

The Inductotherm Europe Limited  
Retirement Benefits Plan (1971)  
(The “Plan”)

## **Chairman’s Statement**

Annual statement regarding  
Defined Contribution Governance  
Year ended 31 March 2021

## Introduction

I am pleased to provide the Trustees' Governance Statement for the Defined Contribution section of the Plan for the year ended 31 March 2021.

This Plan is used as a qualifying scheme for the purposes of auto-enrolment.

This Statement reports on how the Trustees comply with the defined contribution ("DC") governance standards that were introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 (the "Regulations"), The Occupational Pension Schemes (Scheme Administration) Regulations ("the Administration Regulations") 1996 (as amended) and the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 "The 2018 Regulations".

It describes how the Trustees have met the statutory governance standards in relation to:

- the default fund
- requirements for processing financial transactions
- assessment of charges and transaction costs
- disclosure of charges and transaction costs for default funds
- disclosure of charges and transaction costs for funds selected by individual members
- the requirement for trustee knowledge and understanding

between 1 April 2020 and 31 March 2021 ("the Plan Year").

## Pooled Funds

The Plan invests in pooled investment vehicles only including the Default Fund. The Trustees disclose in this statement the names of the funds in which they were directly invested on behalf of the members during the year.

## Default Funds

Where a Plan member does not decide which funds to invest their member account in it is invested in the default fund.

The following is the Plan's "default arrangement" for the purposes of the Regulations

Fund Name	Type	Charges	Transaction costs	Total Expense Ratio
Inductotherm Diversified Growth Fund	Diversified Growth blend of 50% Legal and General Life Dynamic Diversified Fund and 50% Threadneedle Multi Asset Fund	0.440%	0.005%	0.445%

Note: the above charge was effective from 1 April 2021 after a reduction in fees was negotiated in order to give members better Value for Money.

The strategy of the Fund is firstly to blend two funds from active managers in equal proportions to reduce the risk of an individual manager underperforming and to benefit from the additional styles of each manager. In the event of either or both funds ceasing to fulfil the Trustees' objectives the manager can be substituted easily.



The Individual Manager objectives are:

Legal and General Life Dynamic Diversified Fund – to provide long term investment growth through dynamic exposure to a diversified range of asset classes:

Threadneedle Multi Asset Fund – to achieve total returns equivalent to the benchmark of the fund gross of fees, over the economic cycle (expected to be 5 – 7 years). The benchmark is the Bank of England Base Rate plus 4% per annum.

## Statement of Investment Principles

Appended to this statement is a copy of the Plan’s latest Statement of Investment Principles (Defined Contribution Section) governing decisions about investments for the purposes of the default fund, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (the “Statement of Investment Principles”).

## Member Selected Funds

The Trustees also offer a range of funds in which the member may decide to invest their member account should they not opt for the default arrangement as follows:

Fund Name	Type	Charges	Transaction costs	Total Expense Ratio
L&G Life UK Equity Index Fund	UK Equity	0.07%	0.0%	0.07%
L & G Life Global Equity Fixed Weights Index Fund	Global Equity	0.12%	0.00%	0.12%
L & G Life Cash Fund	Cash	0.09%	0.00%	0.09%
L & G Life over 15 year gilts Index Fund	Gilts	0.08%	0.00%	0.08%
L & G Life Dynamic Diversified Fund	Multi Asset	0.39%	0.00%	0.39%
Threadneedle Life Multi Asset Fund	Multi Asset	0.39%	0.00%	0.39%

## Review of investment strategy

The Trustees reviewed the performance of the Plan’s investment options on a quarterly basis during the 2020/21 Plan year by means of a detailed quarterly monitoring report produced by independent regulated Investment Consultants and reviewed the funds on an ongoing basis against their performance benchmarks and member profile.

The Trustees have addressed the policies of the Investment Managers in respect of their views and actions on Environmental and Social Governance (ESG), noting that the funds used were not specifically weighted towards ESG issues. The Trustees have previously distributed a newsletter to members asking for their views on whether they would like to see a more strongly focused ESG fund in 2019. Additionally, the Trustees asked the members if they would like to see a higher risk rated fund than is currently available. There was only a very limited interest and as such no new funds were introduced.



The reviews on the existing funds at each quarterly review demonstrated that the investment returns for funds are consistent with the aims and objectives of the investment strategy and took into account the impact of the investment performance on different groups of membership. The Trustees are satisfied that the design of the investment strategy continues to meet the needs of the members.

