KeyMed Pension & Assurance Scheme

Annual Statement regarding governance

Under legislation set out in regulation 23 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the 'Administration Regulations'), as amended by the Occupational Pension Schemes (Charges and Governance) Regulations 2015, the Trustees are required to prepare a statement showing how they have met certain minimum governance standards in relation to defined contribution benefits. These standards cover four principal areas relating to the KeyMed Pension & Assurance Scheme's (the Scheme's) defined contribution benefits, namely: *the default investment arrangement, core financial transactions, value from member borne deductions* and the *trustees' knowledge, understanding and resources.*

As Chair of Trustees, it is my pleasure to report to you on how the Trustees have embedded these minimum standards over the period 5th April 2019 to 6th April 2020, taking account of the relevant updates since the requirements have been in place.

The statement covers four principal areas:

1. **Investment** with particular focus on the Scheme's default investment arrangements.

2. **Internal controls**, with particular focus on the processing of core financial transactions.

3. **Value,** with particular focus on charges and transaction costs deducted from members' funds.

4. **The knowledge and resources available to the Trustees**, including how the Trustees maintained the statutory levels of knowledge and understanding to govern the Scheme and how these help the Trustees ensure that the Scheme is governed effectively.

1. Default investment arrangement

Members of the DC section of the Scheme who do not make an explicit choice regarding the investment of their funds will be automatically invested in the Scheme Moderate Growth Secured Income Lifestyle Option (the default arrangement).

The Moderate Growth Secured Income Lifestyle Option is a Lifestyle strategy, which will invest member savings in the Moderate Growth Fund until around five years before a member's selected retirement age. The Moderate Growth Fund seeks to achieve medium capital growth over the long-term with a medium level of risk, by investing predominantly in a diversified mix of bonds, shares and other asset types. The Fund broadly invests 50% in a Diversified Growth Fund (which are made up of a mix of different underlying asset classes), 30% in equities, 10% in UK corporate bonds and 10% in over 15 year gilts.

Five years before a member's selected retirement age assets from the Moderate Growth Fund will then gradually switch to the Defensive Fund (which contains a more cautious asset allocation). This Lifestyle Option is aimed at members who expect to purchase an annuity at retirement and withdraw 25% as tax-free cash.

The Trustees last reviewed the principles noted above relating to the default arrangement with the support of their investment adviser, Mercer, during the 17 March 2020 Trustee meeting. As a result of the review,the Trustees believed the Scheme's investment strategy continues to be appropriate . During 2020, updates will be made to member communications to ensure the target of the default arrangement is clearly understood by members. The Trustees will also consider the introduction of Environmental. Social and Governance (ESG) Funds to the Self-Select options. The Trustees will continue to monitor retirement activity and market trends.

The Trustees' Statement of Investment Principles dated December 2019 in relation to the Scheme's default investment arrangement is appended to this Statement. This covers the Trustees' aims and objectives in relation to the default investment arrangement as well as the Trustees policies in relation to matters such as risk, diversification, ESG and climate change. It also states why the Trustees believe the default investment arrangement to be designed in members' best interests.

Additional Voluntary Contributions

The Trustees are also responsible for a legacy Additional Voluntary Contribution (AVC) policy for the Defined Benefit Section members invested with Standard Life. The Trustees do not operate a default investment arrangement within the meaning of Pensions Act 2008 in relation to their AVC policy. For this reason, the Trustees believe that the disclosures required in the Regulations with regard to default investment arrangements are not applicable to the AVCs. For the same reason, the Trustees' Statement of Investment Principles does not contain wording relating to default investment arrangements in relation to the AVCs.

This policy is closed to new members and further contributions. Members receive an annual statement confirming the amounts held in their account and a periodic communication from the Trustees about what they can do with these AVCs and where to find further information.

Statement of Investment Principles

In accordance with the Administration Regulations, the Trustees have appended the latest copy of the Statement of Investment Principles (the 'SIP') prepared for the Scheme in compliance with Section 35 of the Pensions Act 1995 and regulation 2 / regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005, which was signed in July 2019.

