

Annual Chair's Statement for the Tullett Prebon Pension Scheme ("the Scheme")

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "Regulations") require the Trustee to prepare an annual governance statement to be included in the Scheme's annual report and accounts.

This statement, issued by the Trustee, covers the period from 1 May 2018 to 30 April 2019 and it is signed on behalf of the Trustee by the Chair.

The law sets out what information has to be included in the statement. It has to cover the following matters for the Scheme's Defined Contribution (DC) section and AVC arrangements:

- The default investment arrangement;
- Processing of core financial transactions;
- Member charges and transaction costs;
- The extent to which the Scheme represents good 'Value for Members'; and
- Trustee knowledge and understanding.

The statement sets out the required information and describes how the Trustee is meeting the requirements to govern the DC section and AVC arrangements.

The Scheme was closed to further contributions before 5 April 2015. An investment strategy review was started in the final quarter of 2018 and a membership analysis was completed. However, further work on this stopped when the wind-up of the Scheme was initiated. The Trustee intend to use the results of the membership analysis to move members fund appropriately as part of the Scheme wind-up. The latest Statement of Investment Principles (SIP) for the Scheme, which provides details of the funds available to members, is available on the following site: www.tullettprebon.com.

The Company initiated wind-up of the Scheme on 30 April 2019, following discussions with the Trustee. This has been taken into account when putting together this Statement.

Processing of Core Financial Transactions

The Trustee has a specific duty to ensure that core financial transactions are processed promptly and accurately.

These transactions include, but are not limited to:

- *Transfer of member assets into and out of the Scheme;*
- *Transfer of assets between different investments within the Scheme; and*
- *Payments to and in respect of members.*

The Scheme is closed to new contributions.

DC Section

Core financial transactions are undertaken on behalf of the Trustee by the platform provider, Zurich, and the Scheme administrator, JLT, which is appointed to provide administration services. Although service levels are regularly monitored, there are no contractually agreed service levels in place with the administrator or Zurich.

Zurich and JLT provide administration reports quarterly covering the key aspects of administration in the year, including information about service levels. The administrators flag any potential issues or anomalies to the Trustee as and when they arise.

The Trustee reviews the reporting provided by Zurich and JLT at the regular Trustee meetings.

As part of the checking process, JLT carry out monthly checks, in addition to daily reconciliation of the Trustee's bank account. All investment and banking transactions are also checked and verified before being processed. All work processes are documented and subject to a peer review process, with work being calculated and independently checked by another member of the team.

JLT and Zurich also provide confirmation to the Trustee annually regarding the current position on common and conditional data as well as any amendments which may be required to rectify gaps in the data.

The Scheme's internal processes and controls are monitored via a risk register which is regularly reviewed.

The Trustee is confident that the processes and controls it has in place with JLT and Zurich are robust and ensure that it can monitor that the financial transactions which are important to members are processed accurately and in a timely manner. I am pleased to say there have been no issues with respect to core financial transactions over the period covered by this statement.

AVC arrangements

The Trustee does not have a service level agreement in place with the AVC providers, Prudential and Standard Life and we believe this is in line with current practice for relatively small AVC arrangements. The Trustee has requested information relating to core financial transactions from Prudential and Standard Life.

Prudential has provided a report detailing relevant internal controls relating to core financial transactions. Standard Life does not produce a third party assurance report on internal controls but they have reassured the Trustee that they are confident that their internal control framework is efficient, effective and robust.

Whilst the report produced by JLT does not report the processing time of accuracy of core financial transactions carried out by the AVC providers, the Trustee expects JLT to notify it of any delays or errors it encounters in the processing of core financial transactions relating to AVCs.

In light of the above, the Trustee is satisfied that there are processes in place to monitor that core financial transactions for the DC Section are processed in an accurate and timely manner and that any issues with the processing of core financial transactions relating to the AVC arrangements would be brought to its attention by JLT. I am pleased to say there have been no issues with respect to core financial transactions for AVCs over the period covered by this statement.

