The Matthew Clark Group Money Purchase Scheme - Chair’s Statement

Introduction

This is the Matthew Clark Group Money Purchase Scheme (‘the Scheme’) Chair’s Statement (‘the Statement’) for the period 6 April 2020 to 5 April 2021 (the ‘Scheme Year’).

The Statement has been prepared by Accolade Wines Pension Trustees Limited (‘the Trustee’) in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (as amended); and supporting guidance issued by the Pensions Regulator.

The Scheme has been closed to active members and contributions since 1 April 1997, so all members have *‘deferred’* benefits. The Scheme does not have a relevant default arrangement investment option for inclusion in this Statement and is not (and has never been) used as a qualifying scheme for automatic enrolment purposes by the Principal Employer (Accolade Wines Limited) or any other employer. However, commentary on the Scheme’s investment options; the costs and charges met by members with illustrations; the value for members and the Trustee’s knowledge and understanding are included in this Statement.

Due to the Scheme having fewer than 100 members and never having had contributions paid into it for automatic enrolment purposes, it is consequently not required to have (and indeed does not have) a Statement of Investment Principles nor a Default Statement of Investment Principles. Therefore, these are not included in the Statement as would otherwise have been the case.

Phoenix Life policies are monitored by a Phoenix Life Independent Governance Committee (”IGC”) whose role is to act in the interests of members by assessing whether value for money is being sought, and – where required – challenging Phoenix where the IGC believes better value could be offered.

Due to a change in the IGC’s reporting process, annual reports are now produced covering a full calendar year (previously the IGC’s reports would cover the period between 6 April – 5 April). The Trustee has considered the IGC’s 2020 annual report, and the IGCs Interim Update of January 2021. The Trustee will consider the 2021 annual report as part of the DC Chair’s Statement covering the period 6 April 2021 to 5 April 2022 as necessary.

01.01 Queries

If you have any questions or require any further information please contact XPS Pensions Group, Queen’s Quay, 33-35 Queen Street, Bristol, BS1 4LU, or call 0117 202 0420.

01.02 COVID-19

The recent coronavirus outbreak stimulated global market volatility throughout the first half of 2020. Markets subsequently illustrated their resilience throughout the second half of 2020 and into 2021, largely supported by various stimulus packages and governmental support across the world.

The Phoenix Life IGC monitored its response to the pandemic, and the Trustee recognises the IGC’s conclusion that Phoenix Life generally maintained an appropriate support service for members throughout the period and made adaptations to some of its services for vulnerable customers. The Trustee has received no specific concerns from members on the services provided during the period.

01.03 Processing core financial transactions

Phoenix Life provides the administration and investment services to the Scheme. These are provided under an agreement ("Policy") with Phoenix Life, part of the Phoenix Group. The Policy forms part of Phoenix Life's workplace pension arrangements, which as mentioned previously are overseen by the IGC, and in turn, the Trustee oversees the Scheme.

Phoenix Life provides a service level commitment to respond to requests (from advisors, trustees, and members) within 6 to 10 working days. Despite comfort from the IGC that Phoenix Life had made 'great efforts' during the pandemic to maintain service for customers, the Trustee is disappointed to confirm that there were several instances where information requested by the Trustee's advisers was not provided in-line with the agreed service level commitment.

Furthermore, although requested by the Trustee during the Scheme year (and as has been the case in previous years), Phoenix Life does not provide reports on its performance versus this commitment for each scheme. Neither does it do so for the core financial transactions being:

> the transfer of assets relating to members transferring into and out of the Scheme;

> the transfer of assets relating to members moving between different investments within the Scheme; and

> payments from the Scheme to, or in respect of, members and beneficiaries.

The Trustee understands that this is typical of legacy type arrangements such as this, and therefore this lack of reporting and transparency is reflected in the Trustee's 'Value for Members' assessment. Nonetheless, the Trustee is disappointed with this lack of reporting which is a factor in considerations regarding the future of the Scheme.

The Trustee understands there have been very few transactions in the period. There are only 11 deferred members as at April 2021 (and one pensioner in receipt of an annuity); with all these deferred members invested in the two funds that make up the 'Standard' investment strategy.

