

DC Chair's Annual Governance Statement at 5 April 2022

Introduction

Since 6 April 2015 trustees of Defined Contribution (DC) arrangements have been required to produce an annual statement, signed by the Chair, setting out how the Trustee is complying with DC governance standards in relation to:

- DC investments
- Core financial transactions
- DC administration and investment reporting
- Fund charges and member-borne costs
- Net returns of the investment options
- A "value for members" assessment
- The Trustee board and scheme governance
- Trustee knowledge and understanding (TKU) and professional advice

This statement covers the period from 1 April 2021 to 31 March 2022, and is the sixth DC Chair's statement prepared by the Trustee of the National Staff Pension Scheme (the "Scheme").

The Scheme's principal employer is SUEZ Recycling and Recovery UK Ltd ("**SUEZ UK**").

The Scheme's current Trustee is SUEZ Recycling & Recovery UK Pensions Plans Trustees Limited.

The Trustee is aware that the Scheme is in need of a complete governance and investment review, and a timetable setting out how the Trustee plans to meet the governance standards is attached as Appendix A.

The Trustee is intending to complete a Scheme-wide governance review during 2023, which is likely to include formal consideration of winding up the Scheme, after receiving appropriate advice.

DC investments

The Trustee is responsible for setting and monitoring the investment strategy for the Scheme. The Scheme's DC funds are now managed by Utmost, following Equitable Life's sale of the "With Profits" fund to Utmost in 2020. Following the sale, members were moved to individual equity funds with Utmost. [Members who do not choose an investment option are placed into [*name of default arrangement*] (the "default arrangement").]

The Trustee is required to review the strategy and objectives of the Fund at regular intervals, and to take into account the needs of the Scheme membership when designing the default arrangement.

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in a document called the 'Statement of Investment Principles' ("SIP"), which will be available once it has been finalised.

The aims and objectives of the default arrangement(s), as stated in the SIP, are as follows:

- To generate investment growth in excess of price inflation over the long-term;
- To preserve capital; or
- To provide a relatively secure stream of income through interest payments and return of capital.

The default strategy and the performance of the default arrangement were not reviewed during the period covered by this statement. The Trustee regularly monitors the performance of the default arrangement and will formally review both this and the strategy at least every three years. The next review is intended to take place during 2024.

The Trustee is satisfied that the default remains appropriate.

In addition to the strategy review the Trustee also reviews the performance of the default arrangement against their aims, objectives and policies on a [*quarterly*] basis. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations. The Trustee's review that took place during the Scheme year concluded that the default arrangement were performing broadly as expected and consistently with the aims and objectives of the default as stated in the SIP.

Core financial transactions and DC administration

The Trustee is required to report about the processes and controls in place in relation to "core financial transactions". The law specifies that these include the following:

- investing contributions paid into the Scheme;
- transferring assets related to members into or out of the Scheme;
- transferring assets between different investments within the Scheme; and
- making payments from the Scheme to or on behalf of members.

The Trustee must ensure that these important financial transactions are processed promptly and accurately. The Scheme has no active members; therefore there is no requirement to monitor contributions.

The Scheme's fund manager, Utmost, is responsible for the upkeep of the DC membership records, including the allocation of units in the DC funds and AVC funds (where necessary).

SUEZ UK's in-house Pensions Team has been acting as Scheme administrator since the inception of the Scheme. Since its appointment, the in-house team has carried out its responsibilities, and the Trustee has been satisfied with performance standards.

The Trustee has also reviewed and assessed the team's systems, processes and controls across key governance functions during the Scheme year. This includes the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/ beneficiaries. The Trustee considers that these functions are consistent with those set out in the Pensions Regulator's Code of Practice 13 and Regulatory Guidance for DC schemes.

Investment reporting

There were no member complaints about delays in processing requests in the Scheme year.

Fund charges and member-borne costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio ("TER"). The TER is paid by the members and is reflected in the unit price of the funds.

The charges also include any costs, e.g. administration and investment costs, since members incur these costs. The costs of the Utmost fund are variable.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs are those incurred when the Scheme's fund managers buy and sell assets within investment funds .

There are no explicit transaction costs applicable to the funds, other than the default arrangement.

The investment Annual Management Charge for the default arrangement is 0.75% per annum as at 31 March 2022. This means that for every £1,000 invested the investment management charge is between £7.50 a year.

The Trustee has also considered the investment management charge cap, put in place by the UK Government for the default arrangements of DC schemes used for auto-enrolment purposes, and confirms that all charges are equal to or below this cap.

SUEZ UK meets the annual £500 scheme charge directly.

An illustrative example of the cumulative effect over time of the relevant costs and charges on the value of a member's benefits, assuming their benefits, will be created once the SIP has been

finalised. Consideration of the statutory guidance provided by the DWP will be taken into account in the production of this example.

Investment returns

Members are provided with annual SMPI statements that provide estimates of the annuity rates that could be achieved at retirement.

Value for members

The Trustee is required to consider the extent to which the charges and transaction costs borne by the members in relation to the Scheme and AVCs represent good value for members.

There is no legal definition of “good value” and so the process of determining good value for members is a subjective one. The Trustee is due to consider the quality of services provided, including member communications, administration services, investment governance and performance and scheme management in the context of its agreed objectives. The Trustee will also consider the charges for similar arrangements in the wider market.

