1	6.5
Utmost Managed (A)	5.7	8.5	13.0
Utmost Multi-Asset Moderate (A)			12.4
Utmost Multi-Asset Cautious (A)			5.0
<b>Fixed Interest</b>			
Aegon LGIM Pre-Retirement (A)	n/a	4.5	-6.2
LGIM AAA-AA-A Bond Over 15Y Index (P)	4.4	6.5	-7.6
LGIM Over 15Y Gilts Index (P)	3.4	4.7	-8.4
LGIM Over 5Y Index-Linked Gilts Index (P)	4.5	6.7	3.9
L&G Fixed Interest (A)	2.1	3.0	-4.4
<b>Cash</b>			
Aegon BlackRock Cash (A)	-0.3	-0.4	-0.7
L&G Cash (A)	-0.1	-0.1	-0.5
L&G Cash (A)	0.0	0.0	-0.4
<b>Equity</b>			
LGIM World (Ex-UK) Equity Index (P)	13.1	19.7	21.6
LGIM Global Equity 50:50 Index (P)	8.2	12.5	16.1
LGIM Ethical Global Equity Index (P)	13.2	20.0	23.6
L&G International (A)	10.0	15.4	14.0
L&G Ethical (A)	8.0	14.3	24.1
LGIM UK Equity Index (P)	5.1	8.1	16.1
LGIM Ethical UK Equity Index (P)	4.9	7.1	14.4
L&G Equity (A)	4.8	7.4	15.0
Phoenix Life Global Care (A)	14.2	21.5	15.5

This performance does not take account of the Aegon administration policy fee of approx. £50 p.a. taken from members' funds each September, or the large fund discount on ReAssure policy GF07735001.

<b>Net returns to 31 March 2022</b>	1 year	5 years
Aegon BlackRock Balance Growth Fund	5.52%	6.51%
Aegon LGIM Pre-Retirement Fund	-6.88%	1.12%
Aegon BlackRock Cash	0.18%	0.12%

#### Processing core financial transactions

The Trustee has a specific duty to ensure that core financial transactions (including, but not limited to, transfers of member assets out of the Scheme, transfers between different AVC investments within the Scheme and payments to and in respect

of members) are processed promptly and accurately. There were no issues during the year, the AVC policies continue to be under review as the number of members are decreasing each year along with those members with protected rights as the Scheme matures. Furthermore some providers are removing themselves from the AVC market and selling their policies to other AVC providers who have decided to remain in this area.

During the Scheme Year, the transactions were undertaken on the Trustee's behalf by the Scheme administrators, Mercer Limited, and the various AVC providers (Utmost, Aegon, ReAssure, Prudential and Phoenix Life), who the Scheme administrators dealt with on the Trustee's behalf. The Trustee has agreed service levels (SLAs) (which cover the accuracy and timeliness of all core financial transactions) and obligations regarding reporting of performance against those service levels, with the Scheme administrators. In broad terms, the SLAs cover the processes to daily monitor, reconcile and check the Trustee bank account, manage the requests from members whether that is a request for the value of their AVC fund, how they may or when they may draw their AVCs or how they can transfer their AVC fund to an alternative provider. The Scheme administrators monitored and managed the AVC providers during the Scheme Year to ensure members' pensions were paid according to their instructions and any AVC monies are returned in a timely manner, so as not to impact the service being delivered.

During the Scheme Year, at both the quarterly Trustee meetings, and the bi-annual meetings between the Secretary to the Trustee and the Scheme administrators and various members of the administrator's team, the Trustee (and the Secretary on behalf of the Trustee) reviewed the processes and controls implemented by the Scheme administrators and the various AVC providers and concluded them to be suitably designed to achieve the objectives set out under the SLAs. At the meetings between the Secretary to the Trustee and the Scheme administrators any items arising from the quarterly Trustee meetings and potential methods to improve the service provided to the membership are considered. If there are any complaints these are discussed to agree how they will be dealt with. These are then reported to the Trustee for further input.

