

# BELFAST HARBOUR COMMISSIONERS' PENSION SCHEME

## Part 2: Chair's Statement (DC Section)

### The Chair's annual statement regarding governance

As Chair of the Trustee, I am pleased to present the Trustee's statement of governance, covering the period 1 January 2022 to 31 December 2022. This Statement describes how the Trustee seeks to ensure that the DC section (consisting of the Defined Contribution and Defined Contribution Auto-Enrolment sections) of the Belfast Harbour Commissioners Pension Scheme (the 'Scheme') is well-managed and delivers excellent services to members. The Statement examines five key areas of the Trustee's governance, namely:

- The investment strategy relating to the Scheme's DC default arrangement;
- The processing of core financial transactions;
- Charges and transaction costs within the Scheme, including the disclosures for the impact of costs and charges;
- Net returns on investments; and
- The Trustee's compliance with the statutory knowledge and understanding requirements.

In doing so, we provide the various statutory disclosures required by the Occupational Pension Schemes (Charges and Governance) Regulations (Northern Ireland) 2015.

This Statement also addresses the Trustee's governance in relation to the Scheme's Additional Voluntary Contributions ('AVCs'). The Scheme held AVCs in an Utmost Life and Pension fund during the year. In addition, members of the Defined Benefit section ('DB section') were allowed to invest AVCs in the DC section of the Scheme. Therefore, commentary on the DC section also applies to the AVCs invested in the DC Section funds.

### The default arrangement

The current default arrangement for the Scheme is a target date investment strategy, which is designed for members targeting income drawdown at retirement; it does this through investing in BlackRock's LifePath Flexi Fund range. The investment strategies for the LifePath Flexi Fund range automatically adjust as a member progresses through their life, before reaching maturity in line with a member's chosen target retirement date (or normal retirement date where no choice is made). The growth phase structure invests in equities and other growth-seeking assets. These investments are expected to provide long-term growth with some downside risk protection and some protection against inflation erosion. Exposure to growth assets is gradually reduced by introducing a variety of gilts, corporate bonds and other fixed income assets, as defensive assets, from 35 years before retirement. At the selected retirement date, broadly 40% of members' assets will be invested in growth assets (primarily equities with a small allocation to commodities), with the remaining funds invested in the defensive assets.

The latest copy of the Statement of Investment Principles (the 'SIP') prepared for the Scheme in compliance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005 (Northern Ireland) is appended. This covers our aims and objectives in relation to the default investment arrangement as well as Trustee's policies in relation to matters such as risk and diversification. Additionally, it states why the Trustee believes the default investment arrangement is designed in members' best interests. This Statement will be published online at <https://www.belfast-harbour.co.uk/publications> and this publicly available website will be signposted in the annual benefit statement.

The Trustee will continue to monitor the suitability of the default strategy and self-select investment options and it will be reviewed every three years or sooner, if necessary, for example if there are significant

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changes in the Scheme's demographic profile. In addition, regular performance-based reviews are undertaken on a quarterly basis.

The Trustee last reviewed the investment strategy and performance of the default arrangement at the Trustee meetings held on the 2 September 2022 and 29 November 2022. The exercise covered a review of the aims and objectives of the default arrangement and how the default had been performing against them. The review concluded that the current default arrangement remains suitable as it continues to be a high-quality investment strategy that exhibits a good level of diversification. The Trustee, by considering member demographics and industry trends, also concluded that targeting drawdown at retirement remains suitable. The Trustee also reviewed the self-select fund range and concluded that following the implementation of the Aegon LGIM Future World Global Equity Fund in January 2022, it offers a well-diversified range of options to members. Following the implementation of the Aegon LGIM Future World Global Equity Fund the Scheme's SIP was updated and agreed in March 2022.

### **Core financial transactions**

The Trustee recognises that delay and error can cause significant losses for members. They can also cause members to lose faith in the Scheme, which may in turn reduce their propensity to save and impair future outcomes. Therefore, the Trustee operates measures and controls aimed at ensuring that all financial transactions (such as benefit payments and switches between funds) are processed promptly and accurately.