Member Charges and Transaction Costs

The Trustee is required to assess the costs associated with the Scheme, which are paid by the members. These costs are made up of charges and transaction costs.

- *Explicit charges - the Total Expense Ratio ('TER') which is made up of the Annual Management Charge (AMC), Fund Management Charge ('FMC') and additional expenses that are disclosed by the fund manager;*

Transaction costs ('TC') which largely the result of buying and selling investments in a fund, therefore actively managed funds are expected to have much higher transaction costs than passively managed funds. Any performance quoted for a fund will take account of transaction costs, which will vary from year to year, depending on trades in the fund. This can, on occasion, result in a negative cost (profit) as a result of the underlying trades, as was the case for a number of the funds held by members of the DC Section reported here.

DC Section

The Trustee has always required members to choose where their DC funds are invested. The DC Section offers members a selection of 4 lifestyle strategies. A large proportion of members are currently invested in the Annuity Lifestyle strategy which would be most suitable for those members planning to purchase an annuity at retirement. Alternatively, members can choose from 2 Drawdown Lifestyle strategies or a Cash Lifestyle strategy. Members can also choose to invest in one of 6 individual self-select funds.

The TERs and transaction costs (TCs) for the period are shown in the tables below.

Fund/Provider	TER (% p.a.)	TC ¹ (% p.a.)	Total (% p.a.)
Zurich as at 30 April 2019			
Aquila 50/50 Global Equity Index Fund	0.128	0.008	0.136
Aquila UK Equity Index Fund	0.124	0.046	0.170
Aquila Corporate Bond Over 15 Year Index Fund	0.121	-0.129	-0.008
Aquila Over 15 Years UK Gilt Index Fund	0.124	-0.027	0.097
Aquila Index-Linked Over 5 Year Gilt Index Fund	0.124	-0.010	0.114
BlackRock Sterling Liquidity Fund	0.120	0.017	0.137

Notes

1. The transaction costs shown in the table above are the latest available from Zurich and cover the 12-month period to 30 April 2019.

The range of costs and charges for the Lifestyle strategies, based on the underlying funds are as follows:

Strategy	TER (% p.a.)	TC (% p.a.)	Total (% p.a.)
Annuity Lifestyle	0.122 – 0.128	-0.054 – 0.008	0.068 – 0.136
Drawdown Lifestyle (5-year transition)	0.125 – 0.128	-0.044 – 0.008	0.081 – 0.136
Drawdown Lifestyle (10-year transition)	0.125 – 0.128	-0.044 – 0.008	0.081 – 0.136
Cash Lifestyle	0.120 – 0.128	0.008 – 0.017	0.0136 – 0.137

AVC arrangements

Members have access to the following Standard Life Funds:

- Managed Pension Fund
- Pension Millennium With Profits Fund
- Pension With Profits Fund

Members also have access to the Prudential With Profits Cash Accumulation Fund.

The TERs and transaction costs (TCs) on the AVC arrangements are shown in the table below:

Fund/Provider	TER (% p.a.)	TC (% p.a.)	Total (% p.a.)
Prudential as at 30 April 2019			
With Profits Cash Accumulation Fund ¹	0.94	0.05 ²	0.99
Standard Life as at 31 December 2018			
Managed Pension Fund	1.02	Note 3	Note 3
Pension Millennium With Profits Fund	Note 4	Note 3	-
Pension With Profits Fund	Note 4	Note 3	-

Notes:

1. The charges on the Prudential With Profits Fund are not explicit, they are taken in to account when the annual bonus rate on the Fund is determined. Prudential currently estimates the charges to be 0.94% p.a. assuming investment returns on the underlying assets are 5% p.a.
2. Prudential have advised that they are reliant on the fund managers of the underlying funds (i.e. the funds that the Prudential pension funds invest into) to report the transaction costs for the underlying funds so that they can calculate the transaction costs for the fund. Prudential is not yet in a position to report the transaction costs for some of its pension funds as it does not have all the necessary information for the underlying fund(s) or it was received after its cut-off date. The transaction cost shown for the With Profits fund is for the period 01/07/2017 – 30/06/2018. Prudential expects to be able to provide 30 April 2019 data in October 2019.
3. Similarly, Standard Life have advised that the transaction costs for the reporting period requested was not currently available. These costs are expected to be available in September 2019.
4. For the Pension Millennium With Profits Fund and the Pension With Profits Fund there is no explicit management charge deducted. Discretionary deductions are made from the underlying assets to cover costs, including an allowance for the cost of guarantees provided by with-profits business and a contribution to support Standard Life's capital. These deductions may affect the proceeds the member receives, although this will not reduce the guaranteed annual bonus rate on the Pension With Profits Fund.

As shown above, the Trustee has not received transaction cost data from all investment managers in respect of funds in which members were invested in during the Scheme year. The Trustee will continue to liaise with the providers to obtain information as soon as this is available and will update this document regularly.

The requirement to provide details of transaction costs calculated in a standard way is a relatively recent one. It is therefore difficult to carry out a market comparison to provide comfort around the reasonableness of the costs disclosed by our DC and AVC fund managers.

Illustration of the cumulative effect over of costs and charges on member fund values

From 6 April 2018 the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 introduced new requirements relating to the disclosure and publication of the level of costs by the trustees and managers of a relevant scheme. These changes are intended to improve transparency on costs. As part of the changes, the Trustee is required to illustrate the cumulative effect over time of costs on the value of a member's benefits.

We have produced the following illustrations to demonstrate the possible effect of member borne costs on a selection of funds available to members. The illustrations have been prepared having regard to statutory guidance.

As each member has a different amount of savings within the Scheme and the amount of any future investment returns and future costs and charges cannot be known in advance, the Trustee has had to make a number of assumptions about what these might be. The assumptions are explained in the notes sections below each set of illustrations.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not reflect what could happen in the future. This means that the information contained in this Chair's Statement is not a substitute for the annual benefit statements which are provided to members each year by the Scheme.

The illustrations provided

Each of the charts and tables below illustrates the potential impact that costs and charges might have on different investment options provided by the Scheme. Not all investment options are shown in the illustrations.

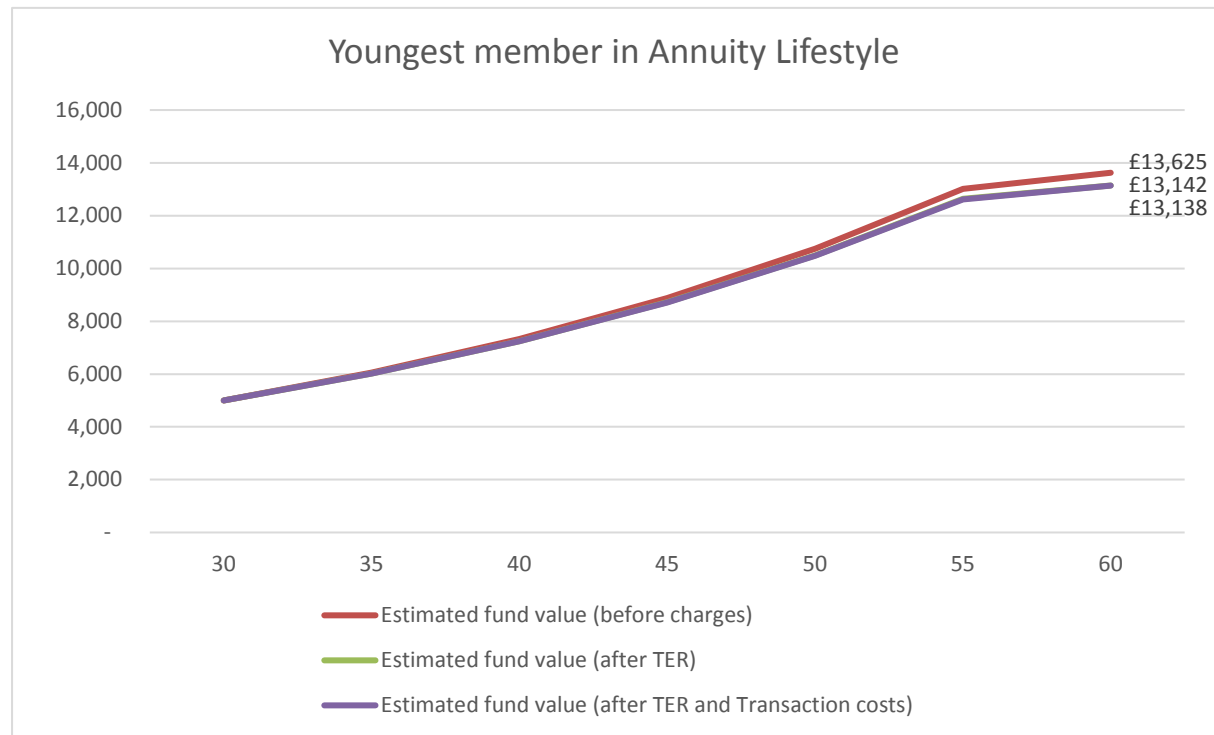
The Trustee has decided to show illustrations for two example members – the youngest Scheme member and a Scheme member of average age. The current fund values chosen for the illustrations are the median fund sizes held by members in the Scheme.