The SLAs for Mercer Limited were reviewed in the quarterly administration reports presented to the Trustee by the Client Manager from the Scheme administrator. The Trustee reviewed and queried the performance at each Trustee meeting during the Scheme Year. Monthly cash flows and quarterly accounts with movements in the Scheme were also reviewed by the Trustee with any queries raised with the Scheme administrators. The Trustee noted the continued increase in member requests during the year and are closely monitoring the performance of Mercer, who have added additional resource to the team responsible for administering the Scheme.

The Trustee will also perform periodic assessments of methods and efficiency of the Scheme's administrators and will challenge them in terms of efficiency using available facilities including technological functionality. The Trustee's current term of engagement with Mercer is to 1<sup>st</sup> August 2024. All administrative functions are carried out by Mercer.

In light of the above, the Trustee considers that the requirements for processing core financial transactions promptly and accurately during the Scheme year, as specified in the Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, have been met.

#### **Charges and transaction costs**

The law requires the Trustee to calculate and disclose the charges and transactions costs borne by Scheme members with money purchase benefits during the Scheme year and to assess the extent to which those charges and costs represent good value for money for members. These charges and transaction costs are not limited to the ongoing charges on member funds but should also include trading costs incurred within such funds. (For these purposes, "charges" means "administration charges other than transaction costs, costs relating to certain court orders, charges relating to pension sharing under the Welfare Reform and Pensions Act 1999, winding up costs and costs associated with the provision of death benefits. Transaction costs are those incurred as a result of the buying, selling, lending or borrowing of investments.)

There is no default arrangement within the Scheme and therefore Regulation 23(c)(i) of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 does not apply.

The Trustee has taken account of relevant statutory guidance when preparing this section of the statement.

#### **(A) AVCs**

All the AVC arrangements are closed arrangements with no new contributions. The annual management charge (levied as a deduction from individual members' funds) for each of the funds used by the AVC providers in respect of member contributions is set out below. This charge covers all transactions and administration. The Trustee had requested AVC

illustrations to demonstrate the impact of these charging structures but these have not been forthcoming by the providers. As a result the Trustee commissioned a review of the AVC arrangements to check the funds were fit for purpose and obtain the current charges. As a result some AVC members will receive a communication highlighting point for their consideration.

**(B) Protected rights benefits**

No specific charges or transaction costs are attributable to the protected rights benefits as these are notional rights and no specific funds are allotted to funding them.

As most members with DC AVCs are in the AVC fund invested with Aegon (formerly BlackRock), the performance of Aegon’s DC Balance Growth fund is used to determine the value of the notional accounts. These accounts are notional accounts and are based on the unit price of the Balance Growth fund therefore there are no charges, no de-risking is required and no transaction costs.

**(C) CN Fund Section Underpin accounts**

Certain pre 1988 members of the CN Fund Section have a historic notional underpin, which is notionally revalued in line with the performance of the assets of the Scheme so there is no direct investment or charges or costs attributable to it. The underpin value is only determined at retirement and compared to the DB benefit and the member has the greater of the two. To date the DB benefit has provided the largest benefit therefore no provision has been made for this underpin benefit.

**Value for members assessment**

The Trustee has a good understanding of the membership demographics of the Scheme and as such has taken a view as to what reasonable member outcomes should look like for the Scheme’s members in aggregate. With this in mind, the Trustee has assessed the charges disclosed above, a review is being undertaken by their investment consultants and they are satisfied that they have negotiated a good deal for members and that the stated explicit charges for the Scheme’s funds represent good value for money in the context of the outcomes targeted by such funds and their performance, which it monitors regularly, and the fees charged by other providers for similar investments to members of schemes with a similar membership profile.

The Trustee is comfortable that the costs relating to AVCs are good but will continue to review and discuss with their AVC managers for their members’ benefit.

In making its value for members judgements the Trustee appreciates that low costs do not necessarily mean better value and therefore has also considered factors such as: the quality of customer service; member communications and support; scheme design; the efficiency of administrative services; the robustness of scheme governance; fund management and performance of the funds in the context of the investment objectives. Due to the declining numbers of members still holding AVC arrangements, the Trustee’s focus has been on the efficiency of the AVC provider and their customer service as members are reaching retirement and need their fund values made available to draw as either cash or pension. The fees are important but there has been little scope to move the AVC arrangements due to the small values now being held in these policies. Further the performance has been steady. The Trustee further checked the security of the AVC funds held with each provider to ensure they still had a strong AKG Financial Analytics Limited (AKG) rating, all of which do.