Core financial transactions include:

- Investment of contributions paid to the Scheme;
- Transfer of members' assets into and out of the Scheme;
- Transfers of members' assets between different investment options available in the Scheme; and
- Payments from the Scheme to or in respect of members.

The Trustee has appointed professional administrators and has delegated the day to day running of the Scheme, but the Trustee is aware that the responsibility of the running of the Scheme remains with them, and they have implemented adequate internal controls, which are reviewed periodically. Core financial transactions have been processed promptly and accurately during the year as a result of the following actions:

- The Schedule of Contributions sets out timescales for the Company to remit monthly contributions to the Scheme. Contributions were paid in line with this schedule during the year.
- Having in place Service Level Agreements (SLAs) with the administrator, Aegon, which cover all core administration processes including changing of member details, payments in and out of the Scheme, retirement processes and investment switch requests.
- These standards are monitored and reviewed by the Trustee via quarterly administration reports from Aegon. The Trustee is committed to monitoring service to ensure that members receive service in line with expectations.
- The reports detail when the contributions are received and invested along with details of transfers in/out of the Scheme.
- Over the course of 2022, performance of the core financial transactions against SLAs has worsened (averaging 85% for the year compared to 98% in 2021) and was below the target SLA of 95%. The Trustee, together with the Company, will continue to monitor SLA performance and challenge where

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necessary. No payment issues have been identified. The Trustee has raised this with AEGON and received assurance that SLA performance will be addressed.

- The administrator provides an AAF audit report each year which helps the Trustee understand the effectiveness of the administrator's internal controls and how they intend to address any weaknesses. The AAF audit report to the year end 30 September 2022 was received by the Trustee in June 2023 alongside a 'bridge letter' covering the period to 31 March 2023 confirming the control environment set out in the AAF audit report to 30 September 2022 had not materially changed and that to the best of Aegon's knowledge, the 2022 report "continues to provide a substantially accurate description of the Pension Administration Services and related internal controls". The Trustee plans to review this report in due course and challenge Aegon on any issues raised.
- The Company checks that details of the correct contributions have been uploaded onto the Aegon website each month by checking this against payroll and performing a reconciliation. There were no material issues with this process during the year.
- Ensuring that a detailed disaster recovery plan is in place for Aegon, parts of which are disclosed in the AAF internal controls report.
- A professional firm, Deloitte LLP, was appointed in 2022 to undertake an annual audit as part of the Scheme's report and accounts. An internal audit is normally carried out triennially. The last internal audit was undertaken in May 2021 and no issues were identified.

### Utmost Life & Pensions from 1 January 2020 (formerly with Equitable Life)

- The AVCs in the Scheme are closed arrangements, meaning no contributions are paid into the funds. There was one member of the Scheme with AVCs invested with Utmost during the year. No transactions occurred during the year in relation to this policy.
- Should an external payment be made from the Plan's AVCs with Utmost, a notification of the AVCs being paid would be sent prior to being banked making it possible to check that the right amounts had been received into the bank. The transfers would then be processed and checked to ensure that the correct amounts were being paid. The actual payments would then be checked and authorised by the administration team.
- The Trustee notes that the member participating in these arrangements receives an annual benefit statement in line with statutory provisions confirming the amounts held in their account and the movements in the year.
- The balances and transactions are audited by Deloitte LLP at year end 31 December of each year and are compared to statements from the AVC providers.

With the exception of the issues noted, based on the above, the Trustee is satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the period to which this Statement relates.

### **Charges and transactions costs**

The Trustee is required to report on all charges and, to the extent that they are known, transaction costs deducted from members funds. They must also report on their assessment of the extent to which these costs represent good value for members.

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The charges deducted from members' funds are categorised as follows:

- Annual management charge ('AMC') - this is essentially the charge paid to the fund manager for managing the fund. It is expressed as a percentage of the fund's assets. As the Scheme is a bundled arrangement with Aegon, this charge also includes administration, the investment/administrative platform and member communications.
- Total expenses ratio ('TER') - this is also expressed as a percentage of the fund and consists principally of the AMC, but also includes the costs for other services paid for by the investment manager, such as the legal costs, registration fees and custodian fees.

All members are charged the same AMC and TER. However, the Company pays the AMC on behalf of active members. The difference between this charge and the TER is deducted from active members' funds. Deferred members pay the full TER from their funds.

