



## ENSIGN RETIREMENT PLAN

CHAIR'S GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

Registered number 9598514

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## OPENING STATEMENT

### 31 MARCH 2020

This statement demonstrates how Ensign Retirement Plan Trustees Limited (“the Trustee”), the corporate trustee of the Ensign Retirement Plan (“Ensign”), governs Ensign to help achieve its objectives of helping to deliver better outcomes for members at retirement.

The Trustee governs Ensign in accordance with its Trust Deed and Rules (available at [www.ensignpensions.com](http://www.ensignpensions.com)) and in accordance with relevant legislation. The Trustee comprises six Directors and, as a Trustee Board, we have relevant experience of running other complex, multi-employer pension arrangements within the maritime industry.

As a Trustee, our aim is to ensure Ensign is run in the best interests of members to achieve a good outcome for their pension savings. This is underpinned by good governance in line with quality standards for defined contribution (DC) pension arrangements set out in The Pensions Regulator’s code of practices and regulatory guidance. We have evidenced this by once again obtaining Master Trust Assurance, providing independent assurance of the design, description and operational effectiveness of control procedures that reflect high quality governance and administration, and by gaining Master Trust Authorisation from The Pensions Regulator in September 2019. Ensign continues to be the only bespoke master trust for the maritime industry and we are proud to be recognised as a well run, quality scheme with good administration and governance that delivers an exceptional service to employers and members.

In accordance with the Occupational Pension Schemes (Charges and Governance) Regulations 2015, this statement details how Ensign has met the governance standards during the year to 31 March 2020 in relation to;

- investment options in which members’ funds are invested, including any ‘default arrangement’ and other funds which members can select or have assets in;
- the requirements for processing financial transaction and other ‘administration’ aspects of the scheme;
- the charges and transaction costs to members and the cumulative effect of the costs and charges;
- a ‘value for members’ assessment; and
- Trustee knowledge and understanding.

This Statement will be published on the Ensign website as well as the online member portal, TargetPlan, and members have been notified of this in their annual benefit statements which were issued in July 2020.

On behalf of the Trustee Board of the Ensign Retirement Plan, and based on a review of the systems and controls in place, I believe that Ensign meets the requirements on governance standards and helps to deliver better outcomes for members at retirement.

If you have any questions regarding this statement, or require any further information, please contact Executive Team at [enquiries@ensignretirementplan.co.uk](mailto:enquiries@ensignretirementplan.co.uk).

**Rory Murphy**

Chair, Ensign Retirement Plan Trustees Limited  
[29 September 2020]

## THE DEFAULT INVESTMENT ARRANGEMENT

The Trustee has appointed Scottish Equitable plc (trading as “Aegon”) to provide administration and fund management services to Ensign. The Trustee has selected a range of funds on Aegon’s platform in which members may invest.

### THE DEFAULT INVESTMENT FUND

The Trustee has adopted the Aegon BlackRock DC LifePath Flexi Fund (“LifePath Flexi”) as the investment strategy into which all members joining Ensign will automatically be invested (the “default arrangement”). Approximately 60% of members’ benefits were invested in LifePath Flexi as at 31 March 2020.

The Trustee has determined, on advice of its investment and legal advisers, that the Aegon BlackRock LifePath Retirement (BLK) fund (“LifePath Retirement”) also meets The Pensions Regulator’s definition of a default arrangement, as a result of bulk transfer of members and members’ benefits that took place in October 2018, and the Statement of Investment Principles has been updated to reflect this. Approximately 31% of members’ benefits were invested in LifePath Retirement as at 31 March 2020.

On 18 March 2020, the Aegon BlackRock Property fund was suspended as independent property valuers were unable to accurately assess the value of physical properties. As a result of the suspension, contributions in respect of members that had previously elected to invest new contributions into the Aegon BlackRock Property fund were instead invested in the Aegon BlackRock Cash fund. As the consent of members was not obtained before diverting contributions to the Aegon BlackRock Cash fund, and in accordance with guidance from The Pensions Regulator, the Trustee has concluded that the Aegon BlackRock Cash fund also meets the definition of a default arrangement. Less than 1% of members’ benefits were invested in the Aegon BlackRock Cash fund as at 31 March 2020.

