

# Energia Group NI Pension Scheme

## Statement regarding DC Governance for the year ended 31 March 2019

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This statement has been prepared by the Trustees in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (Northern Ireland) 1997 (as subsequently amended) (the "Administration Regulations") and supporting guidance issued by the Pensions Regulator. It describes how the Trustees have met the statutory governance standards in relation to:

- The default arrangement for the Options Section,
- The requirements for processing financial transactions,
- Assessment of charges and transaction costs and
- The requirement for trustee knowledge and understanding.

It relates to the period from 1 April 2018 to 31 March 2019, the 2018/2019 Scheme year ("Scheme year").

### **Default arrangement**

Following the introduction of "Freedom and Choice" the Trustees reviewed their existing investment options and in October 2016 implemented three new Lifestyling investment strategies to reflect how members can access their pension savings at retirement. Since October 2016 the strategies available to members are as follows:

- (i) the "Flexible Income Lifestyle Option strategy" which targets flexible income drawdown at retirement. This is the Scheme's current default arrangement.
- (ii) the "Income for Life Lifestyle Option" which targets an annuity purchase at retirement, and
- (iii) the "Lump Sum Lifestyle Option" which may be appropriate for members who wish to take cash at retirement.

If an Options member does not make an explicit choice regarding the investment of their funds, then their funds are invested in the Flexible Income Lifestyle Option strategy. This default is managed as a "lifestyle" strategy, in that it automatically combines investments in proportions that vary according to the time to the member's target Fund Access Date. The objective of this strategy is to provide investment growth by investing in return seeking assets in a Diversified Growth Fund ('DGF') with a medium growth/risk profile, with a gradual switching of assets over the ten years before the member's expected retirement date, towards a final position of 50% in the DGF, 25% in a DC cash fund and 25% in a DC Index linked gilt fund. The Lifestyle option, which is managed by BlackRock, is designed for taking a flexible drawdown from a member's pension account in retirement, and meets the requirements for social, environmental and ethical considerations as set out in Section 8 of the Trustees' Statement of Investment Principles.

The DGF fund is managed actively. By investing in this manner, the Trustees expect to deliver growth over the member's lifetime within the Scheme without excessive risk taking, with a focus in the final ten years on de-risking to dampen volatility as members approach retirement and seek a combination of Cash and ongoing flexible drawdown. The Trustees, having taken advice from their appointed investment advisers, considered this approach to be in the best interests of relevant members and relevant beneficiaries.

Members can select one of the other two Lifestyling strategies if they plan to access their pension fund by purchasing an income for life or if they wish to take cash and in each case the asset switching over the ten year de-risking period is different reflecting that different objective. Communication will be made with Members in advance of the commencement of such de-risking (i.e. more than ten years from the member's target retirement date) to ensure they have an opportunity to select the most appropriate Lifestyling option that best reflects their intentions, prior to the commencement of de-risking.

# Energia Group NI Pension Scheme

## Statement regarding DC Governance for the year ended 31 March 2019 (continued)

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### **Default arrangement (continued)**

With input from their investment advisers, the Trustees monitor the investment performance of the default arrangement at each of their quarterly Trustee meetings. A formal review of the performance and strategy of the default arrangement last took place during 2016, which culminated in the current default arrangement being introduced during October 2016. A formal review did not take place in the Scheme year. A formal review is due to take place during the latter part of 2019.

Appended to this statement at Appendix 1 is a technical appendix which provides more details of the Funds available to Options section members along with illustrations of the impact of fund charges on member outcomes.

### **Statement of investment principles (SIP)**

The Trustees' 2017 statement of investment principles governed decisions about investments for the purposes of the default arrangement described above. That statement was prepared in accordance with regulation 2A (default investment strategy) of the Occupational Pension Schemes (Investment) Regulations (Northern Ireland) 2005.

The SIP was updated on 30 September 2019 to include policies on financially material considerations, non-financial factors and engagement activities as required by the Pensions Regulator. This is appended to this statement at Appendix 2.

### **Processing Scheme core financial transactions**

The Trustees have a specific duty to secure that core financial transactions (including the investment of contributions, 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) relating to the Options Section are processed promptly and accurately. These transactions are undertaken on the Trustees' behalf by Energia Group NI Holdings Limited and its DC administrator Aegon and investment manager BlackRock. With effect from 1 July 2018, the DC administration transferred from BlackRock to Aegon, following Aegon's acquisition of BlackRock's DC administration business.