A large proportion of members are invested in the Annuity Lifestyle strategy as such this strategy has been chosen for illustrative purposes.

Members are also offered alternative lifestyle strategies and a series of self-select funds which, as the tables on previous pages show, carry a variety of TERs and transaction costs. The Trustee has decided to show the effect of costs and charges on the UK Equity Fund and the Cash Fund to illustrate a range of charges and expected growth rates.

Example 1

This illustration is based on a member in the annuity lifestyle strategy who is 30 years from their retirement age of 60. The member has a current fund value of £5,000. The estimated impact of charges on the member's projected fund is shown below. Projections are shown in current money terms.

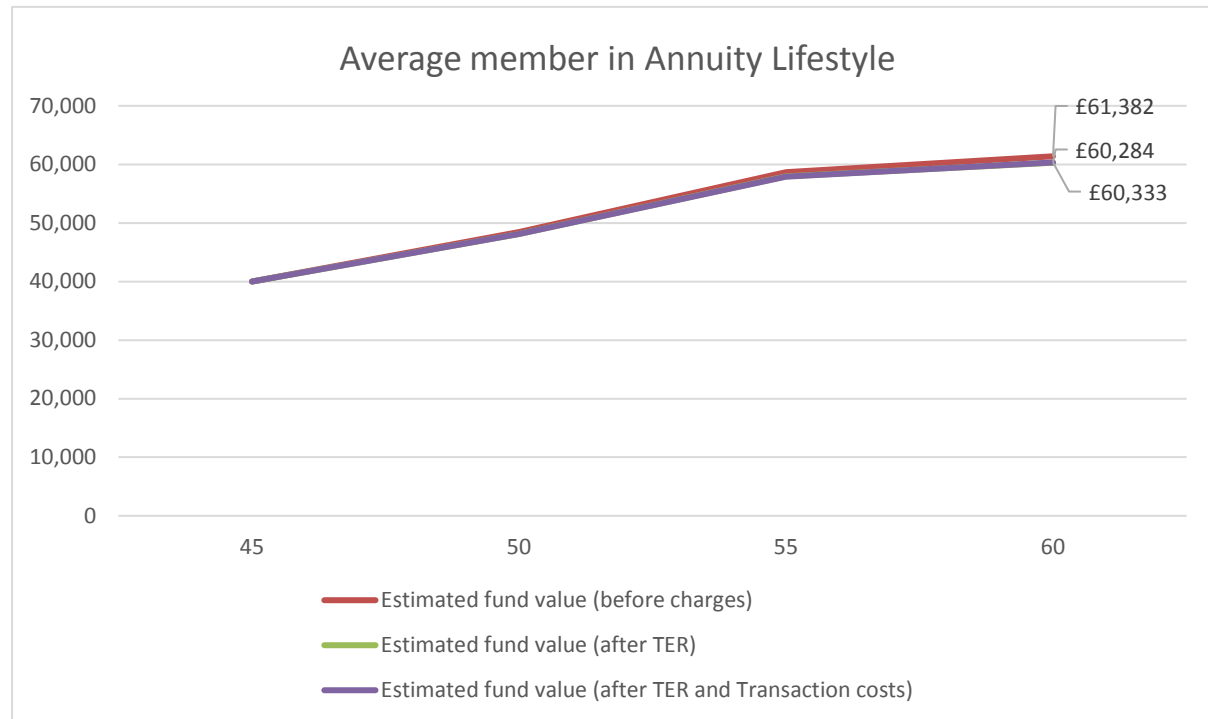


As the projected fund values are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures in the table below. For comparison purposes, we also show projected values if the example member was invested in a higher risk profile fund (UK Equity Fund) which has a higher level of total costs and charges than the annuity lifestyle strategy over this reporting period. In addition, we have illustrated the Cash Fund which has a similar (slightly higher) level of total costs and charges to the annuity lifestyle over this reporting period but a low risk profile (expected return).

Age	Annuity Lifestyle			UK Equity Fund			Cash Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
30	5,000	5,000	-	5,000	5,000	-	5,000	5,000	-
35	6,055	6,016	39	6,055	6,007	48	4,691	4,659	32
40	7,332	7,239	93	7,332	7,216	116	4,401	4,342	59
45	8,879	8,710	169	8,879	8,669	210	4,129	4,046	83
50	10,752	10,481	271	10,752	10,414	338	3,873	3,770	103