The lack of member activity is demonstrated by no members having switched to any of the alternative investment fund options in this period.

There have been no issues or complaints raised to the Trustee by Phoenix, the Scheme's advisors XPS Pensions Group or the members during the Scheme Year.

The Trustee has considered the IGC's 2020 annual report, as well as the 2021 interim report, which confirmed that Phoenix performed within its key customer service targets.

Based on the information set out in this section, the Trustee believes that core financial transactions have been processed promptly and accurately and the Trustee is not aware of any major issues with the services provided to members in the period. Therefore, the Trustee is comfortable that, overall, there have been no material administration service issues, and that Phoenix is performing satisfactorily. The Trustee will continue to request the information specific to its Policy from Phoenix for future reporting periods, to ensure that the performance of the Scheme is in-line with the broader performance of Phoenix reported by its IGC. The Trustee and Principal Employer are currently considering whether the Scheme continues to be appropriate and effective in providing benefits to members and what potential alternatives there may be. The lack of reporting from Phoenix forms part of these considerations.

01.04 Charges and transaction costs

All members' plans are invested in the NPLL Unitised With-Profit Fund and the Phoenix NPI Pension Managed Fund (shown below). There are two primary charges members pay in respect of their DC pension benefits. These are known as the Total Expense Ratio ("TER") and transaction costs. The TER is the aggregate of an Annual Management Charge ("AMC") and other indirect costs and charges. Transaction costs are classified as either implicit or explicit:

- Implicit transaction costs represent the difference between the price the fund managers expect to receive or pay when they decided to sell or buy an investment and the price they actually got when the sale or purchase happened.
- Explicit transaction costs include taxes and levies including stamp duties, broker commissions incurred when buying and selling investments; and the cost of borrowing and lending securities.

The TER and aggregate transaction costs covering the year 1 January 2020 – 31 December 2020 are detailed in the table below (source: Phoenix Life). The Trustee has requested the charges for the remainder of the Scheme year post 31 December 2020 from Phoenix Life, which has confirmed these are currently unavailable. The Trustees will continue to request these and report them in next year's Statement.

Fund	Total Expense Ratio (%)	Transaction costs (%)
Phoenix NPI Pens America	0.98	0.03
Phoenix NPI Pens Deposit Stk	0.75	0.01
Phoenix NPI Pens Distribution	0.97	0.10
Phoenix NPI Pens European	0.98	0.31
Phoenix NPI Pens Far East	0.97	0.13
Phoenix NPI Pens Fixed Interest	0.78	0.05
Phoenix NPI Pens Global Care	1.00	0.10
Phoenix NPI Pens Global Care Managed	1.00	0.20
Phoenix NPI Pens Indexed Gilt	0.79	0.06
Phoenix NPI Pens Overseas Equity	0.98	0.14
Phoenix NPI Pens Managed	1.00	0.16
Phoenix NPI Pens UK Equity	1.00	0.07
Phoenix NPI Pens UK Equity Tracker	1.00	0.04
NPLL Unitised With-Profits	1.00*	0.18
NPLL Capital Account	1.00*	0.18

**The TER is accounted for within the annual bonus declaration. This means that members receive bonuses post-deduction of all charges and costs. The TER was requested from Phoenix Life by the Trustee's advisers, XPS Pensions Group, but was not provided for the period. The Trustees have requested this information from Phoenix Life and will confirm this in subsequent Statements if provided, and if not will continue to request this information. We have assumed (as with last year's Statement) a 1% TER charge is applicable.*

Members may select any of the funds above and switch between these options should they wish.

Market Value Adjustments

In addition to the above charges, a Market Value Adjustment ("MVA") may apply if switching out of the NPLL Unitised With-Profit Fund. An MVA ensures that when an investment is switched out, it properly reflects its share of the fund's assets. This is to protect the plan holders who remain invested in the fund, by ensuring that its total value is not unfairly reduced. Should an MVA be applied, the proceeds you receive when you switch out of the fund is reduced.

01.05 An illustration of the charges and transaction costs levied on members

Below you can find an illustration of the effect of the costs met by the average member on an example pension pot over time. This is for illustration only. The actual returns received are likely to differ over time as will the individual member's pension pot sizes.

