

GOVERNANCE STATEMENT - Scheme Year 2022/2023

Charles Green & Son Ltd 1992 Retirement Benefits Scheme

Summary of Scheme Benefits

The Scheme was set up on 6 April 1992 as a hybrid Occupational Money Purchase arrangement under a fully insured policy underwritten by Scottish Life Assurance Company (now Royal London).

From inception until 5 April 1997 the Scheme was contracted-out on a Guaranteed Minimum Pension (GMP) basis. As a result, the benefits of the Scheme must be at least equal to each member's GMP. The GMP reflects the additional Earnings- Related State Pension (SERPS) given up and is calculated by reference to each member's taxable earnings. As GMPs depend on members' earnings, GMPs are defined benefits.

From 6 April 1997 until 5 April 1999 the scheme benefits were provided under a Contracted-in Money Purchase Plan (CIMP) and members were given the individual choice to contract out on a "Protected Rights" basis via an appropriate Personal Pension Plan.

As such, the benefits provided comprise a member's Individual Account which is made up of two elements, a GMP Account and an Additional Monies Account.

The member's GMP Account comprises monies paid prior to 6 April 1997 in respect of contracted-out service. The member is entitled to a benefit that is the greater of the benefits that could be purchased by the member's GMP Account (a money purchase benefit) and the member's GMP (a defined benefit).

The member's Additional Monies Account comprises all other monies paid in respect of the member. The benefits provided by the Additional Monies Account are pure money purchase in nature.

The Scheme was made paid-up on 5 April 1999 and replaced for future service benefits by a fully-insured Group Stakeholder Plan, underwritten by Scottish Equitable (now AEGON).

Scheme Contributions

Since the Scheme was made paid-up in April 1997, the only contributions paid relate to a funding deficit revealed in the 2021 Actuarial Valuation in respect of the GMP Section of the Scheme. In order to address the valuation shortfall the employer has agreed to pay contributions at the rate of £ 37,800 per annum from 6 September 2022 until 5 February 2033. These contributions are paid by monthly instalments of £ 3,150 by Standing Order. A further Actuarial Valuation is due as at 6 April 2024 and the solvency level of the Scheme will be reviewed, along with the level of contributions required to address any shortfall.

In addition to the above contributions, the employer has agreed to pay the cost of the Pension Protection Fund Levy and any other expenses relating to the running of the Scheme, as and when they fall due.

In relation to the pure money purchase benefits provided under the Additional Monies Accounts, there have been no contributions since the Scheme was made paid-up on 5 April 1999, as the value of the assets in each Account directly matches that of the liabilities. All future service benefits from 6 April 1999 have been provided under the Group Stakeholder Plan with AEGON, subsequently replaced by a Group Personal Pension Plan, underwritten by AEGON, to fully comply with the Auto-Enrolment regulations.

Investment Choice and Default Fund

In relation to the pure DC funds, members were given a wide choice of Scottish life unit-linked investment funds into which they could invest their pure DC funds, with the Default fund being the Scottish Life Managed fund (now Royal London Managed Fund).

Generous cost-free switching facilities are available to members who wish to change their investment funds.

Scheme Charges

Under the pure DC Section of the Scheme the member charges in relation to the unit-linked funds, including the Default fund are a single Annual Management Charge (AMC) of 1.00% per annum.

Value for Money

The Trustees remain confident that the member charges under the pure DC Section of the Scheme continue to represent good value for money. It is also important to note that the level of service provided by Royal London over the years, has been exemplary. This is evidenced by the number of Industry Awards received by them over recent years for quality of administration and customer service. In light of recently introduced new legal requirements, DC schemes are required to provide net investment returns, dating back at least 5 years on both the Default fund (Royal London Pensions Managed Fund) and all self-selected funds in which members are invested.

The following table provides the required information for periods from 3 months up to 6 years ending on 30 September 2023.