The charges and transaction costs applicable for the year to 31 December 2022 are shown in the table below (these have been provided by Aegon). Transaction costs are expenses associated with the investment manager trading a fund's underlying securities, including commissions and stamp duty.

Fund	Active members		Deferred members		Transaction costs
	AMC	TER	AMC	TER	
LifePath Target Date Fund Range (Flexi * / Retirement/ Capital)	0.00%	0.00%	0.41%	0.41%	Varies for all LifePath funds. The transaction costs for the LifePath funds are listed in the table below.
LifePath Flexi	0.00%	0.00%	0.41%	0.41%	0.092%
LifePath Retirement	0.00%	0.00%	0.41%	0.41%	-
LifePath Capital	-**	-**	0.43%	0.43%	-
Aegon BlackRock DC Aquila UK Equity Index	0.00%	0.01%	0.35%	0.36%	0.066%
Aegon BlackRock DC Aquila World (ex UK) Equity Index	0.00%	0.01%	0.35%	0.36%	0.000%
Aegon LGIM Future World Global Equity	0.00%	0.00%	0.51%	0.51%	0.028%
Aegon BlackRock DC Aquila Emerging Markets Equity Index	0.00%	0.05%	0.43%	0.48%	-0.028%
Aegon BlackRock DC Aquila Corporate Bond All Stocks Index	0.00%	0.01%	0.35%	0.36%	0.036%
Aegon BlackRock DC Diversified Growth	0.00%	0.05%	0.55%	0.60%	0.370%
Aegon BlackRock DC Property	0.00%	0.00%	0.98%	0.98%	0.085%
Aegon BlackRock DC Cash	0.00%	0.03%	0.35%	0.38%	0.015%

Source: Aegon as at 31/12/2022.

\*Current default arrangement. \*\* Data not available as no active members are invested in this fund.

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The transaction costs for the funds in the LifePath Retirement, Capital and Flexi ranges are as follows:

Fund	Total transaction costs (%)	Fund	Total transaction costs (%)
LifePath Retirement 2058-2060	0.081	LifePath Flexi 2046-2048	0.028
LifePath Retirement 2049-2051	0.014	LifePath Flexi 2043-2045	0.023
LifePath Retirement 2043-2045	0.023	LifePath Flexi 2040-2042	0.038
LifePath Retirement 2037-2039	0.033	LifePath Flexi 2037-2039	0.033
LifePath Retirement 2034-2036	0.047	LifePath Flexi 2034-2036	0.047
LifePath Retirement 2028-2030	0.064	LifePath Flexi 2031-2033	0.044
LifePath Flexi 2064-2066	0.081	LifePath Flexi 2028-2030	0.056
LifePath Flexi 2061-2063	0.080	LifePath Flexi 2025-2027	0.051
LifePath Flexi 2058-2060	0.081	LifePath Flexi 2022-2024	0.052
LifePath Flexi 2055-2057	0.080	LifePath Capital 2025-2027	0.065
LifePath Flexi 2052-2054	0.026	LifePath Capital 2022-2024	0.042
LifePath Flexi 2049-2051	0.014		

*Source: Aegon as at 31/12/2022. LifePath funds where no assets are invested have been excluded.*

The Trustee notes a number of challenges in assessing transaction costs:

- No industry-wide benchmarks for transaction costs exist,
- The methodology leads to some curious results, most notably “negative” transaction costs,
- Transaction costs are already taken into account when investment returns are reported, so any assessment must also be mindful of the return side of the costs.

The Trustee will continue to request and monitor transaction costs and monitor developments in assessing such costs for value.

### AVCs with Utmost

The charges and transaction costs for Utmost’s fund are shown below.

Fund Name	Fund management charge	Total transaction cost
Utmost Money Market	0.50%	0.00%

*\*only charged if it does not result in a loss of capital value*

### **Illustration of the impact of charges and costs on a member’s pot size over time**

In addition to the information above, the Trustee is required to present pound and pence illustrations of the impact of charges and transaction costs on members’ pots. The Trustee has taken account of the statutory guidance when preparing the analysis below.

