

THE CHAIRMAN'S STATEMENT REGARDING DC GOVERNANCE: 07 JULY 2017 – 06 JULY 2018

This statement is produced pursuant to Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996, as amended by subsequent legislation. It explains how the Imagination Technologies Group Plc Life and Pension Scheme ("the Scheme") is meeting the governance standards that apply to occupational pension schemes that provide money purchase benefits (i.e. Defined Contribution schemes – DC).

Default arrangement

The Scheme is an "insured arrangement" where the Trustee board contracted with an insurance company (in this case Equitable Life) to provide pension policies for its members within a single umbrella policy. The fund range made available by Equitable Life to the Trustees within the insurance policy is relatively limited to eleven unit-linked funds and one with-profits fund.

All members had the opportunity to self-select their own investments when making contributions to the Scheme. There is therefore no default investment arrangement in place.

The Scheme is no longer receiving contributions and is therefore a paid-up arrangement.

92% of the Scheme's funds are invested in the Equitable Life with-profits fund and the remaining 8% is invested in the Equitable Life Money Fund. The with-profits policy has a guaranteed benefit which is the minimum amount payable on the members' selected retirement age. With this type of policy, each premium secures its own guaranteed benefits. All of these guaranteed benefits added together make up the guaranteed amount payable. The policy includes a guaranteed minimum rate of return of 3.5% each year.

The Trustees reviewed the available funds to them within the Equitable Life policy and noted that wider fund ranges incur higher charges than comparable funds on the open market, and none offered the guarantees applicable to the with-profits fund. During the year, Equitable Life made an announcement regarding the sale of their business to Reliance Life. Their proposal is to:

- Increase the current 35% capital distribution to a level expected to be between 60% and 70%
- Close the with-profits fund, which means the guaranteed investment return would end
- Convert with-profits policies to unit-linked
- Transfer all policies to Reliance Life

A vote will be held on these proposals in mid 2019 by all current with-profits policyholders. If the proposal is approved, the transfer to Reliance Life will be expected to be completed by the end of 2019.

Note that the Scheme has not prepared a Statement of Investment Principles (SIP) document as the Trustees believe it is not required to given the nature of the Scheme. This is because it is an insured arrangement, with fewer than 100 members and has not been used for auto-enrolment purposes.

The Trustees have set up processes to publish relevant information on the Scheme's investment arrangements online and will notify members about this in their annual benefit statements. The following relevant information is available online:

- With-profit Funds <https://www.equitable.co.uk/with-profits-fund/>
- A guide to how Equitable Life manages unit-linked funds <https://www.equitable.co.uk/media/58851/45z021-ul-guide-07-18.pdf>
- Unit-linked fund factsheets <https://www.equitable.co.uk/unit-linked-funds/factsheets/>

Processing Scheme transactions

The Trustees have a specific duty to ensure that core financial transactions relating to the DC section are processed promptly and accurately. These include the 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.

These transactions are undertaken on the Trustees' behalf by the Scheme administrator and its investment manager, Equitable Life. The Trustees periodically review the processes and controls implemented by Equitable Life, and consider them to be suitably designed to achieve these objectives. There are no service level agreements in place with the Scheme administrator. However, Equitable Life have confirmed that during normal business they aim for, and consistently meet the following:

- Payments – 95% completed in 5 days
- Illustrations – 95% completed in 10 days
- General Servicing – 90% completed in 10 days

There were no issues relating to the processing of Scheme transactions. Any failures are reported daily and rectified by Equitable Life.

We will also perform periodic assessments of the methods and the efficiency of the Scheme's administrators and will challenge them in terms of efficiency using available facilities including technological functionality.

In light of the above, the Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations (The Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been met.

Charges and transaction costs

The law requires Trustees to disclose the charges and transactions costs borne by DC Scheme members and to assess the extent to which those charges and costs represent good value for money for members. These transaction costs are not limited to the ongoing charges on member funds, but should also include trading costs incurred within such funds. We have taken account of statutory guidance when preparing this section of the report.

Details of the Total Expense Ratios (TERs) payable for each fund that holds member assets as well as the transaction costs within the Scheme's arrangement are as follows:

Fund	TER (%)	Transaction Cost (%)
Equitable Life With-Profit	1.51%	0.01%
Equitable Life Money Fund	0.50%	0.00%

Source: Equitable Life. Data shown is to 30/06/2018

Note that the 0.75% fee cap that applies to DC workplace pension schemes is not applicable to the Scheme as it has not been used for auto-enrolment purposes.

