THE GUEST MOTORS LIMITED PENSION AND ASSURANCE SCHEME
Annual governance statement for the period from 6 April 2023 to 5 April 2024
by the Chair of Trustees

Introduction

The Guest Motors Limited Pension and Assurance Scheme is and always has been operated as a Defined Benefit ("DB") pension scheme. Therefore, it was the view of the Trustees that the Scheme was exempt from the new DC governance rules on the basis that we already review and assess our systems, processes and controls across key governance functions to ensure they are consistent with those set out in The Pension Regulator's Codes of Practice governing DB pension schemes.

Nevertheless, an investigation has revealed that there are a number of Scheme members who have been left with DC only benefits, further details are provided later in this statement. This means that, as the appointed Chair of the Trustees, I have to provide you with a yearly statement which explains what steps have been taken by the Trustee Board, with help from our professional advisers, to meet the DC governance standards. The law sets out what information has to be included in my statement and this is covered in sections 1 to 6 below.

I welcome this opportunity to explain to you what the Trustees do to help to ensure the Scheme is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do contact the Scheme consultants at the following address:

Mr Nicholas Atkin
Atkin Pensions
Cornwall House, Blythe Valley Park, Solihull. B90 8AF
Tel: 0121 506 8200

1. Setting an appropriate investment strategy

The Trustee Board is responsible for investment governance. This includes setting and monitoring the investment strategy for the Scheme, including the investment strategy for the Scheme's default investment arrangement where appropriate (i.e. the investment arrangement for members who join the Scheme and who do not choose an investment option for their contributions).

The Scheme has a default investment arrangement only to the extent that, under the rules of the Scheme all invested assets (excluding any benefits derived from Additional Voluntary Contributions – AVCs) are 'pooled' together and are used to meet the DB liabilities of the Scheme. The extent to which members have separate non-AVC DC investment accounts under the Scheme is only in respect of any post -1997 'protected rights' benefits plus member contributions in excess of National Insurance rebate payments and the investment growth achieved on these payments over time.

The rules state that members should only derive a DC entitlement under the Scheme if the value of their DC investment account is sufficient to secure benefits, at normal pension age, greater than their DB entitlement under the Scheme.

Members have no say in how the non-AVC assets of the Scheme are invested.

In setting the investment strategy for the Scheme the Trustees have regard to the best interests of the members and their beneficiaries as a whole rather than the needs of any particular group of members. Nevertheless, as stated above, the Trustees recognise that there are a number of 'short service' members who have been left with a DC only entitlement under the Scheme. The performance of the Scheme's investment strategy is of direct relevance to these members.

Before preparing the SIP, the Trustees took advice from our investment adviser, Atkin Pensions, who are authorised as a Designated Professional Body, and consulted with the Scheme Actuary and Guest Motors Limited as the Principal Employer of the Scheme.

Following the investment volatility in Q4 2022 and, in particular, the increase in long term interest rates, the decision was made to switch some of the equity and diversified fund assets into the long dated bonds in order to reduce the funding volatility in respect of the DB benefits. This was upon the advice of Atkin Pensions and the Scheme moved to an allocation of broadly 50% equities and 50% bonds (including corporate bonds).

2. Reviewing the investment arrangement

We review and update the Scheme's SIP at regular intervals and at least once every three years (in line with the valuation cycle for the DB liabilities). We also review the performance of the Scheme's investment strategy at each regular Trustee Meeting. Following the investment changes referred to at the end of Section 1, the Statement of Investment Principles was updated to reflect the new strategy, a copy of which can be found in the appendix.

The three year performance of all of the funds used by the Scheme as at 31st March 2024 is as follows;

Fund	**12 Months**		**3 Years**	
	Fund %	**Index %**	**Fund %**	**Index %**
Legal & General UK Equity Index Fund	8.53%	8.43%	8.16%	8.05%
Legal & General North America Equity Index Fund	26.87%	26.80%	13.97%	13.93%
Legal & General Europe (ex UK) Equity Index Fund	13.06%	13.42%	9.10%	9.25%
Legal & General Japan Equity Index Fund	22.37%	21.65%	6.79%	6.60%
Legal & General Asia Pacific (ex Japan) Index Fund	4.62%	4.54%	0.92%	0.93%
Legal & General Diversified Fund	8.68%	24.50%	3.15%	10.78%
Legal & General Active Corporate Bond – Over 10 Years Fund	5.76%	5.91%	(7.28%)	(7.80%)
Legal & General AAA-AA Fixed Interest – Over 15 Years Target Fund	(0.15%)	-	(12.54%)	-
Legal & General Over 15 Year Index Linked Gilt Fund	(11.87%)	(11.86%)	(17.69%)	(17.68%)
Overall	**5.93%**		**1.51%**	

We are satisfied that each fund is performing in line with its objectives and the expectations for the relevant investment sector.