### Purpose of these example illustrations

The illustrations that follow should not be considered personal illustrations. They are based on the assumptions detailed in this section. The purpose of the illustration is to show how fund related costs and charges can affect the overall value of the funds you invest in over time.

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Separate illustrations for active members and deferred members have been included due to the difference in member borne charges (with the Company paying the AMC for active members).

Please note the main assumptions relevant to both the active and deferred member illustrations are shown after the illustration tables.

### Active member illustrations

#### Fund transactional charges and costs total (%)

	LifePath Flexi 2064-2066	Aegon LGIM Future World Global Equity	Aegon BlackRock DC Diversified Growth
Growth (above inflation)	-1.90% to 3.00%*	2.87%	0.48%
AMC	0.00%**	0.00%**	0.00%**
AAE	0.00%	0.00%	0.04%
TC	0.06%	0.02%	0.39%

\* The growth rate used for the Lifepath fund varies through time based on the underlying asset mix

\*\* AMC is paid by employer for active members

**Growth** is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

**AMC** is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

**AAE** are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

**TC** are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on the average of the actual transaction costs for the period 01/01/18 to 31/12/22.

#### The impact of transactional costs and charges on fund values (£)

The 'Before charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

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Years	LifePath Flexi 2064-2066		Aegon LGIM Future World Global Equity		Aegon BlackRock DC Diversified Growth	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	29,637	29,621	29,859	29,854	29,239	29,127
3	45,605	45,543	46,568	46,547	44,120	43,691
5	62,536	62,405	64,670	64,625	59,555	58,678
10	109,365	108,955	116,643	116,495	100,677	98,079
15	163,233	162,362	179,521	179,194	145,651	140,410
20	224,961	223,412	255,163	254,556	194,784	185,893
25	295,459	292,969	345,719	344,704	248,406	234,767
30	375,732	371,988	453,681	452,090	306,872	287,287
35	466,888	461,520	581,926	579,549	370,564	343,731
40	570,150	562,723	733,784	730,357	439,896	404,397
43	638,474	629,571	837,810	833,598	484,383	442,954

### Deferred member illustrations

#### Fund transactional charges and costs total (%)

	LifePath Flexi 2064-2066	Aegon BlackRock World (Ex UK) Equity Index	Aegon BlackRock Property Fund
Growth (above inflation)	-1.90% to 3.00%*	3.00%	1.73%
AMC	0.41%	0.35%	0.98%
AAE	0.00%	0.01%	0.00%
TC	0.06%	0.01%	0.04%

\* The growth rate used for the LifePath fund varies through time based on the underlying asset mix

**Growth** is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum.

**AMC** is the Annual Management Charge, which is a yearly management charge expressed as an annual percentage but calculated and deducted on a daily basis from the fund.

**AAE** are the Additional Annual Expenses, which are an estimate of any additional fees and expenses that may apply, such as fees for custody, administration and trustee services that may be incurred in addition.

**TC** are the Transaction Costs, which are an estimate of explicit and implicit costs incurred as a result of buying, selling, lending or borrowing of investments in the fund, based on actual transaction costs for the period 01/01/18 to 31/12/22.

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### The impact of transactional costs and charges on fund values (£)

The 'Before charges' column shows each fund value without any transaction costs, charges or expenses being applied to the fund's holdings.

The 'After all charges' column shows the fund's holdings after transaction costs, charges and expenses have been deducted.

Years	Lifepath Flexi 2064-66 (BLK)		Aegon BlackRock World (Ex UK) Equity Index (BLK)		Aegon BlackRock Property	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	22,440	22,335	22,638	22,554	22,352	22,125
3	23,347	23,020	23,970	23,705	23,073	22,378
5	24,290	23,726	25,380	24,915	23,817	22,633
10	26,818	25,587	29,280	28,217	25,785	23,284
15	29,609	27,594	33,780	31,956	27,914	23,954
20	32,691	29,758	38,970	36,190	30,220	24,643
25	36,093	32,092	44,958	40,986	32,716	25,352
30	39,850	34,609	51,866	46,417	35,419	26,082
35	43,998	37,324	59,836	52,568	38,344	26,832
40	48,577	40,251	69,030	59,533	41,512	27,604
43	51,550	42,117	75,211	64,149	43,536	28,078

### About the illustrations (assumptions) for active and deferred members

Current age is 22 and retirement age is 65. This is based on the age of the youngest person in the scheme.