Unless otherwise specified, references to “the default arrangement” within this document refer to the three funds that the Trustee has determined meets the definition of a default arrangement.

The Trustee recognises that one fund is unlikely to meet the needs of all members in the scheme and members, therefore, have a choice of fourteen alternative funds to choose from.

### AIMS AND OBJECTIVES OF THE DEFAULT ARRANGEMENT

The Statement of Investment Principles, which is attached as an Appendix to this statement, documents the Trustee’s investment principles that govern decisions about investments (in relation to both the default arrangement and the wider range of investment funds available to members) and the investment aims and objectives of the default arrangement.

LifePath Flexi is a target date fund where the underlying asset allocation of the fund automatically adjusts as the member approaches their target retirement date. LifePath Flexi is designed for members who wish to stay invested post-retirement and draw an income from their retirement account (known as “drawdown”).

Similarly, LifePath Retirement is a target date fund, but designed for members who wish to purchase an annuity from their retirement account.

The Aegon BlackRock Cash fund aims to produce a return in excess of its benchmark principally from a portfolio of Sterling denominated cash, deposits and money-market instruments.

In setting up Ensign, the Trustee considered the membership profile, risk appetite, and likely retirement option of the initial members of Ensign. The Trustee found LifePath Flexi to be consistent with its investment aims and objectives for the default arrangement by allowing members to increase the value of their retirement pot from the contributions invested, whilst protecting members in the years approaching retirement. LifePath Flexi is the default arrangement into which all new members are automatically enrolled.

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## THE DEFAULT INVESTMENT ARRANGEMENT (CONTINUED)

### REVIEWING THE DEFAULT ARRANGEMENT

The Trustee receives quarterly reports on the performance of the default arrangement and compares this against the fund's composite benchmark, however, the Trustee is also mindful of the long-term nature of investments and investment returns. The Trustee carries out a full review of the investment strategy at least every three years. The last review took place in December 2018, which resulted in no changes being made to the default arrangement for new members joining Ensign. The next review is due to take place in 2021.

### AVAILABILITY OF INFORMATION FOR MEMBERS

The Trustee publishes this Governance Statement on the Ensign website, [www.ensignpensions.com](http://www.ensignpensions.com), and members were informed of this in the annual benefit statement issued to all members in Ensign in July 2020.

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## ADMINISTRATION

### CORE FINANCIAL TRANSACTIONS

The Trustee recognises that there are a number of core financial transactions that must be processed promptly and accurately on behalf of members of Ensign to help deliver better outcomes for them. These core financial transactions include, but are not limited to:

- the receipt of all contributions to Ensign;
- the investment of contributions to Ensign;
- the transfer of assets relating to members into and out of Ensign;
- the transfer of members' assets between different investments within Ensign; and
- payments from Ensign to, or in respect of, members.

### CONTROLS AND PROCESSES

Core financial transactions are processed by Aegon in accordance with a strict governance framework that complies with International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organisation".

A number of processes and controls are in place with Aegon to ensure that contributions to Ensign are accurate and all core financial transactions are processed promptly. These processes and controls are set out in the Trustee's policy for pursuing and resolving any late or inaccurate contributions to Ensign, and include:

- Verification and validation of the contributions being submitted by employers in comparison with the amounts expected.
- Reminders to employers to submit contributions where these have not been received prior to the deadline for submitting contributions under the schedule of contributions.
- Annual verification of members' pensionable salary and contribution rate with the participating employers.

### ASSURANCES

In addition, a number of activities are undertaken by or on behalf of the Trustee to provide assurance that contributions are submitted accurately and promptly by employers and core financial transactions are processed promptly and accurately by the administrators. These include:

- Agreeing defined service level agreements with Aegon for the prompt processing of all financial transactions.
- Monitoring quarterly administration reports from Aegon to assess performance against the service level agreements.
- Monitoring quarterly administration reports from Aegon to assess the promptness with which contributions submitted by employers are invested.