55	13,020	12,611	409	13,020	12,510	510	3,634	3,513	121
60	13,625	13,138	487	15,767	15,029	738	3,409	3,274	135

Example 2

This illustration is based on a member in the annuity lifestyle strategy who is 15 years from their retirement age of 60. The member has a current fund value of £40,000. The estimated impact of charges on the member's projected fund is shown below. Projections are shown in current money terms.



As the projected fund values are dependent on investment returns as well as the level of costs and charges, we have also included some comparison figures in the table below. For comparison purposes, we also show projected values if the example member was invested in a higher risk profile fund (UK Equity Fund) which has a higher level of total costs and charges than the annuity lifestyle strategy over this reporting period. In addition, we have illustrated the Cash Fund which has a similar (slightly higher) level of total costs and charges to the annuity lifestyle over this reporting period but a low risk profile (expected return).

Age	Annuity Lifestyle			UK Equity Fund			Cash Fund		
	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £	Estimated fund value (before charges) £	Estimated fund value (after charges) £	Effect of charges £
45	40,000	40,000	-	40,000	40,000	-	40,000	40,000	-
50	48,438	48,130	308	48,438	48,053	385	37,527	37,274	253
55	58,657	57,912	745	58,657	57,727	930	35,207	34,733	474
60	61,382	60,333	1,049	71,031	69,349	1,682	33,030	32,366	664

Assumptions for the illustrations of costs and charges

The assumptions below have been made for the purposes of the illustrations of costs and charges. These are based on our investment adviser's (Aon's) Capital Market Assumptions, and the initial costs and charges information provided by Zurich.