For active members, current salary is £36,000 and will increase each year by 3.5%.

For active members, future contributions paid will be 20% of the member's salary (£600 each month increasing by 3.5% each year in line with assumed salary increases).

The existing fund value for both active and deferred members is £22,000 which is based on the median value of the total holdings within the Scheme. This is calculated by listing the total holdings of each member in the Scheme, from the lowest to the highest value and selecting the value in the middle.

We've shown the default LifePath Flexi Investment option that the majority of members invest in for active and deferred members.

For active members, we have also illustrated the Aegon LGIM Future World Global Equity and the Aegon BlackRock DC Diversified Growth funds to show the funds with the lowest and highest charges, respectively.

For deferred members, we have also illustrated the Aegon BlackRock DC Aquila World (ex UK) Equity Index and the Aegon BlackRock DC Property funds to show the funds with the lowest and highest charges, respectively.

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### Investment growth notes for illustrations (assumptions)

The value of investments will grow at a rate appropriate to the funds members are invested in and inflation will be 2.0% every year. This is an illustrative growth rate only. The investment growth achieved may be more or less than this and may vary depending on the fund(s) the members are invested in.

The assumed growth rate used for each fund is shown above. This rate is based on Aegon's view of potential long-term returns of the main asset classes (equities, property, corporate bonds, government bonds and cash) and will vary depending on the fund(s). The growth rates for mixed asset funds are derived from the asset class growth rates based on the investment objectives and long-term asset allocation of the funds.

If the growth rate we've used is:

- the same as the rate of inflation, this reduces the growth rate, after making an allowance for inflation, to 0%;
- less than the rate of inflation, this produces a negative growth rate after making an allowance for inflation.

### Long-Term Net Investment Returns

Regulations introduced in 2021 requires the Trustee to report on the net investment returns for the Scheme's default arrangement and for each fund which Scheme members are, or have been able to, select, and in which members are invested during the Scheme year. Net investment returns refer to the returns on funds minus all transaction costs and charges.

The tables below include the long-term net investment return for the Scheme's default and alternative strategies which have been calculated in accordance with the statutory guidance.

Default strategy (LifePath Flexi)	Annualized returns to 31/12/2022 (%)*			
	Active members		Deferred members	
Age of member	1 year	5 years	1 year	5 years
25	-12.8	5.7	-13.1	5.3
45	-14.6	3.9	-15.0	3.5
55	-16.0	2.0	-16.3	1.6
LifePath Capital	1 year	5 years	1 year	5 years
25	_*	_*	_*	_*
45	_*	_*	_*	_*
55	_*	1.4	_*	1.8
LifePath Retirement	1 year	5 years	1 year	5 years
25	_*	_*	_*	_*
45	_*	3.8	_*	3.4
55	_*	_*	_*	_*

Source: Aegon and Mercer. Performance shown net of all charges and transaction costs.

\*There is no performance available for these funds due to limited member investment in this LifePath fund series.

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The table below includes the long-term net investment return for the Scheme's self-select funds:

Self-select fund	Annualized returns to 31/12/2022 (%)			
	Active members		Deferred members	
	1 year	5 years	1 year	5 years
Aegon BlackRock DC Aquila UK Equity Index	-0.4	2.8	-0.7	2.4
Aegon BlackRock DC Aquila World (ex UK) Equity Index	-9.3	8.9	-9.7	8.6
Aegon LGIM Future World Global Equity	-9.1	-	-9.6	-
Aegon BlackRock DC Aquila Emerging Markets Equity Index	-10.3	0.7	-10.8	0.2
Aegon BlackRock DC Aquila Corporate Bond All Stocks Index <sup>1</sup>	-17.7	-1.4	-18.0	1.8
Aegon BlackRock DC Diversified Growth <sup>3</sup>	1.3	0.6	1.0	0.3
Aegon BlackRock DC Property	-8.5	2.6	-9.1	2.0
Aegon BlackRock DC Cash	-12.1	2.5	-13.1	1.5

Source: Aegon and Mercer.