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## ADMINISTRATION (CONTINUED)

- Monitoring quarterly administration reports from Aegon to review the summary of processes and controls operated by Aegon regarding core financial transactions and the Compliance Statement which contains a statement that “all core financial transactions (as defined in regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996) have been processed promptly and accurately”.
- Annual review of Aegon’s AAF 01/06 internal control reports.
- Annual examination of contributions to test the accuracy and promptness of contribution submissions.
- Annual audit of the contributions received over the year and the payments to and from Ensign by the Trustee’s appointed independent auditor.

The processes and controls operated by Aegon, to ensure that core financial transactions are processed promptly and accurately, are outlined and tested in its independently verified AAF 01/06 pensions administration assurance report, and include:

- The documentation received in support of all financial transactions requested on a member’s account is fully reviewed for completeness before processing commences.
- Checklists are in place to help ensure that all necessary information for financial transactions has been received and that all regulatory and service level requirements are met. These checklists are reviewed by an authorised member of the Member Servicing team.
- An authorised member of the Member Servicing team reviews the transactions that have been keyed for completeness and accuracy before claims are released for processing.
- The Member Servicing team runs and reviews a report weekly that details members with a status of death claim pending to verify that only cash funds are held in the member’s account.
- All requests for financial transactions are scanned and tracked to help ensure compliance with agreed service standards.
- The Member Servicing team run daily reports to verify that dealing deadlines have been met, that all claims and switches in progress for the day have been fully processed, and identifies members with a partially processed transaction.
- Before single contributions are invested, an Authority to Bank form is completed to confirm that the relevant reviews have been carried out. The form is reviewed and approved by an authorised administrator.
- For regular contributions, a validation routine is performed upon loading each contribution file to ensure that contributions are received for active members.
- Weekly, a senior member of the Finance team reviews the Disinvestment Report detailing disinvestments that have not yet been paid out or chased. Issues are researched and resolved.

As referred to in my opening statement, Ensign first obtained Master Trust Assurance as at 31 March 2017 and has now successfully completed the process for the period ending 31 March 2020. This process involves the Trustee and an independent auditor, evaluating the design, description and operational effectiveness of the governance control procedures operated by the Trustee having regard to the ICAEW’s Technical Release AAF 02/07.

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## ADMINISTRATION (CONTINUED)

### ASSESSMENT

Following concerns during the previous scheme year, Aegon has worked hard to improve its administration performance over the year to 31 March 2020, with service level agreements being met. The impact of the COVID-19 pandemic in March 2020, however, resulted in an expected drop in service level performance as Aegon adjusted to remote working. During this period of transition, Aegon's focus was the prioritisation of core financial transactions, to ensure no material detriment to members, and service levels were achieved with these specific items. No material issues or complaints were raised by members during this period and Aegon's overall performance has returned to service level standard in recent months.

Having considered all of the above, I am confident that the processes and controls operated by Aegon and the Trustee are robust and enable core financial transactions to be handled promptly and accurately.



## COSTS AND CHARGES

The Trustee is delighted to be able to offer members access to a high-quality pension scheme at a yearly cost that is well below the statutory maximum of 0.75%.

### CHARGES

#### *The default investment arrangement*

Members in the default arrangements LifePath Flexi and LifePath Retirement, were charged a single Annual Management Charge ("AMC") of 0.31% of funds under management during the scheme year to 31 March 2020. This single charge, deducted from members' retirement accounts, included all charges incurred by the investment funds, including transaction costs. No other costs for running Ensign were borne by the members, including the costs of governance, administration, legal fees and payments for consultants. Members in the Aegon BlackRock Cash fund were charged an AMC of 0.25% and incurred additional expenses of approximately 0.03%.

#### *Self-select investment options*

The charges that applied to members who chose to invest in other funds available through Ensign are set out in the table below, including the AMC, additional expenses, and resulting Total Expense Ratio ("TER").