The Trustees have reviewed, at quarterly trustee meetings, the processes and controls implemented by those organisations and consider them to be suitably designed to achieve these objectives. The Trustees consider that the requirements for processing core financial transactions specified in the Administration Regulations have been met.

Following Aegon's acquisition of BlackRock's DC administration business, we have paid close attention to service level performance, noting that they have fallen below target during the Scheme year. Aegon attended Trustee meetings to provide an explanation for the degradation in performance and have outlined the remedial actions they have taken to achieve the target performance levels going forward.

### **Member-borne charges and transaction costs**

The Administration Regulations require the Trustees to make an assessment of administration charges and transactions costs borne by Options Section members and the extent to which those charges and costs represent value for members.

# Energia Group NI Pension Scheme

## Statement regarding DC Governance for the year ended 31 March 2019 (continued)

### Member-borne charges and transaction costs (continued)

The annual management and transaction costs for the default Flexible Income Lifestyle Option is summarised below and are applied depending on the stage at which each member's pension saving is invested within the strategy.

Default Flexible Income Lifestyle Option	Annual Management Charge	Additional Charge	Total Charges and Costs
Diversified Growth Fund	0.55%	0.08%	0.63%
Index-linked Gilt Fund	0.30%	0.01%	0.31%
Cash Fund	0.25%	0.03%	0.28%

During the Scheme year 1 April 2018 to 31 March 2019, the default arrangement attracted a total annual management charge of 0.61% p.a., of assets under management for all members, which reduces as the member enters the ten year life-styling period. This is lower than the maximum allowed of 0.75% p.a.

The Trustees also make available a range of alternative funds which may be chosen by members as an alternative to the default arrangement. These funds attract annual charges of between 0.28% p.a. and 1.12% p.a., and the level of charges for each fund is set out in the Investment Leaflet which can be accessed from a member's online account or is available on request from the Scheme administrator. These funds allow members to take a more tailored approach to managing their own pension investments.

The Trustees believe, having taken and considered investment advice, that the range of funds and associated charges represent reasonable value for members, but, as noted above, the Trustees will continue to monitor charges and investment performance.

The Trustees' investment advisers, on behalf of the Trustees, have sought to obtain a breakdown of the underlying transaction costs over the period covered by this Chair's Statement from all of the investment managers (both in the default and self-select funds). The information received from the investment managers has enabled the Trustees to model the effect of transaction costs on the build-up of accumulated pension funds over time.

Self Selection Funds	Annual Management Charge	Additional Charge	Total Charges and Costs
Global Equity Fund	0.35%	0.01%	0.36%
Corporate Bond Fund	0.35%	0.02%	0.37%
Standard Life GARS Fund	1.10%	0.02%	1.12%
Emerging Market Equity Fund	0.50%	0.06%	0.56%
Cash Fund	0.25%	0.03%	0.28%
Index-linked Gilt Fund	0.30%	0.01%	0.31%
Pre-Retirement Fund	0.30%	0.01%	0.31%
Diversified Growth Fund	0.55%	0.08%	0.63%
Property Fund	1.00%	0.03%	1.03%
UK Equity Fund	0.60%	0.01%	0.61%

# Energia Group NI Pension Scheme

## Statement regarding DC Governance for the year ended 31 March 2019 (continued)

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### **Member-borne charges and transaction costs (continued)**

For this statement, the Trustees are required to provide an illustration of the compounding effect of costs and charges applied on members' DC pension savings. The effect of costs and charges on member's savings in their Options Member Account will be influenced by a member's investment election, the contributions made, the effects of inflation and the duration a member's savings remain invested in the Scheme. In line with statutory guidance as outlined in v 4.2 of AS TM1: Statutory Money Purchase Illustrations, dated October 2016 the Trustees have provided members with some illustrations. The illustrations are included in this Chair statement on pages 19 to 22 (Appendix 1).

Excerpts of this Statement is available to view here

<https://www.energiagroup.com/globalassets/egnips-options-governance-statement.pdf>

### **Value assessment**

In accordance with regulation 25(1)(b) of the Administration Regulations, the Trustees assessed the extent to which the member-borne charges and transactions costs set out above represent good value for members. The Trustees' assessment included a review of the performance of the funds and the non-financial benefits to members, i.e. the quality of customer services (including access to the helpline and on-line tools) and communications offered by Aegon. On the basis of their assessment, the Trustees concluded that, overall, the charges and costs borne by Options Section members nevertheless offered good value for members.

