

CHAIR'S ANNUAL STATEMENT:
Optical Surfaces Limited Staff Benefits Plan (the Plan)
June 2022

Introduction

Trustees of pension schemes which provide part or all of the benefits on a defined contribution (DC) basis are required to produce an annual statement, signed by their Chair, setting out a number of prescribed matters.

Although the Plan is a hybrid pension arrangement, the DC elements in place since 1994 mean that it is affected by this legislation. It is these DC elements to which this Statement relates.

The Plan was set up on 27th June 1975. The DC Section was established in June 1994. This is the Plan's June 2021 annual report.

The Plan operates under a Trust Deed and Rules dated 17th June 1994. A copy is available to view from Wayne Harris.

Future of the Plan

Following a review of the DC Section in early 2017 the Employer chose to cease payment of DC contributions to the Plan and make these to a more modern, more flexible pension arrangement.

As a result of favourable market conditions in early 2022, the Employer and the Trustees decided to secure all of the non-DC benefits in insurance contracts, by transferring all of the liabilities to specialist policies known as 'buy-in' contracts. In November 2022, the Employer served notice on the Trustees that it was ceasing its commitment to contribute to and support the Plan in the future. Following this, the Trustees decided to wind-up the Plan. This decision was taken on 3rd December 2022. As such, the Plan is now in the process of being wound-up, with an expected completion date of October 2023.

All members have been written to and advised of this and their options. DC members are free to transfer their benefits from the Plan prior to the winding-up. Any remaining DC benefits will be transferred by the Trustees to a suitable pension provider on wind-up.

What do you need to do next?

This Statement is for noting. You do not need to take any action.

If you have any questions or require any further information you should contact the Scheme Secretary (Martin Ralph) at Simplicity Pensions Limited on martin.ralph@simplicitypensions.co.uk or on 01892 576 290.

The default investment strategy

Whilst the Plan is a 'relevant scheme' as prescribed under pension legislation and regulations, the DC Section is not used for automatic enrolment purposes and therefore does not have a 'prescribed' default investment arrangement. As such it is not subject to the full requirements and disclosures covering costs and charges.

However, the Plan does use a main investment fund into which members' monies were paid and invested whilst the Plan was receiving contributions. This fund is managed by Aviva and is the Aviva Pension Managed LMP Fund. As members you also have the choice of ten investment funds within the Plan into which you can choose to invest your pension monies.

Review: The Trustees endeavour to review the performance of the Pension Managed LMP Fund on a regular basis. Performance of the fund is compared not just against its benchmarks but also more importantly against its objective.

The Pension Managed LMP Fund is compared against its objective of providing exposure to a diversified portfolio of assets in order to generate capital growth and income, so that members have some assurance that the Plan will generate returns for their invested monies and ultimately, their retirement.

During the 2021/2022 Plan year, the Trustees considered the continued appropriateness of the Pension Managed LMP Fund and the alternative funds available and agreed that these remained appropriate, whilst the review of the Plan was underway. As mentioned above, the outcome of the review is that the Plan is in the process of being wound-up.

A decision was made in May 2022 to transfer the assets held in relation to the Defined Benefit (DB) Section of the Plan from the Aviva Pension Managed LMP Fund to insurance policies with Just Retirement. Part of the DB assets were also invested with funds provided by Legal & General Investment Managements, pending the winding-up of the Plan. This does not affect the DC Section.

Requirements for processing financial transactions

The Trustees monitor core financial transactions affecting the DC Section of the Plan and the DC assets. They do this through the annual administration reporting made by the Plan's administrator. As no new contributions are made to the DC Section these transactions are limited to

- The transfer of assets relating to members into and out of the Plan
- The transfer of assets relating to members between different investments within the Plan
- Payments from the Plan to, or in respect of, members

The Trustees monitor the Plan's core financial transactions that have been processed to make sure that these are processed promptly and accurately. The Trustees maintain this by having an agreement with their service provider committing them to defined service level agreements ("SLAs") and by having the service provider report on their performance against the SLAs.

Charges and transaction costs

As the DC Section does not have a 'prescribed' default investment arrangement, it is not subject to the requirements and disclosures covering costs and charges. However, we can confirm that the charges applied to the default arrangement during the year were 0.75% - this was taken from the value of the invested funds. There is also an annual administration charge deducted from each member's fund. All other costs of the management of the DC Section are met by Optical Surfaces Limited as the sponsoring employer.

The Trustees' assessment of the extent to which the charges and transaction costs represent good value for members is that the charges do not necessarily represent good value when taken in consideration of the Government's overall charging cap of 0.75% for default arrangements and given that the remainder of any charges and costs are met by Optical Surfaces. This assessment formed part to the decision of Optical Surfaces Limited (as the Employer) to cease to support the Plan in the future, and the decision of the Trustees to wind-up the Plan.