Fund	AMC (%)	Additional Expenses (%)	TER (%)
Aegon BlackRock LifePath Capital (BLK)	0.31	0.00	0.31
Aegon BlackRock 30/70 Currency Hedged Global Equity Index (BLK)	0.32	0.01	0.33
Aegon BlackRock 60/40 Global Equity Index (BLK)	0.30	0.01	0.31
Aegon BlackRock World Multifactor Equity Tracker (BLK) <sup>+</sup>	0.37	0.05	0.42
Aegon BlackRock World ESG Equity Tracker (BLK) <sup>+</sup>	0.35	0.03	0.38
Aegon BlackRock Emerging Markets Equity Index (BLK)	0.45	0.06	0.51
Aegon BlackRock UK Equity Index (BLK)	0.30	0.01	0.31
HSBC Islamic Global Equity Index (BLK)	0.65	0.00	0.65
Aegon LGIM Ethical Global Equity Index (BLK)	0.55	0.00	0.55
Aegon BlackRock All Stocks UK Index Linked Gilt Index (BLK)	0.30	0.00	0.30
Aegon BlackRock Corporate Bond All Stocks Index (BLK)	0.30	0.02	0.32
Aegon BlackRock Over 15 Year Gilt Index (BLK)	0.30	0.01	0.31
Aegon LGIM Pre-Retirement (BLK) <sup>*</sup>	0.30	0.01	0.31
Aegon BlackRock Property (BLK)	0.93	0.02	0.95
Aegon Schroders Dynamic Multi Asset (BLK)	0.50	0.05	0.55

<sup>+</sup>The Aegon BlackRock World Multifactor Equity Tracker Fund was introduced from 31 October 2019 and the Aegon BlackRock World ESG Equity Tracker Fund was introduced from 2 March 2020.

<sup>\*</sup> The Aegon LGIM Pre-Retirement is only available for members that transferred funds into it at 15 October 2018.

## COSTS AND CHARGES (CONTINUED)

The AMC represents the percentage deducted from the fund's value each year to meet the costs of managing the pension scheme. It is calculated and deducted on a daily basis. Additional expenses are incurred if a fund invests in a collective investment scheme. These relate to the fund's share of the costs of other services, such as fees paid to the trustee/depositary, custodian, auditors and registrar borne by the collective investment scheme. The AMC and additional expenses in respect of each of the investment funds available to members in Ensign are available on TargetPlan.

### TRANSACTION COSTS

Transaction costs are also incurred by members in addition to the TER. The transaction costs are represented as a single annualised figure, based on the 12-month period up to 31 March 2020, using the PRIIPs Slippage Methodology. Transaction Costs include both implicit and explicit cost elements. Implicit costs are intended to capture the cost of the trading process in terms of the prices achieved. Explicit costs include broker commission, transaction taxes, exchange and swap fees. The transaction costs incurred by members during the year to 31 March 2020 are detailed in the table below, correct to two decimal places.

Fund	Transaction Costs (%)
Aegon BlackRock LifePath Flexi (BLK)	Range: 0.02 to 0.11
Aegon BlackRock LifePath Capital (BLK)	Range: 0.01 to 0.09
Aegon BlackRock LifePath Retirement (BLK)	Range: 0.02 to 0.11
Aegon BlackRock 30/70 Currency Hedged Global Equity Index (BLK)	0.05
Aegon BlackRock 60/40 Global Equity Index (BLK)	0.02
Aegon BlackRock World Multifactor Equity Tracker (BLK) <sup>+</sup>	Not available as fund introduced in October 2019
Aegon BlackRock World ESG Equity Tracker (BLK) <sup>+</sup>	Not available as fund introduced in March 2020
Aegon BlackRock Emerging Markets Equity Index (BLK)	0.00
Aegon BlackRock UK Equity Index (BLK)	0.05
HSBC Islamic Global Equity Index (BLK)	0.04
Aegon LGIM Ethical Global Equity Index (BLK)	0.00
Aegon BlackRock All Stocks UK Index Linked Gilt Index (BLK)	0.00
Aegon BlackRock Corporate Bond All Stocks Index (BLK)	0.04
Aegon BlackRock Over 15 Year Gilt Index (BLK)	0.01
Aegon LGIM Pre-Retirement (BLK) <sup>*</sup>	0.00
Aegon BlackRock Cash (BLK)	0.01
Aegon BlackRock Property (BLK)	0.00
Aegon Schroders Dynamic Multi Asset (BLK)	0.36

<sup>+</sup>The Aegon BlackRock World Multifactor Equity Tracker Fund was introduced from 31 October 2019 and the Aegon BlackRock World ESG Equity Tracker Fund was introduced from 2 March 2020.