Furthermore, we are satisfied that the Scheme's investment strategy fully complies with the requirements of the Occupational Pension Scheme (Investment) Regulations 2005. For example,

- The assets are invested in the best interests of the Scheme members and beneficiaries, and;
- The assets of the scheme are properly diversified in such a way so as to avoid the accumulation of risk in the portfolio as a whole.

3. Charges and transaction costs paid by members

The Trustees are required to explain the charges and transaction costs (i.e. the costs of buying and selling investments in the Scheme) which are paid by members rather than the employer.

Where information about the member costs and charges is not available, we have to make this clear to you together with an explanation of what steps we are taking to obtain the missing information.

Members who have a DB entitlement do not incur any charges or transaction costs. This is because;

- All the expenses of the Scheme, other than the annual management charges applicable to each of the funds used by the Scheme and the annual PPF levy, are paid by the Principal Employer, Guest Motors Limited.
- It is expected that the benefits they will derive from the Scheme will be in respect of their DB entitlement and not in respect of their DC investment account.

Those members who do not have a DB entitlement will only be impacted by the annual management charges applicable to each of the funds used by the Scheme. These charges are deducted on a regular basis from the units held in each fund.

The current annual management charges for the funds used by the Scheme range between 0.10% and 0.30% (based on the current asset allocation c 0.15%). This is because the majority of the funds used by the Scheme are low cost index tracker funds. Transaction costs are typically less than 0.02%.

4. Good value for members

The Trustee Board is required to assess the charges and transaction costs which are payable by members and to consider the extent to which the investments options and the benefits offered by the Scheme represent good value for members when compared to other options available in the market.

There is no legal definition of "good value" and so the process of determining good value for members is a subjective one. We have received advice on how to assess good value from our adviser and considered regulatory guidance.

Firstly, we compared the annual management charges applicable to all funds used by the Scheme with Government requirements for default arrangements under qualifying workplace pension schemes (i.e. schemes that are used for automatic enrolment). We determined that all these charges are significantly below the maximum of 0.75% permitted for qualifying workplace pension schemes.

Secondly, we compared the Scheme's investment strategy with Government requirements for default funds used by qualifying workplace schemes. We determined that the Scheme's investment strategy;

- Does have a high-level objective, which explains in broad terms what it aims to do and the principles adopted in order to achieve this aim.
- Does have a clear description of how it manages risk
- Does manage risk through the appropriate and diversified allocation of assets.
- Does have clearly disclosed charges.
- Does as far as is reasonable take account of the needs of the members.

Thirdly, we considered the Scheme's investment strategy in relation to the benefits of membership. We concluded that;

- The benefits of membership for the majority of members are much greater than the value of their individual DC investment accounts under the Scheme.
- The minority of members who do not have a DB entitlement under the Scheme still benefit from the extremely low charges applicable to all the funds used by the Scheme.
- The overall investment performance of the Scheme is reasonable in relation to the outcomes expected from investment.

We recognise that the benefit options under the Scheme are limited for those members with DC only entitlements.

The Trustees do not believe that it is practical to transfer these benefits to an alternative investment arrangement and, therefore, best value for money for members will be achieved by providing them with a more generous DB underpin which will mean that they are no longer considered DC benefits and are working to achieve this objective. The Trustees have agreed an approach with the Sponsoring Employer and expect to be able to make the change in the near future.

5. Cumulative effects of charges and transaction costs over time

Over a period of time, the charges that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below an illustration of the impact of charges and transaction costs on the default investment fund. As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained below.

The 'before costs' figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The 'after costs' figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.

The table below shows projected pension pot values in today's prices after allowing for inflation, before and after charges and costs are deducted.

ILLUSTRATIVE EXAMPLE

Projected pension pot in today's money		
Years	Before charges	After all charges + costs deducted
1	**100,000**	**100,000**
3	**106,121**	**105,187**
5	**110,408**	**108,794**
10	**121,899**	**118,361**
15	**134,587**	**128,770**
20	**148,595**	**140,094**
25	**164,061**	**152,414**
30	**181,136**	**165,817**

Notes

1. Projected pension pot values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
2. It is assumed that the member is aged 35 at the start of the projection and retires after 30 years at age 65.
3. The starting pot size is assumed to be £100,000.
4. Inflation is assumed to be 2.5% each year.
5. It is assumed that no further contributions are paid.
6. Values shown are estimates and are not guaranteed.
7. The projected growth rate used is 2% above inflation.
8. As an illustration, the impact of expenses of 0.3% p.a. is shown.