The SIP covers the following key matters in relation to the default arrangement:

- The Trustees' aims and objectives in relation to the investments held in the default arrangement;
- The Trustees' policies on issues such as: the kinds of investments to be held; the balance between different kinds of investments; risks, including the ways in which risks are to be measured and managed; the expected return on investments; the realisation of investments; and the extent (if at all) to which social, environmental or ethical considerations are taken into account when selecting, retaining or realising investments;

- An explanation of how these aims, objectives and policies (which together form the Trustees "default strategy") are intended to ensure that assets are invested in the best interests of members whose benefits are invested in the default arrangement.

A copy of the latest SIP is appended to this Chair Statement and is also available on request, by contacting the KeyMed Pensions Administrator. Furthermore, this Statement will be published on a publicly available website https://www.olympus.co.uk/company/en/news/publications/ and will be signposted in the annual benefit statements, which are issued by the Administrator, Mercer.

2. Internal Controls

The Trustees are required to explain to you how they ensure that core financial transactions 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.

These transactions are undertaken on behalf of the Trustees by the KeyMed Pensions Administrator, in conjunction with the Scheme administrator, Mercer, and the investment provider, Scottish Widows. The Trustees have agreed target timescales for the processing of all member-related services, including core financial functions relating to contribution handling, quoting and paying benefits for the activity carried out by Mercer. The Trustees, after taking advice, believe that these target timescales are in line with industry best practice and are well within any applicable statutory timescale.

The Service Level Agreements relating to core financial transactions relating to the activity carried out by Mercer, are set out below together with the achievement over the period:

Transaction	Service Level Agreement (SLA)	Service Level Achievement %
Leaver processing	10 days	82%
Investment Transactions	8 days	94%
Retirement	10 days	100%
Transfer Out	10 days	98%
Transfer In	10 days	100%

The Trustees have reviewed the administration services provided to the members of the DC Section provided by Mercer over the period and concluded that overall, core financial transactions were processed promptly and accurately. As part of this review it was noted that, of the three cases that missed SLA, there were additional checks carried out which caused the delay and each case was resolved very soon after the agreed deadline.

The KeyMed Pensions Administrator, who are responsible for undertaking the monthly contribution remittance and investment are monitored separately by the Trustees. The Trustees can confirm that no issues were raised or identified during the year.

There are also monthly administration meetings held between the KeyMed Pension Administrator and Mercer to review work in progress cases, and discuss processing and administration activity.

Mercer records all member transactions and benefit processing activities in a work management system, which assigns the relevant timescale to the task.

Members have access to an online portal that enables them to conduct their own checks of accuracy in relation to financial transactions such as contribution payments and investment switches.

The Trustee also appoints an independent auditor to carry out an annual audit of the Scheme, including the core financial transactions, which have taken place during the Scheme year. It has reported that no issues arose from these checks. The auditor does not review the content of the Chair's Statement.

As a wider review of Mercer, the Trustees receive Mercer's assurance report on internal controls. For the Scheme year, the report received was for the period 1 January 2019 to 31 December 2019 and noted the Independent Service Auditor's opinion that, in all material aspects, its controls were suitably designed and those tested operated effectively.

The Scheme's risk register details all of the risks to members and is monitored and reviewed by the Trustees on at least an annual basis.

We are pleased that in the last Scheme year there have been no material administration service issues, which need to be reported here by the Trustees. We also consider that the requirements for processing core financial transactions specified in the Administration Regulations have been met. We are confident that the processes and controls in place with the administrators are robust and will ensure that the financial transactions, which are important to members, are dealt with promptly and accurately

3. Costs and charges

a. Charges and transaction costs

As required by the Administration Regulations, the Trustees are required to report on the charges and transactions costs for the investments used in the default investment strategy as well as funds available as self-select options to members, and assess the extent to which the charges and costs represent good value for members.

Charges relating to investment management are deducted from members' funds. The Scheme is used as a qualifying arrangement for auto enrolment and as such must comply with regulations on charge controls introduced from April 2015. The Trustees confirm that the default investment arrangement remains within the charge cap of 0.75% p.a.