<sup>\*</sup> The Aegon LGIM Pre-Retirement is only available for members that transferred funds into it at 15 October 2018.

## COSTS AND CHARGES (CONTINUED)

The increase in transaction costs during the year is a result of the stressed market conditions experienced in the first quarter of 2020 as markets reacted to the economic pressure caused by the COVID-19 pandemic. Specifically, elevated bid/offer spreads and trading volumes during this period resulted in higher implicit costs of trading than under normal circumstances.

### CUMULATIVE EFFECT OVER TIME OF COSTS AND CHARGES

The purpose of the illustrations shown below are to show how costs and charges borne by members can affect the overall value of a members' retirement account over time. They are not personal illustrations, but based on the assumptions detailed below. The Trustee has had regard to the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 ("the 2018 Regulations") and guidance published by The Pensions Regulator in preparing these illustrations.

#### Assumptions

Data Item	Assumption
Current age	25
Target retirement age	67
Existing account value	£8,000
Salary	£32,000
Contribution rate	10% of salary (total monthly contribution of £266.67 increasing in line with salary)
Price inflation	2.0%
Earnings inflation	3.5%

Illustrations are shown for LifePath Flexi, LifePath Retirement and the Aegon BlackRock Cash fund, as Ensign's default arrangements. The Aegon BlackRock Cash fund is also the fund with the lowest assumed growth rate and the lowest charges. The Aegon HSBC Islamic Global Equity (BLK) fund is shown as the fund with the highest assumed growth and the Aegon BlackRock Property (BLK) fund is shown as the fund with the highest charges.

#### Growth, costs and charges assumptions

	Aegon BlackRock LifePath Flexi (BLK)	Aegon BlackRock LifePath Retirement (BLK)	Aegon BlackRock Cash (BLK)	Aegon HSBC Islamic Global Equity Index (BLK)	Aegon BlackRock Property (BLK)
Growth rate	-0.76% to 3.00%*	-0.76% to 3.00%*	-0.76%	3.00%	2.15%
AMC	0.31%	0.31%	0.25%	0.65%	0.93%
AAE	0.00%	0.00%	0.03%	0.00%	0.02%
TC	-0.03%	-0.03%	0.01%	0.05%	0.03%

\* The growth rate used for the Lifepath funds vary through time based on the underlying asset.

## COSTS AND CHARGES (CONTINUED)

**Growth** is the assumed growth rate for the fund after taking into account assumed price inflation of 2% per annum. This rate is based on 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 asset allocation of the funds. Actual growth achieved may be more or less than the assumed growth.

**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 1 April 2018 to 31 March 2020.

### *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.

### *Default arrangements*

Years	Aegon BlackRock LifePath Flexi 2061-63 (BLK)		Aegon BlackRock LifePath Retirement 2061-63 (BLK)		Aegon BlackRock Cash (BLK)	
	Before charges	After all charges	Before charges	After all charges	Before charges	After all charges
1	11,370.07	11,342.35	11,093.34	11,065.40	11,358.64	11,330.95
3	18,437.62	18,323.53	17,345.58	17,235.81	18,382.49	18,268.79
5	25,959.69	25,714.82	23,688.67	23,462.69	25,830.88	25,587.42
10	46,902.84	46,109.64	39,971.61	39,305.96	46,439.67	45,655.94
15	71,207.31	69,492.13	56,917.18	55,600.71	70,155.16	68,471.29
20	99,293.81	96,201.52	74,598.04	72,420.89	97,340.88	94,324.57
25	131,630.49	126,611.54	93,091.42	89,844.00	128,398.54	123,534.56
30	168,737.93	161,133.74	112,479.56	107,951.36	163,771.78	156,450.22
35	211,194.78	200,221.17	132,850.14	126,828.58	203,950.40	193,453.32
40	259,643.85	244,372.24	154,296.65	146,565.94	249,474.75	234,961.40
42	280,858.63	263,571.49	163,198.67	154,722.91	269,312.81	252,926.91