Cumulative effect of charges

The compounding effect of charges on a member's fund can be illustrated as follows:

Illustrations for an "Average" member				
	Equitable Life With-Profits Fund		Equitable Life Money Fund	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£13,319	£13,122	£12,814	£12,750
3	£14,110	£13,492	£12,565	£12,379
5	£14,948	£13,874	£12,321	£12,018

10	£17,267	£14,875	£11,732	£11,162
14	£19,379	£15,727	£11,280	£10,521
Total Fees	£2,605		£689	

Illustrations for a "Young" member				
	Equitable Life With-Profits Fund		Equitable Life Money Fund	
Years from now	Before Charges	After Charges and costs deducted	Before Charges	After Charges and costs deducted
1	£6,294	£6,201	£6,055	£6,025
3	£6,668	£6,376	£5,938	£5,850
5	£7,064	£6,556	£5,822	£5,679
10	£8,160	£7,029	£5,544	£5,275
15	£9,426	£7,536	£5,279	£4,899
20	£10,889	£8,080	£5,026	£4,550
23	£11,873	£8,425	£4,881	£4,353
Total Fees	£1,967		£449	

If savings were not invested at all (i.e. there were no investment returns or fees) then, according to our modelling, the value of the "Average" and "Younger" members' pots at retirement would be £9,158 and £3,465 respectively in today's money.

Assumptions

The above illustrations have been produced for an "average" member and a "young" member of the Scheme based on the Scheme's membership data. The fund illustrations assume 100% of the member's assets are invested in that fund up to the Scheme retirement age. The results are presented in real terms, i.e. in today's money, to help members have a better understanding of what their pension pot could buy in today's terms, should they invest in the funds above as shown.

You will note that the total fee figure is lower than the difference between the pot size before and after fees. The total fee reflects what has actually been taken from the pot to pay for the management of assets and other expenses, whereas the difference between before and after fee pot values reflects the effect of compounding.

Age	
<ul style="list-style-type: none"> "Average" member "Young" member 	51 (the average age of the Scheme's membership) 42 (the average age of the youngest 10% of members)
Scheme Retirement Age	65
Starting Pot Size	
<ul style="list-style-type: none"> "Average" member "Young" member 	£12,940 (the median pot size of the Scheme's membership) £6,115 (the median pot size for the youngest 10% of members)
Inflation	2.5% p.a.
Expected future nominal returns on investment:	

• Equitable Life With-Profits Fund	3% above inflation
• Equitable Life Money Fund	1% below inflation

The Trustees have a good understanding of the membership demographics of the Plan and as such we have a view as to what good member outcomes should look like for the Plan's members in aggregate. We understand that value for money does not necessarily mean selecting the cheapest offer and in our ongoing reviews of value for money we consider many factors including quality of customer service, member communications and support, the efficiency of administration services, the robustness of Plan governance, fund management and performance of the funds.

The Trustees have set up processes to publish relevant information on the costs and charges of the Scheme's funds online <https://www.imgtec.com/download/chair-statement-2018/> and will notify members about this in their annual benefit statements.

Trustees' 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 Codes of Practice 07 and 13.

The trustee governance structure changed recently, moving from Imagination Technologies Group Limited previously the sole corporate trustee of the Scheme to a structure with two Company appointed Trustees holding responsibility. The appointment of two trustees followed the conclusion of the process to select one member-nominated trustee which was held in January 2019. As no nominations were received from deferred members in service the current trustees comprise only Company appointed trustees.

Both Trustees have pension scheme experience and will look to complete the Pension Regulator's Trustee Toolkit within six months of taking up the role. The Trustees will familiarise themselves with the Scheme's trust deed and rules.

The Trustees take personal responsibility for keeping themselves up-to-date with relevant developments and will carry out a self-assessment of training needs to help identify any knowledge gaps. Training is provided by JLT Employee Benefits to individual Trustees as required.

The Trustees have received training on winding-up a DC pension scheme. 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. The Trustees also include legislative updates and Trustee Knowledge and Understanding on the agenda for each of our meetings.

Taking account of actions taken individually and as a Trustee body, and the professional advice available to us, the Trustees consider that we are enabled properly to exercise our functions as Trustees of the Scheme.

The Chairman's statement regarding DC governance was approved by the Trustees on 6 February 2019 and signed on their behalf by:



John Richardson

Chair of the Imagination Technologies Group Plc Life and Pension Scheme

Date: 6 February 2019