The tables below show the total expense ratio (TER) and transaction costs of the funds in use as at the date of this Statement.

Transaction costs are not explicitly deducted from a fund but are captured in its investment performance (in other words, the higher the transaction costs, the lower the returns produced by a fund). The Financial Conduct Authority has provided guidance (in Policy Statement 17/20) to investment managers regarding calculations and disclosures of transaction costs. Due to the way in which transaction costs are required to be calculated, they can be negative or positive in nature; a negative figure is effectively a gain from trading activity, whilst a positive figure is effectively a cost from trading activity.

The charges applicable to the default investment strategy during the period are detailed below. Although the fund allocations will vary depending on their term to their selected retirement age, the cost will not change given the two funds have the same TER.

Default Fund Investments	Active/Passive	Total Expense Ratio % per annum
Mercer Moderate Growth	Passive	0.26
Mercer Defensive	Passive	0.22

Source: Scottish Widows

The funds in the default investment arrangement are also made available to members on a self-select basis. Additionally, four further funds are available to self-select members, shown in the table below.

Fund	Active/Passive	Total Expense Ratio % per annum
Mercer Defensive	Passive	0.22
Mercer Moderate Growth	Passive	0.26
Mercer Growth	Passive	0.25
Mercer High Growth	Passive	0.26
BlackRock - Global Equity (60:40)	Passive	0.08
BlackRock - Cash	Passive	0.14

Source: Scottish Widows

The Total Expense Ratio consists principally of the manager's annual charge for managing and operating a fund, but also includes the costs for other services paid for by the fund, such as the legal costs, registration fees and custodian fees. However, they exclude other costs that are also member borne and which can therefore have a negative effect on investment performance such as transaction costs and interest on borrowings.

Transaction costs are costs incurred by fund managers as a result of buying, selling, lending or borrowing investments. These costs are taken into account by the fund managers when calculating the unit price for each of the funds, but are not included in the Total Expense Ratios (TERs) quoted above. As a result, adding together the TER and additional transaction costs gives a more accurate indication of the costs of investing in a particular fund option.

The transaction costs shown below are calculated on a methodology known as 'slippage cost'. This compares the price of the stocks being traded when a transaction was executed with the market price that applied at the point the transaction was requested. Market movements during any delay in transacting might be positive or negative and may outweigh other explicit transaction costs. For this reason, overall transaction costs calculated on the slippage method can be negative as well as positive, but the Trustees would not expect this to repeated every year.

The transaction costs applicable to the default investment strategy during the period of the Statement are detailed below:

Fund	Transaction charge (%)
Mercer Moderate Growth	0.13
Mercer Defensive	0.08

Source: Scottish Widows

The transaction costs applicable to the self-select range during the period of the Statement are detailed below:

Fund	Transaction charge (%)
Mercer Defensive	0.08
Mercer Moderate Growth	0.13
Mercer Growth	0.17
Mercer High Growth	0.17
BlackRock – Global Equity (60:40)	0.00
BlackRock - Cash	0.01

Source: Scottish Widows

Additional Voluntary Contributions (AVCs)

Policies of members who invest with Standard Life are also subject to the following costs and charges.

Fund	TER (%)	AMC (%)	Transaction Costs (%)
Pension Millennium With Profits Fund	1.15	1.15	0.08
Pension With Profits Fund	1.75	1.75	0.00
Standard Life Managed Pension Fund	1.03	1.00	0.11
Standard Life Money Market Pension Fund	1.01	1.00	0.00
SL Jupiter Merlin Worldwide Portfolio Pension Fund	2.90	1.85	0.01
SL M&G Global Themes Pension Fund	1.85	1.85	-0.12

Source: Standard Life

Members who joined the scheme prior to 23 February 2002 receive discounts to their total annual fund charge of 0.6%p.a. This does not apply to any holdings in With Profits as this discount is taken into consideration with the pricing of these funds. Members also receive Value For Money discounts of 0.1% p.a. when their fund value is over £10,000, and 0.2% p.a. when their fund value is over £20,000.