## COSTS AND CHARGES (CONTINUED)

### *Self-select investment options*

Years	Aegon HSBC Islamic Global Equity Index (BLK)		Aegon BlackRock Property (BLK)	
	Before charges	After all charges	Before charges	After all charges
1	11,452.89	11,383.19	11,375.21	11,278.47
3	18,806.13	18,515.94	18,482.92	18,086.38
5	26,789.94	26,159.85	26,088.58	25,239.76
10	49,796.86	47,695.60	47,461.33	44,723.93
15	77,769.44	73,090.94	72,576.58	66,675.45
20	111,578.98	102,892.15	101,950.30	91,337.16
25	152,238.93	137,715.88	136,163.05	118,973.43
30	200,927.21	178,257.67	175,867.57	149,872.00
35	259,012.32	225,301.70	221,797.38	184,345.93
40	328,083.17	279,731.55	274,776.38	222,735.70
42	359,191.14	303,790.37	298,145.25	239,269.92

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## COSTS AND CHARGES (CONTINUED)

### VALUE FOR MEMBERS

The Trustee carries out an annual assessment to assess and evaluate the extent to which the costs and charges deducted from members' accounts provides good value in relation to the benefits and services provided to the membership, and when compared to other options available in the market.

#### *Services provided to members*

The benefits received by members in Ensign include:

- High quality administration services;
- A sophisticated default investment fund and broad range of self-select options that have performed positively over the period;
- The availability of in-scheme drawdown;
- High quality governance and oversight by the Trustee Board and Secretariat team;
- Clear communications that are tailored to the maritime industry and reinforce important messages for members to achieve a good outcome at retirement;
- Clear communications regarding options before, at and during retirement;
- Access to retirement advice and guidance through Aspire Retirement Services;
- Online website showing daily pricing of members' retirement accounts;
- An online retirement planner that projects the growth of members' accounts to retirement and models the annual income that could be received during retirement; and
- Flexibility in how and when members use their retirement account at retirement.

#### *Quality of services provided to members*

The Trustee is confident that the governance structure of Ensign is robust and that it has the necessary processes in place to help achieve its objectives.

Ensign has obtained master trust assurance, meaning that it has been subject to an independent review of its practices against prescribed control objectives and demonstrates the high quality of governance and administration offered by Ensign. This framework was developed by the ICAEW (Institute of Chartered Accounts in England and Wales) in partnership with The Pensions Regulator to help trustees assess whether their scheme meets equivalent standards of governance and administration to those set out in the DC Code. The Trustee's report, including the report from the independent reporting accountant, is available on Ensign's website, [www.ensignpensions.com](http://www.ensignpensions.com).

Ensign has also achieved master trust authorisation from The Pensions Regulator (in September 2019), a scrupulous process that required Ensign to demonstrate appropriate safeguards are in place to ensure the protection of members' benefits, that adequate systems and processes are in place to run the scheme effectively, and that the scheme is run in the best interests of members.

## COSTS AND CHARGES (CONTINUED)

### COSTS AND CHARGES

The Trustee has compared the charges applying to members in Ensign and several of the largest UK master trusts for investing in the respective default arrangements:

Master trust arrangement	Charges applied to members
Ensign Retirement Plan	0.31% AMC
TPT Retirement Solutions	0.50% AMC
National Employment Savings Trust	0.30% AMC + 1.8% contribution charge
NOW: Pensions	0.30% AMC + £0.30 to £1.50 per month admin charge

The AMC represents the percentage deducted from the fund's value each year to meet the costs of managing the pension scheme. It is calculated and deducted on a daily basis. For both LifePath Flexi and LifePath Retirement, the AMC covers all external expenses which the fund may incur other than transaction costs. These small additional costs arise when buying or selling underlying assets of the fund. Transaction costs includes:

- Explicit costs: Include broker commission, transaction taxes, exchange and swap fees.
- Implicit costs: Intended to capture the cost of the trading process in terms of the prices achieved.
- Indirect costs: Those that occur through investment in an underlying fund.
- An anti-dilution offset: A levy may be applied on those buying and selling assets in the fund, to ensure that existing investors do not unfairly bear such costs. This benefits the fund as it offsets adverse buying/selling impacts and offsets other costs.