This illustration is based on:

> The 'Standard' investment option, which is 45% invested in the NPLL Unitised With-Profit Fund and 55% invested in the Phoenix NPI Pens Managed. At 5 April 2021 all members were invested in this option;

> Member is aged 57(i.e. 8 years from the Normal Retirement Age of 65);

> An average pension pot of £21,392;

> No additional contributions;

> Investment returns are estimated as 4.00% p.a. before inflation and charges;

> Inflation of 2.5% p.a.

Illustrations for a range of potential alternative returns are shown in the Appendix to this Statement.

In preparing these illustrations, the Trustee has had regard to:

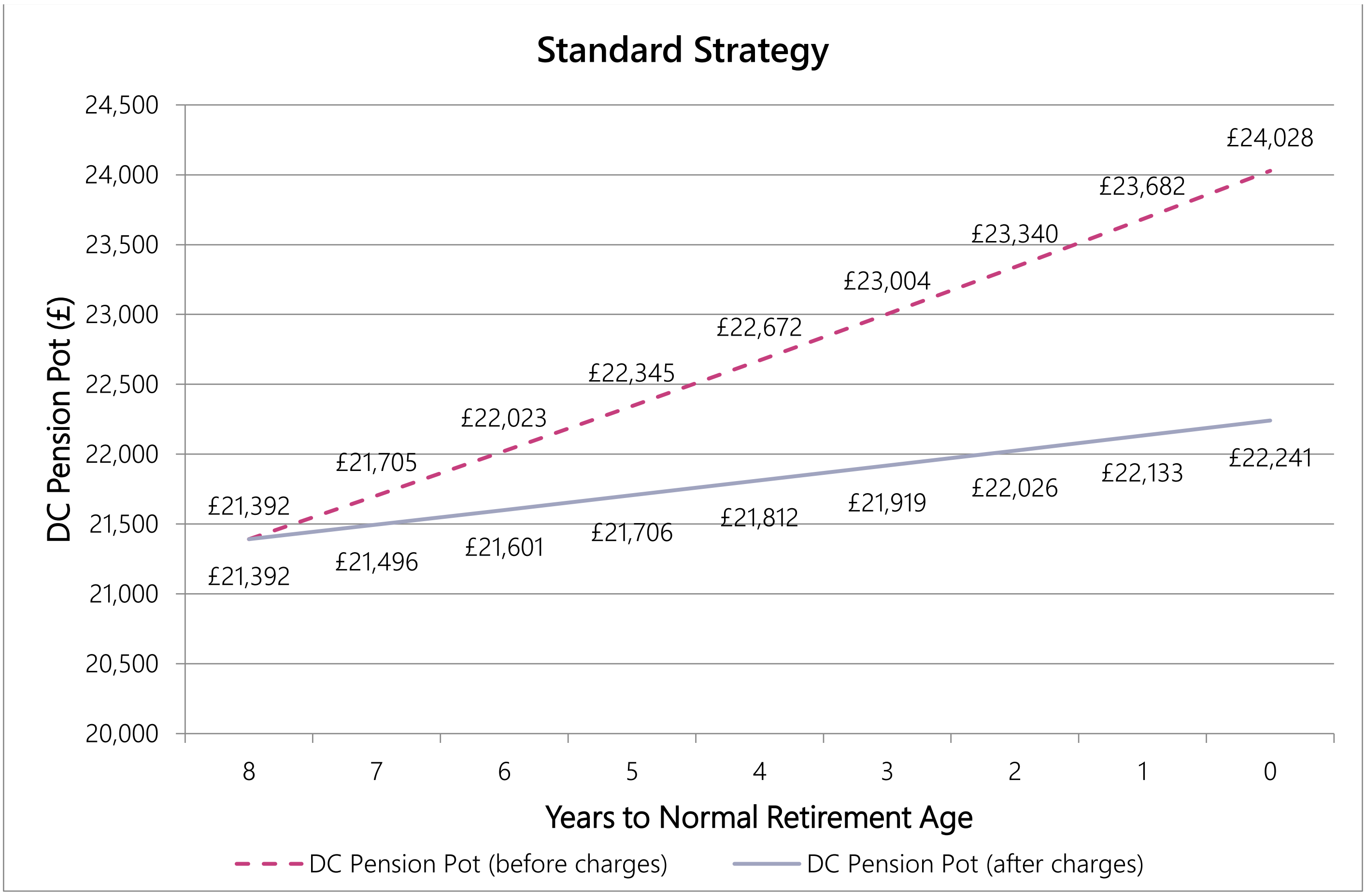
> The Occupational Pension Schemes (Scheme Administration) Regulations 1996;