Name	% Growth TR Def ExD Def GBP								% Growth 365 TR Def ExD Def Ann GBP
	30/06/2023 To 30/09/2023	31/03/2023 To 30/09/2023	30/09/2022 To 30/09/2023	30/09/2021 To 30/09/2023	30/09/2020 To 30/09/2023	30/09/2019 To 30/09/2023	30/09/2018 To 30/09/2023	30/09/2017 To 30/09/2023	Launch to 30/09/2023
	Value 3 months	Value 6 months	Value 1 year	Value 2 years	Value 3 years	Value 4 years	Value 5 years	Value 6 years	Value Custom
RLP Deposit-Pen	1.10	1.98	3.20	2.93	1.98	1.50	1.32	0.86	4.11
RLP Fixed Interest-Pen	-0.34	-5.57	-1.25	-24.47	-29.27	-26.53	-18.06	-18.03	5.78
RLP Managed-Pen	1.21	2.04	4.21	-0.49	17.32	11.75	16.56	24.42	7.42
RLP UK Equity-Pen	2.55	1.87	14.40	3.52	34.00	12.62	14.32	20.16	8.17

Source Lipper as at 24.10.2023

Past performance is not a guide to the future. Prices can fall as well as rise meaning you may not get back the full amount of capital originally invested. Investment returns may fluctuate and are not guaranteed.

While the majority of the scheme members are invested in one or more of the funds in the above table, there is a member who chose to invest in the Royal London Pension Unitised With Profits

Fund. This fund operates in a different way to the unit-linked funds in the above table , so we have attached an explanatory fact-sheet (see Appendix) providing fuller information on the operation of this fund.

Administration

Given that this is a fully insured scheme underwritten by Royal London, the underwriters and/or XPS Pensions Group prepare and supply all documentation and technical advice and assistance relating to :-

Triennial Actuarial Valuations

S.179 Valuations

Annual Scheme Renewal Package for production of Annual Report and Accounts

Individual benefit statements for members

Benefit calculations including CETV calculations

Retirement packs for members

Funding objectives, assumptions and method

Deficit funding/Recovery plans

Technical updates

And generally providing the support needed by the Trustees to efficiently and effectively administer the Scheme. The Trustees also have recourse to guidance and assistance from the Pension advisor to the current AEGON Group Personal Pension Plan and to the company Accountants, who prepare and audit the Scheme Report and Accounts.

The above Statement forms part of the Annual Report and Accounts for the Scheme year ending 5 April 2023.

Signed on behalf of the Trustees



Tom Green
Chairman

Date 11 October 2023

APPENDIX 1 – ROYAL LONDON WITH PROFITS FUND



Investments

Royal London With Profits fund

Your policy is invested in the Royal London open fund. The Royal London open fund is designed for investors looking for a medium to long-term investment. In this leaflet we call the Royal London open fund the With Profits fund.

What is the investment mix of the With Profits fund?

The With Profits fund is invested in a mixed portfolio which includes company shares (both UK and overseas), Government and other bonds and property. The aim of the investment strategy is to maximise the long term return on investments for with profits policyholders whilst recognising the need for the fund to meet the guarantees provided to policyholders.

Table 1 shows the current overall investment mix and how we have changed the mix of the investments backing the asset shares of with profits policies in the With Profits fund since 2018.

By **asset share** we mean the accumulation of premiums paid into a With Profits policy after taking off expenses and charges and allowing for the profits and losses earned by the investments.

Table 1

	Company shares %	Property %	Government and other bonds %	Cash and other investments %
31/12/2022	53	16	30	1
31/12/2021	54	15	31	0
31/12/2020	44	13	36	7
31/12/2019	49	12	36	3
31/12/2018	47	13	37	3

The investment returns from government bonds, other bonds and cash tend to vary less from year to year than the returns from company shares and property. However, over the longer term, the investment returns from government bonds, other bonds and cash tend to be lower than those from company shares and property.

What was the investment return for my policy for 2022?

The total investment return applied to asset shares in the with profits fund (before taxes and charges) for 2022 was -9.9%.

Due to significant market volatility during 2022, the with profits fund's investments provided an overall negative return for the year. This was caused by a fall in the value of company shares and government bonds during the year.

Due to the nature of your policy being with profits, we try to smooth out variations in investment returns year on year so that your policy is less affected by the ups and downs.

The section 'How do I share in the profits and losses of the fund?' explains how we distribute these investment returns by adding bonuses to your policy.

We don't know what investment returns will be in the future; you should not assume that they will be the same as they were in previous years. We continuously monitor economic conditions, and where necessary adjust the investment mix to be appropriate given the current conditions.