The next full review will take place in April 2022.

## Requirements for processing financial transactions

The Trustees employ administrators and the principal employer to provide the core financial transactions for the Plan.

“Core financial transactions” include (but are not limited to):

- investment of employee/employer contributions in the Plan
- transfers of assets relating to members into and out of the Plan
- transfers of assets relating to members between different investments within the Plan (switching investments)
- payments from the Plan to, or in respect of, members (refunds, Pension Commencement Lump Sums, Uncrystallised Funds Pension Lump Sums, purchase of annuities)

During the Plan Year, the Trustees confirmed that core financial transactions were processed promptly and accurately by reviewing the half yearly administration reports produced by the Plan administrator, Cartwright Benefit Consultants Limited.

The administration reports demonstrated that the administrator was operating good procedures and controls, and performance was within the agreed service levels within the Plan administration agreement. Ongoing discussions between the Trustees and the Plan administrator ensure that this is kept under regular review. The key Service Level Agreement indicators are:

- The number of actions to be taken and the number taken within the agreed service levels are clearly set out with a numeric percentage score of targets achieved.
- Contributions are monitored by the Administrators and diarised for receipt ahead of the agreed deadline. The exact dates received are recorded in the Administration reports.
- Investment/disinvestment instructions to the Investment Platform manager must be signed off by two Cartwright authorised signatories.
- Authorised signatories are signed off by the Trustees.
- Investment Platform Manager Statements are checked on receipt to ensure they match the instructions given.
- Cashflow statements are provided to the Trustees in the Administration Reports and on request.

During the 2020/21 Plan year all contributions have been paid to the Plan by 19<sup>th</sup> of the month following the collection of contributions. These contributions have been invested by the end of each relevant month. The administrator operated within appropriate procedures which are independently audited annually with a copy of the report seen by the auditors. There were no material administration errors in relation to core financial transactions.

## Trustees’ assessment of member-borne charges and transaction costs

### Level of member-borne charges and transaction costs

In accordance with regulation 25(1)(a) of the Administration Regulations, and “the 2018 Regulations” the Trustees assessed the “charges” and, so far as they were able to do so, the “transaction costs”, borne by members of the Plan for the Plan year to 31 March 2021.



For these purposes,

- “charges” means “administration” charges other than:
  - “transaction costs”
  - where an order of the court provides for the recovery by the trustees or managers of costs incurred in complying with the order, the amount of those costs
  - charges permitted by regulations made under section 24 or 41 (charges in respect of pension sharing costs) of the Welfare Reform and Pensions Act 1999
  - “winding up costs”
  - costs solely associated with the provision of death benefits.
- “transaction costs” means the costs incurred as a result of the buying, selling, (switching), lending or borrowing of investments.
- “Winding up costs” means the costs of winding up a pension scheme including (but not limited to) the cost of:
  - legal advice
  - tracing, consulting and communicating with members
  - advice on exiting investments
  - selection of an alternative scheme or investments.



## Illustrative examples of the cumulative effect of scheme specific charges and transaction costs on the value of the member's Defined Contribution benefits

In order to comply with "the 2018 Regulations" the Trustees provide below an illustrative example. The administration charges are all borne by the Sponsoring Company on behalf of the Trustees. The charges borne by members are investment management charges. The table shows the effect over time of the application of charges and transaction costs borne by the Plan membership on the value of their accrued rights to defined contribution benefits of the default fund which over 80% of members use, and the two most frequently used self-select funds:

Years	Inductotherm Diversified Growth		Legal & General Global Equity Fixed Weights Index		Legal & General UK Equity Index	
	Before charges	After all charges and transaction costs	Before charges	After all charges and transaction costs	Before charges	After all charges and transaction costs
1	£54,174	£53,940	£39,117	£39,072	£33,980	£33,957
3	£62,779	£62,009	£47,691	£47,536	£42,270	£42,191
5	£71,741	£70,339	£56,740	£56,448	£51,019	£50,868
10	£95,802	£92,354	£81,616	£80,844	£75,069	£74,663
15	£122,431	£116,185	£110,080	£108,592	£102,589	£101,796
20	£151,902	£141,978	£142,650	£140,153	£134,078	£132,735
25	£184,518	£169,899	£179,919	£176,051	£170,110	£168,012
30	£220,615	£200,120	£222,564	£216,881	£211,341	£208,237
35	£260,564	£232,833	£271,360	£263,322	£258,518	£254,104
40	£304,777	£268,241	£327,196	£316,145	£312,502	£306,405