Members who joined the scheme after 23 February 2002 receive discounts to their total annual fund charge of 0.35% p.a.

There is no explicit charge or additional expenses for the unitised with profits funds, as these are considered when the final bonus rates are calculated. These charges will be consistent with that for an equivalent investment-linked investment. Standard life also makes deductions for the cost of with profits guarantees and these vary depending on the fund guarantee and when the fund was launched, for example the Pension With Profits Fund has a 0.75% p.a. deduction.

Currently Standard Life makes deductions at a rate of 1% p.a. in their new and existing business illustrations for unitised with profits funds before any discounts.

For the Pension With Profits Fund this would mean a total charge of 1.75% made up of 1.0% AMC plus 0.75% cost of guarantee deduction before any discounts.

For the Pension Millennium With Profits Fund there is a 1.0% AMC plus 0.15% cost of guarantee giving a total charge of 1.15% before any discounts.

Impact of Costs and Charges

In accordance with regulation 23(1) (ca) of the Administration Regulations, as inserted by the 2018 Regulations, the Trustees have prepared an illustration detailing the impact of the costs and charges typically paid by a DC member of the Scheme on their retirement savings pot. The statutory guidance provided has been considered when providing these examples. The below illustration has taken into account the following elements:

- Savings pot size;
- Real terms investment return gross of costs and charges;

- Adjustment for the effect of costs and charges; and
- Time.

Active Member

Projected Pot sizes in today's money								
	Most Popular: Default Lifestyle		Most Expensive: Mercer High Growth		Least Expensive & Highest Return: Blackrock Global Equity		Lowest Return: Cash	
Year End Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
30	19,447	19,006	20,414	19,946	20,542	20,422	15,380	15,222
35	28,511	27,608	30,561	29,579	30,837	30,584	20,787	20,496
40	38,592	37,020	42,270	40,514	42,771	42,315	25,934	25,476
45	49,806	47,320	55,780	52,927	56,607	55,860	30,831	30,179
50	62,280	58,590	71,369	67,017	72,646	71,497	35,493	34,620
55	76,155	70,923	89,356	83,011	91,240	89,551	39,929	38,815
60	91,588	84,418	110,111	101,168	112,795	110,395	44,152	42,775
65	103,089	94,164	134,059	121,778	137,784	134,460	48,171	46,516

Notes:
Project pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
The starting age for the purpose of this illustration is assumed to be 19 years old
The starting pot size is assumed to be £2,600
The starting salary is assumed to be £14,500 p.a. and grows in line with inflation
Inflation is assumed to be 2.5% each year
Contributions are assumed from age 19 to 65 and the assumed contribution rate is 9%
Transaction costs included in the "with charges" illustrations are an average cost of 2019-20, where transaction costs are negative, zero costs have been assumed.
Values shown are estimates and are not guaranteed
The project growth rate (excluding charges) taking into account inflation for each fund is as follows
Default fund: the projected growth rate varies over time as the funds invested in change and varies between 2.2% and 0.3% p.a.
Mercer High Growth Fund: 2.9% p.a.
BlackRock Global Equity (60:40): 3.0% p.a.
BlackRock Cash -1.0% p.a.

Deferred Member

Projected Pot sizes in today's money								
	Most Popular: Default Lifestyle		Most Expensive: Mercer Defensive		Least Expensive & Highest Return: BlackRock Global Equity		Lowest Return: BlackRock Cash	
Year End Age	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred	Pot Size with no Charges Incurred	Pot Size with Charges Incurred
30	4,861	4,736	6,247	6,086	5,194	5,160	3,788	3,741
35	5,407	5,182	8,128	7,790	6,021	5,957	3,605	3,533
40	6,015	5,670	10,576	9,972	6,980	6,878	3,431	3,336
45	6,691	6,205	13,760	12,764	8,092	7,940	3,266	3,151
50	7,442	6,789	17,904	16,338	9,381	9,167	3,108	2,975
55	8,278	7,429	23,295	20,913	10,875	10,584	2,958	2,810
60	9,208	8,129	30,309	26,769	12,607	12,220	2,815	2,653
65	9,696	8,434	39,435	34,264	14,615	14,108	2,680	2,506