Services provision

As reported previously, following a prolonged period of poor administration services provision, the Trustees made a decision at the end of September 2021 to transfer the actuarial and administration services from Mercer (subcontracted from Aviva) to an alternative provider, Atkin Pensions. Atkin is a specialist actuarial and administration services provider and we anticipate a significant improvement in the services going forward. This transition took place at the end of 2021.

Statement of Investment Principles (SIP)

The DC Section is not subject to the legislation requiring the Trustees to prepare and publish a SIP covering prescribed default investment arrangements as it does not have such an arrangement.

Value for members assessment

The Government expects that members should be in well run schemes that deliver optimal value for them over the long term, and if this cannot be achieved in their existing scheme it can be achieved by consolidation with other DC schemes.

Under Regulation 25(1)(b) of the Administration Regulations, and The Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021, trustees are required to assess the extent to which charges and transaction costs paid by the members and fund performance (net investment returns), including how the pension scheme is administered and governed, represents good value for members by comparing the Plan with three comparison schemes.

However, this requirement does not apply to pension schemes which are being wound-up, such as ours. We have not therefore undertaken a detailed assessment, but we can confirm that in our view, for the reasons outlined above in terms of costs and charges, and poor historic administration, we do not believe that the Plan provided good value. This was a factor in our decision to wind-up the Plan.

Knowledge and understanding of the Trustees

The Trustees' relevant knowledge and understanding is continually assessed and training provided at meetings as appropriate. The Trustees' approach to meeting the Trustee Knowledge and Understanding requirements include:

- receiving ongoing training at each Trustee meeting from their advisers to ensure that the Board maintains an appropriate level of knowledge and understanding of current and general issues affecting pensions.
- circulating to each Trustee 'hot topics' and general updates from advisers about matters relevant to the Plan, where appropriate.

The Trustees also undertake training through reading of additional and appropriate material. The knowledge and experience of each Trustee, together with advice from their advisers and the additional training and learning, enables them to properly exercise their Trustee duties. Each Trustee maintains a log of both required and voluntary training.

Signed on behalf of the Trustees

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Gordon Blum, Chair, representing GBPMS Limited

OPTICAL SURFACES LIMITED STAFF BENEFITS PLAN

STATEMENT REGARDING GOVERNANCE

As the Plan includes Defined Contribution benefits in respect of the period from 1994 to 2017, the Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustees to include an annual statement regarding governance in the annual report.

Although the Plan is a "relevant scheme" under the regulations, as it does not receive contributions under the Auto Enrolment scheme, the default investment arrangement does not apply.

The investments have been held for some years by Aviva (who own the former Friends Provident savings business) and invested in Aviva Pension Managed LMP Fund. This fund aims to provide exposure to a diversified portfolio of assets in order to generate capital growth and income, to give members some assurance that the Plan will generate returns for their invested monies and ultimately their retirement. Members are allocated units in the LMP fund, and are each entitled to select from a number of investment funds.

In March 2022 a majority of the investments were withdrawn from Aviva in order to transfer them to Legal & General. Since the year end, following a general review of the administration and investments of the Plan, funds in Legal & General were used to "buy out" the future pension liabilities with a payment to Just Retirement.

The Trustees monitor core financial transactions affecting the DC Section of the Plan through administration reporting by the Plan's administrator. As no contributions are made to the DC Section, these transactions are limited to:

- the transfer of assets relating to members into and out of the Plan
- the transfer of assets relating to members between different investments within the Plan
- payments to or on behalf of members

The Trustees monitor the Plan's core financial transactions that have been processed to ensure that they are processed promptly and accurately, and maintain this by having service level agreements ("SLAs") with the service providers under which the providers report on their performance against the SLA.

In September 2021 the Trustees decided to transfer the administration of the Plan from Mercer (subcontracted to Aviva) to Atkin Pensions as they were dissatisfied with the service received over a prolonged period.

The charges applied by Aviva were 0.75% per annum, taken from the funds underlying each unit. All other costs of managing the scheme were met by the employer, Optical Surfaces Limited. The Trustees compared this with the Government's overall charging cap of 0.75% for default arrangements and assessed that the charges do not necessarily represent good value. This was a factor in the employer's decision in 2017 to cease future contributions into the DC Section. Members with pension funds in the DC Section have the option of transferring them out.

The Trustees' relevant knowledge and understanding is continually assessed and training provided at meetings as appropriate. The Trustees' approach to meeting the Trustee Knowledge and Understanding requirements include:

- receiving ongoing training at each Trustee meeting from their advisers to ensure that the Board maintains an appropriate level of knowledge and understanding of current and general issues affecting pensions.
- circulating to each Trustee "hot topics" and general updates from advisers about matters relevant to the Plan, when appropriate.

The Trustees also undertake training through reading of additional and appropriate material. The knowledge and experience of each Trustee, together with advice from their advisers and the additional training and learning, enables them to properly exercise their Trustee duties. Each Trustee maintains a log of both required and voluntary training.

The Statement regarding defined contribution governance was approved by the Trustees on and signed on their behalf by:

Gordon Blum, of GBPMS Ltd
Chairman