The Trustee recognises that these transaction costs are necessarily incurred as part of buying and selling the funds' underlying investments in order to achieve their investment objective and cannot be predicted in advance. The Trustee is mindful that transaction costs are likely to vary depending on the types of investments in which a fund invests, and that comparing portfolio transaction costs for a range of funds may give a false impression of the relative costs of investing in them, primarily because they do not necessarily reduce returns. In light of this, the Trustee reviews the performance of each fund after the deduction of transaction costs, allowing the Trustee to assess the extent to which transaction costs represent good value to members in the context of the net impact of dealing on performance.

The Trustee expects that once further advice is received on what additional transaction costs should be disclosed by investment managers, it will be able to compare the costs incurred by members investing in the self-select investment options against those incurred by other funds.

In addition to the above, there are no hidden charges or fees for members participating in Ensign: members are not charged for switching their fund, changing their retirement date or transferring their pot out of Ensign.

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## COSTS AND CHARGES (CONTINUED)

### SUMMARY

The Trustee has assessed the various charges applying to the default investment fund and self-select fund options and, based on the information available, considers the charges to represent good value for members.

In reaching this decision, the Trustee focused on the annual management charges incurred by members, both in comparison with other master trust arrangements and taking into account the benefits they receive in return for such payments. The Trustee also took into account the information available on any additional charges and transaction costs incurred by members.

This Governance Statement is made available to members via the Ensign website and the online member portal, and members were informed of this in the annual benefit statement issued to all members in Ensign in July 2020.



## TRUSTEE KNOWLEDGE AND UNDERSTANDING

The Trustee Directors recognise the importance of ensuring that collectively they possess or have access to the knowledge and understanding necessary to govern Ensign effectively. When assessing the Trustee Directors' collective knowledge and understanding, three key areas are considered: the appointment of new Trustee Directors, the ongoing training and development of Trustee Directors, and the support and advice received by the Trustee.

### THE APPOINTMENT OF NEW TRUSTEE DIRECTORS

The Trustee has adopted a policy for the appointment of Trustee Directors. This, in part, ensures that the Trustee meets the legislative requirements concerning the composition of trustee boards and ensures that Trustee Directors are selected and appointed based on the qualities, skills and experience that they would bring to the Trustee Board.

During the scheme year, two additional Trustee Directors were appointed to the Trustee Board to increase the size of the Trustee Board, to add to the skills and knowledge of the existing Trustee Board, and to increase the diversity and experience of the Trustee Board.

Each of the Trustee Directors were appointed in accordance with this policy, on the basis that they were considered fit and proper to carry out their roles and have demonstrated they hold relevant skills, technical knowledge and experience relevant to their role as Trustee Directors. This includes experience of serving as trustee directors on the trustee boards of other DC pension schemes, exposure of other multi-employer industry-wide pension schemes, understanding in how to communicate with members and employers, and evidence of developing positive relationships with employers, The Pensions Regulator, the Department for Work and Pensions and other industry bodies.

### ONGOING TRAINING AND DEVELOPMENT OF TRUSTEE DIRECTORS

As part of the Trustee's adopted training policy that outlines the training requirements of all Trustee Directors throughout their tenure on the Trustee Board, all Trustee Directors are required, on appointment, to read and be conversant with the main documents and policies of Ensign, including but not limited to:

- the Trust Deed and Rules of Ensign;
- the Memorandum and Articles of Association of the Trustee;
- Ensign's Statement of Investment Principles;
- the members' booklet;
- the Trustee's key policies and procedures.

Each year, all Trustee Directors respond to a questionnaire, the aim of which is to identify any gaps in their knowledge and understanding that needs to be addressed through training. In particular, this questionnaire focuses on the knowledge and understanding of the Directors in relation to a) the law relating to pensions and trusts, and b) the relevant principles relating to the funding and investment of occupational DC pension schemes.