Notes:
Project pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation
The starting age for the purpose of this illustration is 22 years old
The starting pot size is assumed to be £4,100
Inflation is assumed to be 2.5% each year
Transaction costs included in the "with charges" illustrations are an average cost of 2019-20, where transaction costs are negative, zero costs have been assumed.
Values shown are estimates and are not guaranteed
The project growth rate (excluding charges) for each fund is as follows:
Default fund: the projected growth rate varies over time as the funds invested in change and varies between 2.2% and 0.3% p.a.
Mercer High Growth Fund: 2.9% p.a.
BlackRock Global Equity (60:40): 3.0% p.a.
BlackRock Cash -1.0% p.a.

b. Good value - member borne deductions

When assessing the charges and transaction costs which are payable by members, the Trustees are required to consider the extent to which these represent good value for members.

There is no legal definition of “good value”, so the process of determining good value is a subjective one. “Value” is not a straightforward concept to quantify and can be open to broad interpretation.

The Trustees, with support from our advisor, Mercer, have undertaken a value for money assessment. We have concluded that the Scheme’s overall benefits and options represent good value for money in comparison to the costs payable by members. The reasons underpinning this conclusion include:

- Charges for the Scheme’s default investment arrangement are significantly below the charge cap of 0.75% per annum;
- Charges on funds have been assessed as comparing favourably with those of peer funds.
- The underlying funds used by the Scheme are highly rated as having good prospects of achieving their risk and return objectives.
- The performance of the Scheme’s funds over the 5 years to 31 March 2019 (which is the most recent reporting period available) compare favourably relative to the benchmark set by the Trustees.

Additionally, the Company pays for all administration, member communication and governance related costs associated with operating the Scheme, which further enhances the value that members receive.

AVC Policy (Standard Life)

In relation to the AVC policy, the Trustees have noted that the AMCs are not competitive. However, the Trustees recognise that it would be a challenge to seek improved terms for these members with Standard Life or in the wider AVC provider market and further, any forced move away from Standard Life could significantly affect the value of member benefits. The Trustees concluded that good value for members is provided through the main plan DC Section and therefore the Trustees have written to members (most recent letter was dated May 2019) to offer the DC Section funds to these members should they wish to transfer their funds away from Standard Life.

4. Trustee Knowledge and Understanding

In accordance with sections 247 and 248 of the Pensions Act 2004, the Trustee is required to maintain an appropriate level of knowledge and understanding that, together with professional advice available to them, enables them to exercise their functions and duties in relation to the Scheme.

The Trustee must also be conversant with the Scheme’s own documentation. These are described in legislation as the trust deed and rules and statement of investment principles. The Trustee 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 Trustees are able to use them effectively when they are required to do so in the course of carrying out their duties on behalf of the Trustees.

The Trustees are required to disclose how these duties have been fulfilled and how their combined knowledge and understanding, together with the advice, which is available to them, enables them to properly exercise their duties and responsibilities.

The table below shows how these requirements have been met during the year.