Investing responsibly

As the UK's largest mutual insurance and pension provider, we're committed to acting and investing responsibly. Visit royallondon.com/responsiblebusiness to read our latest report on our climate change commitments and the progress we've made so far in line with our requirements under the Taskforce on Climate-related Financial Disclosures (TCFD).

Risk factors

It is important that you understand the potential risks associated with this fund. We have detailed below the specific risks we think you should be aware of. For further information on each of these risks please refer to our **Guide to Fund Risks**.

Table 2

Investment Risk Factors	Yes/No
Exchange Rate	Yes
Emerging Markets	Yes
Concentrated Portfolio	No
Smaller Companies	Yes
High Yield Bonds	Yes
Sector Specific	No
Geared Investments	No
Property	Yes
Higher Risk Fund	No
Derivatives	Yes
Equities	Yes
Bonds	Yes
Money Market	Yes
Stock Lending	Yes

How do I share in the profit and losses of the fund?

The performance of the With Profits fund is shared out to its investors through a system of bonuses. There are two types of bonus that we may add to your policy:

- **regular bonuses**, which we may add during the lifetime of your policy and which increase the guaranteed amount payable when you take your guaranteed benefits, and
- **final bonuses**, which we may add when your policy ends. Final bonuses are not guaranteed and may go up or down.

Some unitised policies have a unit price that changes on a daily basis to reflect the addition of regular bonus, but the effect is the same.

The regular bonus rates for 2022 have remained at the same level as 2021. For Crest Growth policies the rate is 2.65% and for other pension policies it is 2.15%. For life and savings policies the rate is 1.40%. Your bonus rate includes 0.15% added as a result of ProfitShare for 2022. You can read more about this in the section headed 'Royal London ProfitShare'.

A **Market Value Reduction (MVR)** may be applied to reduce the value of units being cashed in during adverse market conditions. A reduction would be applied to ensure a fair level of payouts to everyone invested in the fund. If we did not do this the investors remaining in the fund would not receive their fair share. Please note that if an MVR is applied to your policy, the value of your plan would be reduced and you could get back less than you paid in. The MVR will not be applied if the policy is being cashed in on death or in certain other circumstances as set out in your policy documents.

Since 2001 the RL Estate has received one-ninth of the surplus distributed to certain (United Assurance Group) UAG policies. On 31 December 2022 this arrangement was terminated with a conservative value of all future distributions paid to the RL Estate. There is no immediate impact on policy values, and our expectation is that the long-term benefits for UAG policyholders will be improved by this simplification.

Royal London ProfitShare

We continue to meet society's needs for high quality life insurance, investment and pension products.

As a result of our good operating profits and continued strong capital position we have allocated a discretionary ProfitShare to all eligible with profits policyholders. We have applied this by enhancing the asset shares of the relevant conventional with profits policies by 1.2%. We have also enhanced the asset shares of eligible investments in former Scottish Life unitised with profits policies by 0.3%.

As mentioned earlier, our approach to ProfitShare means that we have also given you an extra bonus of 0.15% this year.

We hope to award a similar level of ProfitShare next year and our business plan supports that. You could get more or less than this and there's no guarantee that we'll be able to award ProfitShare every year. Rest assured that, whatever happens in 2023, we will do all we can to maintain your ProfitShare at an attractive level.

Where can I find out more information about the With Profits fund?

You can view and download the following documents from our website royallondon.com/PPFM:

- **Principles and Practices of Financial Management (PPFM)** which is a technical document that explains the way in which we manage our With Profits fund.
- **A guide to how we manage our With Profits fund** which is a plain English guide to the key points of the PPFM. This includes more information on asset shares, how we decide annual and final bonus rates and MVRs. The version that covers your policy is **Guide 6**.
- The Directors report on compliance which is the most recent report about how we have complied with the PPFM.

Change made to the PPFM

Following the merger of the Phoenix Life Assurance Limited (PLAL) and Royal Liver funds into the Royal London fund with effect from 31 December 2022, PLAL and Royal Liver business is now included in the Royal London PPFM.



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We're happy to provide your documents in a different format, such as Braille, large print or audio, just ask us when you get in touch.

All of our printed products are produced on stock which is from FSC® certified forests.

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