Performance shown net of all charges and transaction costs.

Performance data for 10, 15 and 20 years were not available, as the current Scheme arrangements do not have more than 6 years of history.

### Value for Members

The Trustee is committed to ensuring that members receive good value from the Scheme. The Trustee with support from their advisers, Mercer Limited, have undertaken a value for members' assessment. This year's assessment is based on the new regulatory requirements for "small schemes" as introduced by the Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations (Northern Ireland) 2021, as amended. This assessment considered the following areas:

Assessment area	Type of assessment
1. Costs and charges	Comparative assessment against three larger DC arrangements, considering the level of ongoing member-borne charges and transaction costs.
2. Net investment returns	Comparative assessment against three larger DC arrangements, considering investment performance net of all member-borne costs and charges.

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3. Administration and governance	Standalone assessment of the Scheme's governance and administration arrangements, covering core financial transactions; record keeping; default investment strategy; investment governance; trustee knowledge and understanding; member communications; and management of conflicts of interest.
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For the first two areas, the assessment is based on a comparison with three comparator arrangements (NEST Master Trust, The People's Pension Scheme, and Aviva Designer Group Personal Pension). These comparators were chosen as they can be a viable destination if the Scheme ever winds up.

The Trustee concluded that the Scheme's overall benefits and options represent good value for money in comparison to the cost's payable by members, when considered across a number of measures.

An overview of the results of the Trustees' assessment against the three areas is shown below.

Assessment area	Key comments
Costs and charges	Overall, the Trustee has assessed the Scheme as offering good value from a costs and charges perspective, relative to the three peers chosen. Active members, who account for the majority of the membership, benefit from the majority of charges being paid for by the Company. Therefore, this has been assessed as good value relative to peers. However, the assessment of deferred member charges has been more mixed, where charges have been behind two out of the three comparators.
Net investment returns	<p><u>DEFAULT ARRANGEMENT</u></p> <p>For the 1 year performance, the Scheme's default net investment returns across all ages assessed (25, 45 and 55 year old members) have been lower than those of the comparator arrangements. The Trustee notes that 2022 was a challenging year for investment markets, particularly for equity and bond markets. The 2022 market volatility has had a significant impact on the returns assessed as the LifePath Flexi funds are largely composed of equity in the early years and have a significant allocation to equities and bonds closer to retirement. This compares to the comparator arrangements which have a more diversified mix of assets.</p> <p>In terms of longer-term performance (5 years to 31 December 2022), the Scheme's default has performed reasonably well relative to the comparators chosen. For younger members (represented by a 25 year old), the Scheme's default has outperformed the market comparators. For older members (represented by members aged 45 and 55 year old), performance has been slightly more mixed. Performance has been broadly in line with the People's Pension (under or over performing depending on if you are an active or deferred member) but has been marginally behind Aviva and NEST.</p> <p><u>TWO MOST POPULAR SELF-SELECT FUNDS</u></p> <p>The two most popular self-select funds (the Aegon BlackRock Cash and the Aegon LGIM Future World Global Equity Fund) have generally performed well relative to the closest-match investment options offered by the three comparators arrangements.</p> <p><u>CONCLUSION</u></p> <p>Overall, the Trustee has assessed the Scheme as offering reasonable value from a performance perspective. For this conclusion the Trustee has primarily focused on longer term performance given that will be the aim of the majority of these funds</p>

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	but note shorter term performance has been disappointing relative to peers. The Trustee will continue to monitor performance closely and take action if deemed necessary.
Administration and governance	The Trustee has assessed the Scheme as offering good value from a governance and administration perspective. An assessment was undertaken against areas set out in legislation and guidance set out by the Department of Work and Pensions. The structure of the Trustee board provides for good debate and decision making. We note the Trustee is compliant on their investment governance requirements as evidenced by Scheme documents and monitors the default investment strategy at least on a three yearly basis. Administration service levels for key areas were assessed as providing good value, on the whole.
Overall	Overall, considering all three areas set out above, the Trustee has assessed the Scheme as offering good value for members.  However, the review has drawn out some areas the Trustee will reflect on, for example, consideration of specific business continuity, data protection and cyber security risks on the risk register. The Trustee will also closely monitor both investment and administration performance over the coming year to ensure both are in line with Trustee expectations.