Requirement	How met
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of the trust deed and rules.	The DC Section of the Scheme is governed by an Interim Deed which adopted the DC Section Booklet. Since this time, the DC Section Booklet has been updated by the Trustees in conjunction with their legal advisors. The Trust Deed & Rules (for both the Defined Benefit and DC Sections) is currently being consolidated and will replace the Interim Deed. During the period of this Statement, the Trustees reviewed and considered updates to the Scheme Booklet in conjunction with their legal advisor.
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of the current SIP.	During the year, the Trustee discussed the new investment duties in respect of incorporating Environmental, Social and Governance and sustainability matters into the SIP. The SIP is appended to this Statement and is also available to review online at https://www.olympus.co.uk/company/en/news/publications/
Trustees must describe how, through the scheme year the trustees have demonstrated a working knowledge of all documents setting out the trustees' current policies.	The Trustee has demonstrated a working knowledge of the trustees' current policies through their maintenance of an annual business plan and calendar, which incorporates a policy schedule. This is a standing item at each meeting where key policies and documents are reviewed in turn and updated if appropriate. For example, during the Scheme year, the Trustees reviewed and agreed their Conflicts of Interest Policy and Register.
Trustees must describe how, through the scheme year the trustees have demonstrated that they have sufficient knowledge and understanding of the law relating to pensions and trusts.	The Trustee's advisor, Mercer, attend each meeting and give the Trustee an overview of market and legislative developments, including the Trustee's duties and requirements for strong governance. In addition, if there are any ambiguities over the interpretation of the Rules or new legislation, legal advice is sought from the Trustees legal advisors, Stephenson Harwood. During the Scheme year, the Trustee demonstrated this by referring various cases to their legal advisors.
Trustees must describe how, through the scheme year the trustees have demonstrated that they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.	The Trustees attended training in relation to a number of topics; covering investment, governance and legal areas. The training sessions included including: • Buy in considerations including insurer security and due diligence (25 November 2019); • DC legislative requirements for 2020/21 (9 January 2020); • DC Environmental Social Governance funds (9 January 2020); • Administration service level / key performance indicator reporting (9 January 2020),

	• Notifiable Events and DC disclosure of information • statutory requirements (17 March 2020) and; • Investment Strategy Review including market update (17 March 2020). As a result, they have sufficient knowledge and understanding of the relevant principles relating to the funding and investment of occupational schemes.
Trustees must describe how, through the scheme year the trustees have demonstrated that their combined knowledge and understanding, together with available advice, enable them to properly exercise their functions.	The Trustee receives advice from professional advisers to support them in reviewing the performance of the Scheme and in governing the Scheme in line with the Trust Deed and Rules, and the relevant skills and experience of those advisers is a key criterion when evaluating advisor performance or selecting new advisers. The advice received by the Trustees along with their own experience allows them to properly exercise their function as Trustee.

Trustee training is of high importance to the good running of the Scheme. The Trustees acknowledge how vital it is that they maintain their knowledge of pension law, trust law, investment principles and are conversant with the Plan documentation including the Trust Deed and Rules, SIP and Plan policies.

The Trustees have a robust training programme in place for newly appointed Trustees. Upon appointment, a Trustee is required to undertake an induction process. This includes reading and becoming conversant with all of the key Scheme documents including the Trust Deed & Rules, and the Statement of Investment Principles as well as completion of the Pensions Regulator's online toolkit. The Trustee toolkit must be completed within six months of appointment. There were no new Trustees appointed during the Scheme year.

The Trustees have also put in place arrangements for ensuring that they take personal responsibility for keeping themselves up-to-date with relevant developments and carry out a self-assessment of training needs. The Secretary to the Trustees reviews the self-assessments and arranges for training to be made available to individual Trustees or to the whole trustee body as appropriate.

Training is also considered in relation to setting meeting agendas to ensure that the Trustees consider any gaps and incorporate training into their meetings on an ongoing basis.

The Trustees maintain a training log that sets out individual and whole-board based training activity.

The Trustees' professional advisors attend all meetings and are asked to input into the agenda. 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.

Pensions Quality Mark PLUS

Finally, we would also like to highlight that the Scheme has been accredited with the highly regarded Pensions Quality Mark (PQM) PLUS standard.

The PQM is an independent standard that recognises employers who provide a good quality DC pension scheme. It is available only to schemes that can demonstrate that arrangements are in place to run the Scheme well and operate in the best interests of members.

PQM PLUS, a higher standard than PQM, is only awarded to businesses that substantially contribute to their employees' pension funds with an employer contribution rate available of 10% or more.

I confirm that the above statement has been produced by the Trustees to the best of our knowledge.

Signature: _____Sally McBreartuy______________________________

Name: ____SALLY McBREARTY_______________________

Position: ____TRUSTEE_____________________

Date: ____28 October 2020_______________