## Notes:

1	Projected pension fund values are shown in today's terms, and do not need to be further reduced for the effect of future inflation.
2	The starting fund is assumed to be: Inductotherm Diversified Growth Fund (default option) £50,000 L&G Global Equity Fixed Weights Index £35,000 L&G UK Equity Index £30,000
3	Inflation is assumed to be 2.5% each year
4	Contributions are assumed to be 9% of salary (5% from the employee and 4% from the employer). For illustrative purposes a salary of £35,000 is assumed. Salary is assumed to increase in line with inflation.
5	Values shown are illustrative only and are not guaranteed
6	The projected investment return, before charges, transaction costs and the effects of inflation, for each fund is as follows: Inductotherm Diversified Growth Fund (default option): 4.6% L&G Global Equity Fixed Weights Index: 5.3% L&G UK Equity Index: 5.3%
7	Transaction costs are provided by the Investment Platform Manager – Mobius Life.
8	Illustrations are provided for the default option and the main member selected funds being utilised. Projections for any of the other member selected funds are available upon written request.

## Value assessment

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustees assessed the extent to which the charges and transaction costs represent good value for members.

The Trustees' assessment of value for money was conducted after the charges negotiated to reduce charges on the default fund from 1 April 2021. After reviewing Plan's investment funds in the context of their investment charges, a review of the non-financial benefits of the Plan and a comparison of the level of charges with the benefits delivered to members.

- The combination of costs and the quality of what is provided to members overall in return for these charges are appropriate for the Plan membership as a whole, particularly compared to the alternatives available in the marketplace. This assessment was undertaken in accordance with the Pensions Regulator Code of Practice No 13.

The areas reviewed by the Trustees during the year were:

- The default fund is a blended fund and is managed so that any underperformance is handled quickly by the Trustees by appointing a new manager to replace any manager not meeting the Trustees' objectives. This avoids any prolonged underperformance. Members have access to most pension flexibilities (not Flexible Drawdown) directly, without needing to transfer out.
- Quarterly reports are prepared for the Plan setting out the Investment Performance of the default fund managers and the self-selection funds.
- annuity broking at retirement is free of charge to members and currently automatic
- communications from the Trustees are frequent and detailed
- there is a wide range of investments at low investment charges. All funds have charges below the charge cap for an autoenrollment scheme and are re-negotiated regularly.
- Members meet the costs of investment and transaction charges only, the company meet the cost of all other Plan charges including the costs of the Governance Committee who are available to answer questions from the members and consider views of what members wish to see change within the Plan. Annual newsletters are issued inviting views from members.



- Feedback forms are included with all member communications and all responses reported back to the Trustees. This ensures that the Trustees' assessment is supported by members' views.
- As part of the review of the Investment Funds at their meeting on 22 September 2020 the Trustees considered the way in which the default fund had performed over a particularly volatile period and in particular it was noted that the Default fund had protected members against the worst market falls.

## Trustees' knowledge and understanding

The Trustees' own knowledge and understanding, together with the advice of their advisors which is available to them without limit, enables them to properly exercise their functions as Trustees of the Plan. The advisors send out updates as and when changes in legislation or guidance occur and hold meetings to ensure these are covered promptly. A training log is kept which is reviewed at each meeting. After the end of the 2020/21 Plan year the Chair of Trustees was replaced and the new Chair completed the Trustee Toolkit on Appointment. Additionally, the Trustees received external Training on Asset Allocations and fund selection during the year.

The Trustees believe they have met the Pensions Regulator's trustee knowledge and understanding requirements (as set out under Code of Practice No 7) during the Plan Year.

Additionally, there is a Defined Contribution Governance Committee who undertake additional work on behalf of the Trustees and report back to them, with particular oversight on member views.

All of the Trustees and Governance Committee members have passed the Trustee Toolkit within a short period of appointment.

The Trustees have access to a portal housing all of the Plan's formal governing documents and key papers.

The Trustees have a Business Plan against which they evaluate their activities. By invitation Company representatives are included in relevant meetings to ensure Trustee duties are executed well.

The Chair of Trustees is a Solicitor and one an accountant both of which are very relevant skills on the Trustee Board. Therefore, taking into account the knowledge and experience of the Trustees, with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors, the Trustees believe they are well placed to exercise their functions as Trustees of the Plan properly and effectively.

Chair: Louise Ingmire

The Inductotherm Europe Limited Retirement Benefits Plan (1971)

Date: 23 September 2021