### Trustee knowledge and understanding

#### Requirements

The Pensions (Northern Ireland) Order 2005 requires individual trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets. The degree of knowledge and understanding required is that appropriate for the purposes of enabling the Trustee to exercise the function in question.

The Trustee is also required to explain how its combined knowledge and understanding, together with the advice, which is available to them, enables it properly to exercise its functions as Trustee of the Scheme.

The Trustee Directors must also be conversant with the Scheme's own documentation, including the trust deed and rules and statement of investment principles. The Trustee Directors must also be conversant with any other document recording current policy relating to the administration of the Scheme generally. The Pensions Regulator interprets 'conversant' as having a working knowledge of those documents such that the Trustee is able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustee. In addition, the Trustee is also required to have a knowledge and understanding of the law relating to trusts and pensions.

#### How the Trustee has met these requirements

Face to face training with advisers is arranged for the onboarding of new Trustee Directors. No new Trustee Directors were appointed during the Scheme year. However, as an example of this process, a new Trustee Director was appointed in March 2019 and undertook an adviser led session in April 2019. This training included the following DC specific topics:

- DC governance
- Tax reliefs and limits for DC members
- DC investment options

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- Auto enrolment
- Pension Freedoms

These topics complemented the wider Scheme management sessions led by the actuarial and investment consulting teams covering the role of a trustee, trustee knowledge and understanding, the Pensions Regulator requirements, legal framework, funding, investment, covenant, effective trusteeship and good governance.

The Trustee board normally undertake a formal training day on an annual basis to ensure they are up to date with pension's legislation and current issues in pensions that affect the Scheme. The agenda for the annual training day is set following consideration of training requirements and discussions with advisers.

The Trustee board undertook a number of additional activities during the year that involved giving detailed consideration to pensions, trust law and wider pension issues/developments. These were largely undertaken during the course of the Trustee meetings. For example, at the annual Trustee training days on 28 and 29 November 2022 the Trustee received the following training sessions from their advisers:

- The Pension Regulator's Single Code of Practice.
- Cyber Security Risk Management, including the Pension Regulator's guidance on this topic.
- DC governance, including the requirements around small scheme value for members' assessments.
- The latest DWP and FCA consultations and the new requirements around significant votes that forms part of the SIP implementation statement.
- Investment training on the latest innovations and trends in DC investments as part of the triennial default investment review.

In addition, the Trustee undertakes regular training on an ad-hoc basis to obtain the required knowledge and understanding of pensions and trust law. The Trustee receives professional advice from Mercer and BDB Pitmans LLP/ Osborne Clarke LLP (legal advisers) to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules.

The Trustee is conversant with, and has demonstrated a working knowledge of, the Trust Deed and Rules, the current Statement of Investment Principles ('SIP'), as well as knowledge of all documents setting out the trustee's compliance. If there are any ambiguities over the interpretation of the Rules and Scheme documentation legal advice is sought from the Scheme's legal advisers. The Scheme's legal advisers were in attendance at Trustee meetings during the year where support was required in relation to the Scheme Rules.

The Trustee undertook a number of activities during the year relating to the Scheme's documentation, including a review of the SIP was undertaken in March 2022. This captured the addition of a new self-select fund.

Based on the actions set out in this section, taken individually and as a Trustee body, and the professional advice available to them, the Trustee considers that they have sufficient skills and resources to properly exercise their function as a Trustee.

# BELFAST HARBOUR COMMISSIONERS' PENSION SCHEME

## Chair's declaration

This statement has been prepared in accordance with Regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations 1997 (Northern Ireland) as amended by the Occupational Pension Schemes (Charges and Governance) 2015 (Northern Ireland) (together 'the Regulations') and I confirm that the above statement has been produced by the Trustee of the Scheme.

Signature:

Deborah A Lunge

Name:

Deborah Lunge

**Chair of the Belfast Harbour Commissioners Pension Scheme**

Date:

19.6.23

## Appendix

Statement of Investment Principles effective March 2022