The Trustee, together with its investment adviser, will consider a new review of the Scheme arrangements in 2023 following the sale by Equitable Life. A full review of DC Governance including value for members and investment strategy will also be considered in 2023.

Trustee and governance

The Trustee Directors are people who have either been appointed by SUEZ UK or nominated by the members of SUEZ UK's defined benefit schemes, of which the Trustee is also the trustee.

The law requires that at least one third of Trustee Directors must be member-nominated. The Trustee Directors monitor member-nominated Trustees by way of governance processes, which include things such as maintaining records of the length of the appointment and declarations of conflicts as they arise and at Trustee meetings.

During the period to 5 April 2022, there were six Trustee Directors of the Trustee, three of which were Employer-appointed, three were Member-nominated plus the Chair, who was David Wright.

Trustee	Role	Appointed
T Leghorn	ENT	3 October 2018
M Dewison	MNT	9 March 2012
R Searby	MNT	5 May 2014
J Tullis	ENT	9 March 2012
D Wright	ENT (Chair)	11 January 2016

J-C Sartenaer	MNT	6 November 2018
N Browning	ENT	6 January 2020

There have subsequently been some changes to the Trustee Directors and, as at 6 June 2023, they are as follows:

Trustee	Role	Appointed
T Leghorn	ENT	3 October 2018
M Dewison	MNT	9 March 2012
R Searby	MNT	5 May 2014
J Tullis	ENT	9 March 2012
S Birler	ENT (Chair)	25 June 2023
J-C Sartenaer	MNT	6 November 2018
Jasbir Singh	ENT	20 October 2023

The views of members are obtained through:

- direct feedback to the Scheme administrator;
- direct feedback to the Member-Nominated Trustee Directors

If any member would like to get in touch with the Trustee or provide any feedback on the Scheme, please contact the Administrator using the details below:

SUEZ Recycling and Recovery UK Ltd
Pensions Department
SUEZ House
Grenfell Road
Maidenhead
Berkshire
SL6 1ES

Tel: 01628 513100

Email: pensions.uk@suez.com

[Trustee knowledge and understanding \(TKU\) and professional advice](#)

The law requires the Trustee Directors to possess, or have access to, sufficient knowledge and understanding to run the Scheme effectively. The Trustee Directors undertake training on a periodic basis to maintain their knowledge and understanding of DC arrangements and to meet the requirement of being conversant with the Scheme documents. Where further clarification is required about the Scheme's governing documentation, the Trustee takes legal advice.

The Trustee reviews its performance and training requirements, and a training programme will be reviewed at least annually to ensure it remains up to date and relevant.

Further, the Trustee Directors consider that they have sufficient knowledge and understanding of the law relating to pensions and trusts and of other relevant principles relating to the funding and investment of occupational pension schemes and of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change, to fulfil their duties.

The Trustee's approach to meeting the requirements includes the following:

- Maintaining a record of the training completed by each Trustee Director.
- Meetings include updates on topical issues to ensure that Trustee Directors are aware of all relevant information/legislation in relation to the Scheme.
- Newly appointed Trustee Directors receive a formal induction to provide them with basic knowledge and understanding and are encouraged to complete the Trustee Toolkit provided by the Pensions Regulator.
- The Trustee Directors undertake ongoing training through the advice provided to them by their advisers who attend Trustee meetings.
- Where any issues under review/consideration relate specifically to the Rules, the Rules are referred to and this process provides the Trustee Directors with the opportunity to retain their working knowledge of the Trust Deed and Rules.
- The Trustee Directors have access to the administrator's website which securely holds all policies and procedures for easy access and review.
- The Trustee's legal adviser ensures that the Trustee Directors are alerted to the relevant Rules and legislation relating to all issues they are discussing.

The Trustee Directors are encouraged to undertake regular training; this is in addition to training which is provided through the standing update on topical pensions issues and through the advice/training provided by the advisers in relation to the varied agenda items. During the period covered by this statement, the Trustee[s] received training on the following topics:

- General Pension Training
- The Pension Schemes Act 2021 (including scheme funding, new transfer regulations, climate change risk reporting and new single code)
- Changed to minimum pension age

- Rule of 85
- Changed to Notifiable Events

As a result of the training activities which have been completed by the Trustee Directors and taking into account the professional advice available to the Trustee, the Trustee Directors are satisfied that their combined knowledge and understanding enables them to exercise properly their functions as the Trustee Directors of the Scheme.

Signed *Selcuk Birler*

Dated 27th October 2023

Selcuk Birler, Chair of the Trustee Board

Appendix A – Trustee “To Do List”

- Create DC Statement of Investment Principles
- Review New Arrangements
- Review Governance with consideration of Wind Up
- Review Processes, Controls and Systems against Code of Practice 13 /QSA
- Review Value for Money (for Services, Communications, Investment charges etc.).
- Review communications to members
- Assess TKU against the Pensions Regulators requirements
- Create a Training log

Notes:

- Actions on the above will be subject to review in light of the changes made by Equitable Life /Utmost following the sale of the fund
- A project to wind up the scheme has been commenced in conjunction with the Trustee Board legal advisers, Osborne Clarke.