The Trustee has legacy AVC arrangements with no active contributions, which were reviewed in September 2021 and the Trustee is considering if there is scope to reduce charges and merge some of those AVC arrangements. This is a lengthy project, so the Trustee is currently working with their advisers to understand the mechanics of merging the AVC arrangements without impacting the members. The Trustee has taken account of the statutory guidance from the Pensions Regulator but has not been able to fully comply as the historical AVCs providers have not provided the information required. Further the membership is reducing and few members remain in the policies so they are not very easily moved to a new provider. The Trustee considered this earlier in the year but the advice was to concentrate on the service and charges as there was no appetite for AVC providers to take historical schemes on. **The charges are as below.**

Utmost

Funds Remaining Open	Annual Management Charge during the Scheme Year
Money	0.50%

Gilt & Fixed Interest	0.50%
UK FTSE All Share Index Tracking	
Managed	0.75%
Pelican	0.75%
European	0.75%
Far Eastern	0.75%
International Growth	0.75%
North American	0.75%
Fund of Investment Trusts	0.75%
Property	1.00%

Aegon BlackRock

<b>Funds available through Aegon</b>	<b>Annual charges (%)</b>
Aegon BlackRock Balanced Growth	0.75
Aegon LGIM Pre-Retirement	0.37
Aegon BlackRock Cash Fund	0.30

ReAssure

<b>Funds available through ReAssure policy U342025</b>	<b>Annual charges (%)</b>
International 6	0.558
Equity 6	0.50
Ethical 6	0.743
Managed 6	0.579
Fixed Interest 6	0.55
Cash 6	0.564
<b>Funds available through ReAssure GFF07735001</b>	<b>Annual charges (%)</b>
LGIM World (Ex-UK) Equity Index Series 17	0.40
LGIM Global Equity 50:50 Index Series 01	0.46
LGIM Ethical Global Equity Index Series 11	0.643
LGIM UK Equity Index Series 01	0.432
LGIM Ethical UK Equity Index Series 11	0.643
LGIM AAA-AA-A Bond Over 15 YR Index Series 01	0.48
LGIM Over 15Y Gilts Index Series 01	0.433
LGIM Over 5Y I-L Gilts Index Series 01	0.433
L&G Cash Fund Series 17	0.464

Phoenix Life

<b>Funds Remaining Open</b>	<b>Annual Management Charge during the Scheme Year</b>
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All managed funds	1.00%
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### Trustee's knowledge and understanding

Section 248 of the Pensions Act 2004 sets out the requirement for corporate trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Codes of Practice 07 and 13.

A rigorous process is followed for appointments to the Trustee Board to ensure that it comprises people of the right calibre who are suitably qualified to act as Trustee Directors. All Directors are required to complete the Pension Regulator's Trustee Toolkit, an online learning programme for trustees. This is to be completed within 6 months of appointment, along with detailed induction training. No new Directors joined the Trustee Board during the Scheme Year.

The Trustee Directors are conversant with the Scheme's Trust Deed and Rules, all documents setting out the Trustee's current policies and the SIP (note that, as mentioned above there is no default arrangement and therefore no default SIP). The Trustee Directors also have extensive knowledge and understanding of the law relating to pensions and trusts and the principles relating to the investment of scheme assets, which enables them to properly exercise their functions as the directors of the Trustee of the Scheme. The Trustee has regular training during the course of each meeting, and this covers both regular governance and management of the Scheme in addition to specialised investment training as the Trustee invests in a number of asset classes and needs an in depth understanding. The Trustee reviews the Scheme rules when considering particular member cases or policies. The SIP is reviewed regularly in line with the strategy review and de-risking that is constantly under review. Further the Trustee meets regularly with their investment managers to fully understand any changes in the fund management and methods to de-risk the Scheme.