The assumed growth rates (gross of costs and charges) are as follows:

Fund name	Return assumption (%)
Aquila 50/50 Global Equity Index	6.5
Aquila UK Equity Index	6.5
Aquila Corporate Bond Over 15 year Gilt Index (Passive)	1.5
Aquila Over 15 years UK Gilt Index (Passive)	1.4
Aquila Index Linked over 5 years Gilt Index (Passive)	0.4
BlackRock Sterling Liquidity	1.2

The TERs and transaction costs for the self-select funds and the funds underlying the lifestyle strategies are as follows:

Fund name	TER (%)	Transaction costs (%)	Total (%)
Aquila 50/50 Global Equity Index Fund*	0.128	0.008	0.136
Aquila UK Equity Index Fund	0.124	0.046	0.170
Aquila Corporate Bond Over 15 Year Index Fund*	0.121	-0.129	0.000**
Aquila Over 15 Years UK Gilt Index Fund*	0.124	-0.027	0.097
Aquila Index-Linked Over 5 Year Gilt Index Fund	0.124	-0.010	0.114
BlackRock Sterling Liquidity Fund*	0.120	0.017	0.137

*funds underlying the Annuity Lifestyle strategy

**assumed to be a minimum of zero

- Inflation is assumed to be 2.5% p.a.
- Retirement is assumed at age 60.
- There are no new contributions to the Scheme.
- The projected fund values shown are estimates for illustrative purposes only and are not guaranteed.
- Asset allocations for members invested in the lifestyle strategy are assumed to be rebalanced annually.

Members are advised to consider both the level of costs and charges and the risk/return profiles of investment options) when making investment decisions and should not base investment decisions on these illustrations in isolation.

Value for Members

The Administration Regulations require the Trustee to make an assessment of charges and transactions costs borne by DC section members and the extent to which those charges and costs represent good value for money for members.

The Pension Regulator's DC Code provides some clarity on what should be considered and how to assess Value for Members.

In the case of the Scheme, many of the running costs are met separately by the employer and are not paid for by members. As such they fall outside the scope of this assessment.

There is no legal definition of "good value" and the process of determining this for members is a subjective one. Based on advice from the Scheme advisers, Aon, the Trustee has established a cost-benefit analysis framework in order to assess whether the member borne charges deliver good Value for Members.

The cost part of the analysis considers the costs and charges that members pay. The Trustee considers the costs paid by members to be low compared to current market rates, as members pay only the investment (not the administration) charges.

In relation to the benefits of membership, the Trustee has identified four core areas where value can be assessed, which have been assigned equal weightings. The assessment takes into account available research on the costs and features of other DC schemes, for comparison purposes.

1. Scheme Governance and Management

Scheme governance covers the time spent by the Trustee to ensure the Scheme is run in compliance with the law and regulation, including taking account of the interests of its members.

The Trustee believes that good governance is key to ensuring that a framework exists and is actively in use to help deliver better member outcomes. The Trustee regularly reviews and updates its governance processes and procedures to make sure that these meet industry best practice.

Given the governance processes and procedures in place and the action taken by the Trustee, the governance arrangements for the Scheme are considered appropriate based on the assessment undertaken.

2. Investments

The Trustee considers that a well-designed investment portfolio which is subject to regular monitoring will play a large part in delivering good member outcomes. Reviews of the performance of the DC funds are carried out each quarter and an annual performance monitoring report is received from the Scheme advisers. The Scheme was due to carry out an investment strategy review during 2018. The investment strategy review was started and a membership analysis was completed however further work on this stopped when the wind-up of the Scheme was initiated on 30 April 2019.

As a result of the level of costs and charges and the monitoring processes and arrangements (which will continue until wind-up of the Scheme is completed) the Trustee considers the DC investments to provide Value for Members.

3. Administration

The Trustee considers that good administration and record keeping play a crucial role in ensuring that scheme members receive the pension pot or income that is due to them. In addition, the type and quality of service experienced by members has a bearing on the level of member engagement.

The review of the administration reports provided by Zurich and JLT has confirmed that the Scheme meets all statutory requirements and the Trustee considers the scheme administration to provide Value for Members. Turnaround times were generally met for more than 89% of

transactions over the period of this statement, with a level of 97% recorded for the most recent reported quarter.