> The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018;

> The Pensions Regulator's Code of Practice number 13 on 'Governance and administration of occupational trust-based schemes providing money purchase benefits';

> The Pensions Regulator's quick guide to the Chair's Statement and the Technical Appendix; and

> The Department for Work and Pensions' guidance (Cost and charge reporting: guidance for trustees and managers of occupational schemes).



01.06 Value for Members ('VfM')

The Trustee has considered the member charges and costs shown in this Statement, alongside the returns for the funds in which the members are invested, the evidence presented in the Phoenix IGC reports, and the broader considerations noted in this Statement. Whilst it is certainly not satisfactory, Phoenix provide limited information to the Trustee for this legacy contract and the Phoenix IGC is provided with far more information. Therefore, the conclusion of the Phoenix IGC is relevant – although the experience of the members of this Scheme may vary from other workplace pension members. The Trustee has considered the conclusions reached by the Phoenix IGC. The Trustee notes that the policy it holds is part of the wider arrangements that the IGC considers, but, considering the lack of reporting from Phoenix at a Policy level, the Trustee believes this is valuable evidence as to Phoenix's arrangements and capabilities.

The Trustee has therefore drawn conclusions on the value offered to members based on sources including the IGC's 2020 annual report, the IGC Interim Update of January 2021, and information provided by Phoenix Life and XPS Pensions.

The Phoenix Life IGC 2020 annual report concludes that across each of the following areas, customers get good value for money: Costs & charges; Investments; Customer Service; Communication and Engagement; and Environmental, Social and Governance.

The Trustee believes the Scheme provides reasonable value for the following reasons:

- The Phoenix IGC annual report 2020 states that members receive good value, and services continued to operate throughout the COVID-19 pandemic.
- For the investments held by the members of the Scheme:
    - Fund performance (to 30 June 2021) for the Phoenix Pens NPI Managed Fund had a 1-year return of 15.46% (versus benchmark of 16.69%), 3-year return of 22.40% (versus benchmark of 20.27%) and 5-year return of 47.21% (versus 46.27%),
    - The NPLL With Profits Fund had an 'Annual bonus' of 4% applied as an increase in unit price from 1 January 2021. This is due to the fund's guaranteed reversionary bonus of 4% p.a. to Normal Retirement Date.
    - The Trustee therefore considers these returns as satisfactory

While the IGC concludes that Phoenix as a provider offers value for money, the Trustee continues to recognise there are areas in which the Scheme could offer members better value, namely:

- The Member communications provided to members from Phoenix are limited in their scope and design. On an annual basis, this mainly consists of the Annual Benefit Statement. Therefore, this is limited, but, typical of such legacy type arrangements. The Trustee has considered this as a factor in the review of value and alternative strategies as mentioned earlier in this Statement.
- Members' continue to have no online access to their accounts, something which the Trustee would expect to be available in DC arrangements today. However, this is not untypical of 'legacy' type arrangements like this, and again has been considered by the Trustee in the review of value and alternative strategies.

The Trustee and Principal Employer has considered how value can be improved from within the Scheme, or alternatively whether this could be achieved by amending the Scheme or the use of an alternative arrangement. The Trustee expects to write to members explaining the proposed changes in the coming months.

01.07 Knowledge and understanding (TKU) of the Trustee

The Trustee is a corporate trustee and is also appointed to the Principal Employer's defined benefit pension arrangement. Therefore, the Trustee undertakes regular training on matters related to pensions in general, investment, governance, data protection and defined contribution pension matters.

During the period commencing 6 April 2020, the Trustee received guidance on DC Pensions Governance during the Scheme Year.