### **Trustees' knowledge and understanding**

The Trustees own knowledge and understanding, together with the professional advice which is available to them, enables them to properly exercise their functions as Trustees of the Scheme. Collectively the Trustees have a wealth of expertise and experience which enables them to effectively manage the Scheme with their advisers.

Roy Foreman is the Employer appointed Chair of the Trustees and has been a Trustee since 2011. Roy has held various roles within Energia Group during his 33 years employment with the Group and is Managing Director of a Wholesale Energy Trading business within the Energia Group. Roy has a BSc in Computer Science, an MBA, an MSc in Corporate Leadership and completed the General Management Programme at Harvard Business School.

David Macartney is a Member Appointed Trustee and has been a pension scheme Trustee since 2010. David has held various roles during his 21 years employment with the Group including the Risk Manager in a Wholesale Energy Trading business and he is currently the Group's Corporate Development Manager. David has a BEng in Electrical and Electronic Engineering and an MBA. David is a Chartered Engineer and is a Member of the Institution of Engineering and Technology.

Brendan McKenna is a Member Appointed Trustee and has been a Trustee since 2011. Brendan was previously employed by the Group for 38 years until his retirement in 2015 and he is now a pensioner member of the Scheme. Brendan is a qualified Accountant and is a member of CIMA.

# Energia Group NI Pension Scheme

## Statement regarding DC Governance for the year ended 31 March 2019 (continued)

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### **Trustees' knowledge and understanding (continued)**

The Trustees discuss with their advisers and the Scheme Actuary their training needs and knowledge gaps when updating the Trustees' business plan. During the Scheme year, the Trustees met the requirements of Articles 224 and 226 of the Pensions (Northern Ireland) Order 2005 (requirements for knowledge and understanding) and addressed identified knowledge gaps in relation to the detail of Integrated Risk Management and DC disclosure requirements by attending compulsory Trustee training built into their quarterly trustee meetings, reading the various bulletins, briefing notes and updates circulated via e-mail to them periodically by the Trustees' advisers.

The training topics covered during the Scheme year included:

- upcoming changes to auto-enrolment contribution rates and thresholds for Option members from 6 April 2019;
- DWP new disclosure requirements (including in relation to costs and charges) applying to the Scheme from 6 April 2018 in respect of DC benefits;
- IRM training session;
- TPO published guidance (Sept 2018) on redress for non-financial injustice awards;
- refresher training on the Scheme's DC investment funds and lifestyle strategies, including the highlighting of areas that the Trustees could consider prioritising for their detailed formal review;
- training session on 'strengthening trustees' investment duties' and upcoming statutory changes to the content of the statement of investment principles (SIP);
- proposed reform of the Pensions Regulator's powers;
- quarterly case law updates on cases on a range of topics: GMP equalisation, overpayments of benefits, age discrimination, RPI/CPI and transfers out;
- setting actuarial assumptions.

The Trustees have responsibility for keeping themselves up-to-date with relevant developments on a rolling basis and carry out a self-assessment of their training needs. A Training Log is maintained by the Scheme Secretary.

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.

All Scheme documents are available to the Trustees via a dedicated Trustee online depository. During the Scheme year the Trustees refreshed their detailed knowledge of the Rules when considering and agreeing the drafting of a number of changes to them. The Trustees also spent time considering the changes made to the Rules since they were last consolidated in August 2013. A new draft consolidated rules was prepared for consideration at the Trustee meeting on 21 March 2019.

# Energia Group NI Pension Scheme

## Statement regarding DC Governance for the year ended 31 March 2019 (continued)

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### **DC Scheme governance**

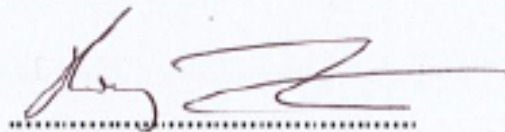
As Trustees of the Scheme we have reviewed and assessed that our systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based Schemes; and
- Regulatory guidance for defined contribution Schemes.

We completed a review to ensure the Options Section complies with GDPR requirements that became effective from 25 May 2018. A Scheme Privacy Notice and a Data Protection Policy were provided to all scheme members and are available on request.

Based on our assessment we believe that we have adopted the standards of practice set out in the DC code and DC regulatory guidance. These help demonstrate the presence a quality Scheme, which we believe will help deliver better outcomes for members at retirement.

**Signed on behalf of the Energia Group NI Pension Scheme Trustees**



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**Roy Foreman**  
**Chair of the Trustees**

Date: 31 October 2019.