4. Member Communication

The Trustee considers member communication that is clear, appropriate and timely to play a crucial role in ensuring that Scheme members actively engage in their retirement planning.

The review of the annual benefit statements and other statutory communications sent to members by the administrator confirms that they meet the statutory requirements and the Trustee considers the quality, content and timing of the standard communications to offer Value for Members.

The assessment takes into account available research on the costs and features of other DC schemes for comparison purposes. As such the Trustee has undertaken market benchmarking against the costs levied to members' funds and in respect of the 4 core benefit categories.

Under the Trustee's assessment framework, which includes the key areas described above, the Trustee believes that the Scheme delivers value for its members. The Trustee will continue to monitor the Scheme against the Regulator's governance standards to ensure it continues to deliver value until it is wound up.

Trustee's Knowledge and Understanding

Sections 247 and 248 of the Pensions Act 2004 set out the requirement for trustees to have appropriate knowledge and understanding of the law relating to pensions and trusts, the funding of occupational pension schemes, investment of scheme assets and other matters to enable them to exercise their functions as trustees properly. This requirement is underpinned by guidance in the Pension Regulator's Code of Practice 7.

These comments relate to the Trustee as a body in dealing with the whole Scheme and, unless specifically mentioned, are not restricted to the DC section.

The Scheme is managed by a Trustee board and has 5 Trustee Directors. The Chair of the Trustee is an independent trustee, appointed by the Principal Employer. There are 2 further Trustee Directors appointed by the Principal Employer, and 2 member nominated Trustee Directors. The composition of the Trustee board demonstrates diversification of skills and breadth and depth of pension knowledge.

The Trustee keeps a record of the training completed by the board and the independent Trustee Director maintains his own training log. During the period covered by this statement a dedicated amount of has been allocated to and spent on DC-related matters as part of the regular Trustee meetings, which has necessarily included elements of training.

In addition to the skills within the Trustee board, the Trustee works closely with its appointed professional advisers throughout the year to ensure that it runs the Scheme and exercises its functions properly. Its professional advisers also attend Trustee's meetings.

During the Scheme year, the Trustee has, amongst other things:

- held 3 Trustee meetings with advisers who have provided specialist advice, updates on legislation, guidance and best practice developments,
- reviewed conflicts of interest as a regular trustee meeting agenda item and regularly reviewed the Scheme risk register together with their adviser (demonstrating the Regulator's requirement to understand the principles relating to risk and scheme management)
- reviewed and discussed the Regulator's guides linked to the DC Code of practice in the context of the Trustee's existing policies in these areas, and the actions arising from the governance review undertaken in 2018 (demonstrating the Regulator's requirement to have a working knowledge of the documents setting out the Trustee's current policies and to have knowledge and understanding of the law relating to pensions and trusts)
- reviewed the governance structure of the Scheme and, following discussions with their advisers and the Company, initiated the wind-up of the Scheme on 30 April 2019

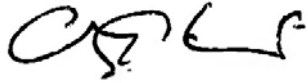
The Trustee receives advice from professional advisers regularly throughout the year to ensure that they run the Scheme and exercise their functions properly. Aon also fulfils the role of Secretary to the Trustee and takes forward actions outside of Trustee meetings.

Considering the activities completed by the Trustee Board together with the professional advice available to the Trustees, the Trustees considers that it meets the Pension Regulator's TKU requirements (as set out under Code of Practice No 7) and is confident that the combined knowledge and understanding of the Trustees, together with the input from its specialist advisers, enables it to properly exercise its functions in respect of the Scheme.

Conclusion

Overall, the Trustee is confident that all requirements of the Regulations as they apply are being met, in the interests of members of the Scheme.

Signed on behalf of the Trustee of the Tullett Prebon Pension Scheme:



Chairman of the Trustee

Date of signature: 21/09/2019