The Trustee Directors believe they have the relevant knowledge and understanding that is required to meet s248 of the Pensions Act 2004. The Chair of Trustees is a professional trustee. As part of professional practice standards, the Chair is required to undertake relevant ongoing training each year and to log this with the professional body and firm. The training comprises a mix of internal bespoke issues, external training and industry seminars, and assessed online education. This ensures that the Chair is aware of important upcoming developments in pensions obligations, so they can lead and support the Trustee board effectively. The Chair is able to assess through observation and review of meeting papers and minutes, whether the training has been effective on particular issues and use their experience to identify and address further gaps.

The Trustee has demonstrated the following key areas of TKU during the Scheme Year:

i) a working knowledge of the Trust Deed and Rules of the Scheme – for example, by consulting the relevant documents regarding their specific application as need arises;
ii) a working knowledge of all documents setting out the Trustee's current policies – for example, the Trustee reviews its various policies as required and makes any updates when needed;
iii) sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational pension schemes - for example, consideration of the investments held by the Scheme whilst drafting previous Chair Statements;
iv) sufficient knowledge and understanding of pension and trust law - the Trustee takes advice from its professional advisors and undertakes relevant training.

The Trustee has an established training policy, whereby new Directors are provided with training and familiarisation with Scheme documentation which is underlined by a requirement to undertake the relevant modules of the Pension Regulators 'Toolkit' within 6 months of appointment.

The Trustee believes that through the Directors' combined knowledge and understanding, together with the advice available to them, this enables the appropriate exercise of its functions.

Conclusion

The Chair and Trustee submit this Statement in compliance with the Chair's Statement requirements.

Signature	Date
Colin Richardson	**08 October 2021**

Colin Richardson, Chair of Accolade Wines Pension Trustees Limited, as Trustee of the Matthew Clark Group Money Purchase Scheme

Appendix

The table below shows an illustration of the potential pension pot values for the Standard Investment Option (where all members are currently invested) and for alternative low growth, mid growth, and higher growth scenarios.

There are also a range of alternative investment funds available to the members (as noted in the Statement). In general:

> The 1% Gross Investment Return - represents the expected level of return of 'Cautious Risk' investments which may include "Cash" investments;

> The 3% Gross Investment Return represents the expected level of return of 'Moderate risk' investments which may include "Gilt / Bond" investment funds;

> The 5% Gross Investment Return represents the expected level of return of 'High Risk' investments which may include "Equity" investment funds.

	Standard Investment option (where all members are currently invested)		**Low Growth**		**Mid Growth**		**High Growth**	
Gross Investment Return	4.00%	4.00%	1.00%	1.00%	3.00%	3.00%	5.00%	5.00%
Member Charges	0.00%	1.00%	0.00%	1.00%	0.00%	1.00%	0.00%	1.00%
Years to Normal Retirement Age (65)	**DC Pension Pot (before charges)**	**DC Pension Pot (after charges)**	**DC Pension Pot (before charges)**	**DC Pension Pot (after charges)**	**DC Pension Pot (before charges)**	**DC Pension Pot (after charges)**	**DC Pension Pot (before charges)**	**DC Pension Pot (after charges)**
8	21,392	21,392	21,392	21,392	21,392	21,392	21,392	21,392
7	21,705	21,496	21,079	20,870	21,496	21,287	21,914	21,705
6	22,023	21,601	20,770	20,361	21,601	21,184	22,448	22,023
5	22,345	21,706	20,466	19,864	21,706	21,080	22,996	22,345
4	22,672	21,812	20,167	19,380	21,812	20,977	23,556	22,672
3	23,004	21,919	19,872	18,907	21,919	20,875	24,131	23,004
2	23,340	22,026	19,581	18,446	22,026	20,773	24,720	23,340
1	23,682	22,133	19,294	17,996	22,133	20,672	25,322	23,682
0	24,028	22,241	19,012	17,557	22,241	20,571	25,940	24,028

The illustrations assume the following:

> Member is aged 57 (i.e. 8 years from the Normal Retirement Age of 65)

> An initial pension pot of £21,392

> No additional contributions

> Investment returns are as stated for each illustration

> Member charges are as stated for each illustration

> Inflation of 2.5% p.a.