Together with the Chief Executive of Ensign, I review the results of the questionnaires completed by each Director to:

- a) ensure that each Director has sufficient and appropriate knowledge and understanding relevant to their role on the Trustee Board;

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## TRUSTEE KNOWLEDGE AND UNDERSTANDING (CONTINUED)

b) ensure that the knowledge and understanding of the Trustee Board as a whole is appropriate to meet the objectives of the master trust, as set out in its Business Plan, and that knowledge and skills are not concentrated in one or two individuals; and

c) identify any training needs across the Trustee Board or for individual Directors.

A training plan is then agreed, setting out the areas of training to be provided to the Trustee Board and/or individual Directors throughout the scheme year. This includes specific legal, investment and governance training, as well as opportunities for Directors to attend seminars and conferences, specific to DC schemes, to keep up to date on best practice governance standards. Any training received by the Trustee Directors, either individually or collectively, is recorded on the Trustee's skills, knowledge and training log.

All Trustee Directors have completed the relevant modules of The Pensions Regulator's Trustee Toolkit.

### SUPPORT AND ADVICE RECEIVED BY THE TRUSTEE

The Trustee has appointed various advisers and service providers to advise on and manage certain aspects of Ensign. This includes an Executive team who ensure that the Trustee keeps abreast of changes in industry best practice, legislation and regulations relating to DC pension schemes. The Trustee also receives advice and guidance on specific matters from its appointed legal adviser, in particular prior to making decisions.

The Trustee has established a contract for services with each provider and understands the terms and conditions relating to the contract. The Trustee has documented the functions it delegates to its service providers to ensure it retains sufficient oversight of the delegated functions.

### CONCLUSION

Taking into account the wealth of experience, knowledge and understanding of each of the Trustee Directors, as well as the professional advice that is available to them from appointed professional advisors, I am confident that the Trustee Board has the right mix of skills and competencies to ensure Ensign is well governed and properly managed and enables the Trustee to properly exercise its function.

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## GOVERNANCE

### TRUST DEED AND RULES

In accordance with Regulation 6A(1) of the Occupational Pension Scheme (Administration) Regulations 1996, the Trust Deed and Rules do not contain provisions that would restrict who the Trustee may appoint to provide administration, fund management, advisory or any other services in respect of Ensign.

### RELEVANT MULTI-EMPLOYER SCHEMES

The Ensign Retirement Plan is a relevant multi-employer scheme and must, therefore, comply with the additional requirements relating to governance.

The Trustee is currently made up of six Directors. All Directors have been appointed via the Trustee's adopted policy for appointing member-nominated and employer-nominated Directors, which has been developed against the backdrop of recent pensions legislation concerning the appointment of member-nominated trustees (Sections 241 - 243 Pensions Act 2004 and the Occupational Pension Schemes (Member-nominated Trustee and Director) Regulations 2006), and the DC governance requirements (the Occupational Pension Schemes (Charges and Governance) Regulations 2015).

Accordingly, all six Directors, including myself as the Chair of Trustees, have been appointed through an open and transparent process and are considered non-affiliated for the purposes of the DC governance requirements. This means that the Directors are not associated with any company that provides administration, investment, advisory or any other services in respect of Ensign.

Three Directors have been nominated by a recognised trade union that, in the opinion of the Trustee, represents the members in Ensign, in order that members, or their representatives, can make their views on matters relating to Ensign known to the Trustee.

There have not been any non-affiliated trustee appointments made during the scheme year.

### MEMBER FEEDBACK

The Trustee encourages its members, or their representatives, to share their views and ideas about Ensign. Contact details are publicly available on the Ensign website, at [www.ensignpensions.com](http://www.ensignpensions.com), contact details for the administrator are included on all communications issued to members, including the latest member newsletter, posted to members in December 2019 and available on the Ensign website. Members can telephone, e-mail or write to us.

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## APPENDIX: STATEMENT OF INVESTMENT PRINCIPLES