The Trustee has put in place arrangements for ensuring that the Trustee Directors take personal responsibility for keeping themselves up to date with relevant developments and carry out a self-assessment of training needs. The Secretary to the Trustee maintains a training log and encourages Trustee Directors to attend seminars relevant to the Scheme. There are regular training sessions held within the Trustee or Investment Sub-Committee meetings to ensure the Trustee Directors meet their obligations to the membership. The Trustee is a small group therefore they are asked during the course of meetings which areas they would like further training. The Secretary manages training requirements on legislation and investment issues such as ESG, and more recently the changes required to the SIP to cover the investment transaction charges. The Trustee did undertake an evaluation of knowledge gaps but this needs to be updated during 2023.

The Board is supported on technical matters by professional advisers where required and this includes attendance of professional advisers at relevant Trustee Board meetings. During the Scheme Year the Trustee Board engaged with professional advisers on a number of occasions to help with Trustee decisions in various areas. The Trustee evaluates adviser performance and considers whether to tender a service at least on a triannual basis. The relevant skills and experience of those advisers is a key criterion when evaluating adviser performance or selecting new advisers.

Evidence of knowledge gained during the Scheme Year in Key Areas	Date/Action Completed
Shareholders Rights Directive (SDRII) and Transparency	The Trustee discusses the assets in relation to the associated costs in their transparency considerations- June 2021 and May 2022
Review of SIP and SIA to ensure compliance	September 2021
Pensions Act 2021	Trustee considers the implications of the Act with their legal adviser, June and September 2022 meetings
Implementation Statement and Funding Code	The Trustee was made aware of these items and how they may impact the Scheme and what requirements the Trustee may need to consider. The Trustee reviewed the statement and was satisfied with it.- May 2022
Impact on Inflation	The Trustee considered the impact of price inflation on the assets and liabilities and how they inter related with their investments and what triggers need to be considered. Regularly considered and more so with rising interest rates from February 2022
Covid- 19 and its implications continue	<p>The Trustee was made aware of the impact on DB investments and the impact on longevity, employer covenant implications during the year.</p> <p>Further the Trustee considered the impact on the Employer covenant and considered tPR's statement on Covid-19 as with the impact in the actuarial valuation. Throughout 2021 and still considering the impact during 2022.</p>
Sustainability	The Trustee were informed about sustainability and how this may impact their investment holdings- May 2022
Pensions Regulator website	The Trustee is asked to review the content of the Pensions Regulator website and keep up to date with Codes, guidance and other items relevant for the Scheme. The Trustee was asked to review the Pensions Scam module and undertake it – regularly and any items are raised at each quarterly meeting.
Cyber Risk	Ongoing, each meeting and raising this with the Scheme administrators. It has since been agreed to have an in-depth session with the head of Mercer IT in the USA who is involved with risk events and preventing cyber issues. The annual meeting will take place each May.
Law relating to Pensions	Each meeting with briefings issued in between- at each quarterly meeting.
General Data Protection Regulations (GDPR)	Meetings when provider contracts were being reviewed. Trustee policy and privacy notice reviewed and updated from time to time.- Annually and when any changes are introduced.
RPI reform	Following the Trustee response to the consultation in April 2020 this is being monitored now, a number of pension schemes have sought an appeal against the Government. The Trustee is watching this

	carefully as it may impact the Scheme. Ongoing and monitoring the situation of other scheme's actions that may force an appeal.
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The combined knowledge of the Trustee Board together with the available advice from professional advisers enables the Trustee to properly exercise its functions as trustee to the Scheme. This is evidenced by the Trustee's business plan. They consider the items carefully to identify knowledge gaps and whether further training will be required to consider particular work items, and if so, training is built in conjunction with the discussion.

In addition, while many schemes simply focus on trustee training and use of advisers, we believe that knowledge and understanding should also be extended to awareness of member demographics and member behaviour.

The Chairman's statement regarding DC governance was approved by the Trustee on 13 September 2022

and signed on their behalf by:

*Vincent Boni*

Vincent Boni

Chairman of the Trustee Directors of the Newsquest Pension Trustee Limited