All costs relating to the administration of the Scheme, including any transaction costs and the costs of settling benefits, are met by the employer.

The Trustees are satisfied that the charges and transaction costs represent good value for money

6. Core financial transactions

The Trustee has a specific duty to ensure that core financial transactions (including the investment of contributions, transfer of member assets into and out of the Scheme, transfers between different investments within the Scheme and payments to and in respect of members) relating to the DC section are processed promptly and accurately.

The requirements of the Regulations have been met and core financial transactions have been processed promptly and accurately by:

- Appointing a professional third-party administrator, Atkin Pensions, and its investment managers, Legal & General. It is noted that Atkin Pensions has been audited for compliance with ISO9001/27001 and AAF01/06.
- Having in place service level agreements (SLAs) with the administrator which cover all core administration processes. These SLAs are monitored on an annual basis.
- Ensuring that disaster recovery plans are in place with the administrator, other relevant third parties, and within the sponsoring employer.
- Maintaining a Risk Register which outlines the risks to members and the scheme, including those in relation to financial transactions, and considers the impact, likelihood, controls and mitigation steps for each risk. The Risk Register is monitored and reviewed at least annually.
- Appointing a professional firm to undertake an annual audit.
- An SLA is in place with the administrator and covers timescales for all key transactions, including investment, disinvestment, processing of retirements and transfers. The administrator monitors the bank account daily. All transaction instructions are subject to a 'do, check, review & authorise' procedure. Release of payments is also subject to a robust three-stage checking procedure.
- The administrator provides reports which are reviewed and discussed by the Trustee at their meetings. The administrator indicates any matters which have failed to meet SLAs and the reasons for these, together with any implications for processing transactions and service improvements are discussed by the Trustees and the administrator.
- The Trustee receives semi-annual administration reports which give details on performance and compliance with SLAs. The auditors review all key financial transaction reports that take place

during the scheme year and report their findings to the Trustee annually. The Trustee is satisfied that over the period covered by this statement:

- The administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA;
- There were no material administration errors in relation to processing core financial transactions
- All core financial transactions have been processed promptly and accurately during the Scheme year.

In the last scheme year there has been no material administration services issues which need to be reported here by the Trustee. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

Atkin Pensions provides regular reports to the Trustee board which allows us to assess how quickly and effectively the core scheme financial transactions are completed. Any mistakes or delays are investigated thoroughly and action is taken to put things right as quickly as possible.

A Service Level Agreement is in place with Atkin Pensions which specifies agreed timescales for carrying out key tasks and transactions. Atkin Pensions reports its performance against these SLA targets on a bi-annual basis.

I am pleased that in the last scheme year there have been no material administration service issues which need to be reported here by the Trustees. We are confident that the processes and controls in place with the administrator are robust and will ensure that the financial transactions which are important to members are dealt with properly.

In addition, noting that we need accurate member data in order to ensure that the right benefits are paid to the right members at the right time Atkin Pensions undertook a detailed data cleanse at the time of their appointment in 2015.

We are currently working with Atkin Pensions and HM Revenue and Customs to investigate any issues with the member data received from the previous Scheme administrator.

7. Trustee knowledge and understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for 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 Code of Practice 07. The comments in this section relate to the Trustees as a body in dealing with the whole scheme and are not restricted to the DC section.

The Trustees have put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs. In addition, the Trustees receive advice from professional advisors, and the relevant skills and experience of those advisors is a key criterion when evaluating advisor performance or selecting new advisors.

All the Trustees are aware of the need to comply with the Pension Regulator's Trustee Toolkit and new Trustees are asked to complete this within six months of taking up office. Steps are taken and support provided where necessary, to ensure that the Trustees have a working knowledge of the trust deed and rules, current SIP and current policies.

Taking account of actions taken individually and as a trustee body, and the professional advice available to them, the Trustees consider that they are enabled properly to exercise their functions as Trustees.

Statement of DC Governance

The Trustees have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes
- Regulatory guidance for defined contribution schemes.
- These are underpinned by the DC quality features.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence of DC quality features which we believe will help deliver better outcomes for members at retirement.

Signed on behalf of the Chair of Trustees