



# **The Museums Association Pension Plan**

## **Chair's Statement**

1 April 2020 to 31 March 2021

# Contents

|           |                                                  |           |
|-----------|--------------------------------------------------|-----------|
| <b>01</b> | <b>Introduction</b>                              | <b>3</b>  |
| 01.01     | Governance and Queries                           | 3         |
| <b>02</b> | <b>Investment Strategy</b>                       | <b>4</b>  |
| 02.01     | The default investment option                    | 4         |
| 02.02     | Reviewing the investment arrangement             | 4         |
| <b>03</b> | <b>Charges and transaction costs</b>             | <b>5</b>  |
| 03.01     | Investment Manager Charges                       | 5         |
| 03.02     | Administration Charge                            | 6         |
| 03.03     | An illustration of the charges levied on members | 6         |
| 03.04     | What are the assumptions based on?               | 7         |
| <b>04</b> | <b>Core financial transactions</b>               | <b>8</b>  |
| 04.01     | Assessing Core Transactions                      | 8         |
| <b>05</b> | <b>Value for Members</b>                         | <b>9</b>  |
| 05.01     | Assessment of Value                              | 9         |
| 05.02     | Service Providers                                | 10        |
| 05.03     | Communications                                   | 10        |
| 05.04     | Flexibility - accessing benefits                 | 10        |
| 05.05     | Conclusion                                       | 10        |
| <b>06</b> | <b>Trustee Knowledge and understanding</b>       | <b>11</b> |
| 06.01     | Knowledge and understanding of the Trustee       | 11        |
| 06.02     | Trustee's Training                               | 11        |
| 06.03     | Conclusion                                       | 12        |
| <b>07</b> | <b>Conclusion</b>                                | <b>13</b> |
|           | Appendix A Projections                           | 14        |

# 01 Introduction

**This is the Chair’s Statement for The Museums Association Pension Plan (the “Plan”) covering the period 1 April 2020 to 31 March 2021.**

As the Chair of Trustee, I provide you with a yearly statement which explains what steps have been taken by the Trustee’s Board, with help from our professional advisers, to meet the new governance standards. The law sets out what information has to be included in my Statement and this is designed to help members achieve a good outcome from their pension savings.

The Plan is a defined benefit (“DB”) arrangement, established on 1 November 1988, providing benefits to members depending on their membership category. The Plan also operates a Money Purchase Underpin (“MPU”) relating to contributions paid in respect of members prior to 1 September 2005. Each member with a MPU is notionally allocated a number of units which increase in value in line with the Plan’s underlying investments. The MPU is compared against the value of benefits upon crystallisation, for example death, transfer or retirement.

The MPU underpin does not have a default investment option and this is explained further in Section 2.

The Plan was closed to future accrual with effect from 31 March 2008. As a result, all employees became deferred members and no further contributions are payable by members.

The Plan is an “insured scheme” and so the Trustee may only choose from in house investments available from the insurers, the Royal London Mutual Insurance Society (“Royal London”), or those offered through the external fund managers on RLAM’s platform.

## 01.01 Governance and Queries

The Trustee is committed to having high governance standards and we meet regularly to monitor the controls and processes in place in connection with the Plan’s investments and administration.

I welcome this opportunity to explain what the Trustee do to help ensure the Plan is run as effectively as it can be. If you have any questions about anything that is set out below, or any suggestions about what can be improved, please do contact The Museums Association at 42 Clerkenwell Close, London, EC1R 0AZ.

The Plan was established by a Trust Deed effective from 1 November 1988 in order to provide benefits for employees of the Museums Association.

The Plan is currently governed by a corporate trustee body registered with Companies House. I, Heather Lees, was appointed as the Chair of Trustee in 2018 and am signing this Statement in that capacity.

---

**£1.2m**

Total MPU funds in the Plan.

---

## 2018

The most recent review of the fund range and investment strategy and performance was concluded on the 26 January 2018

### 02.01 The default investment option

---

The Plan is not required to and has no default investment arrangement. The current investment strategy was implemented following the conclusions of a strategic investment allocation report commissioned by the Trustee and completed by Royal London in 2018.

### 02.02 Reviewing the investment arrangement

---

The Trustee reviews the investment strategy and its objectives at regular intervals.

The Trustee continually monitors the investment performance.

# 03 Charges and transaction costs

## 03.01 Investment Manager Charges

The Trustee has selected a range of funds which it believes to be appropriate to meet the Plan's investment objectives. All monies are invested in funds managed by the insurer Royal London or those offered by its link fund managers.

The Trustee's principle aim is to ensure sufficient funds are available to provide benefits as and when required by the rules of the Plan. Subject to this objective, the Trustee's policy is to maximise long-term investment performance, having due regard to the nature of the liabilities of the Plan and to the funding objective that has been established.

All expenses relating to the management of funds are charged via an Annual Management Charge calculated as a proportion of the Plan's total assets under management with Royal London.

Under the insurance contract, each fund utilised by the Trustee's has an Annual Management Charge (AMC). The charges for the relevant funds are outlined below. The Trustee are endeavouring to establish the transaction costs relevant to these underlying funds.

| <b>Fund Name</b>                              | <b>Total Expense Ratio*</b> |
|-----------------------------------------------|-----------------------------|
| RLP Deposit                                   | 1.00%                       |
| RLP Long (15yr) Index Linked                  | 1.00%                       |
| RLP Medium (10yr) Corporate Bond              | 1.00%                       |
| RLP Long (15yr) Corporate Bond                | 1.00%                       |
| RLP/Blackrock ACS Global Equity Index (60:40) | 1.00%                       |
| RLP Property                                  | 1.00%                       |
| RLP Medium (10yr) Index Linked                | 1.00%                       |
| RLP Short (5yr) Gilt                          | 1.00%                       |
| RLP Medium (10yr) Gilt                        | 1.00%                       |
| RLP Short (5yr) Index Linked                  | 1.00%                       |
| RLP Short (5yr) Corporate Bond                | 1.00%                       |
| RLP Long (15yr) Gilt                          | 1.00%                       |
| RLP Sterling Extra Yield Bond                 | 1.00%                       |
| RLP/Blackrock ACS Global (ex UK) Equity Index | 1.00%                       |
| RLP Jupiter Financial Opportunities           | 1.00%                       |
| RLP Sustainable Diversified Trust             | 1.00%                       |

(Source: Source: Royal London Mutual Insurance Society)

\*TER represents the sum of the Annual Management Charge (AMC) and Additional Fund Expenses (AFEs).

Transaction costs are costs associated with buying and selling of investments and include for example stamp duty and brokerage fees. The Trustee will request illustrations to demonstrate the impact of these charging structures.

# Charges and transaction costs

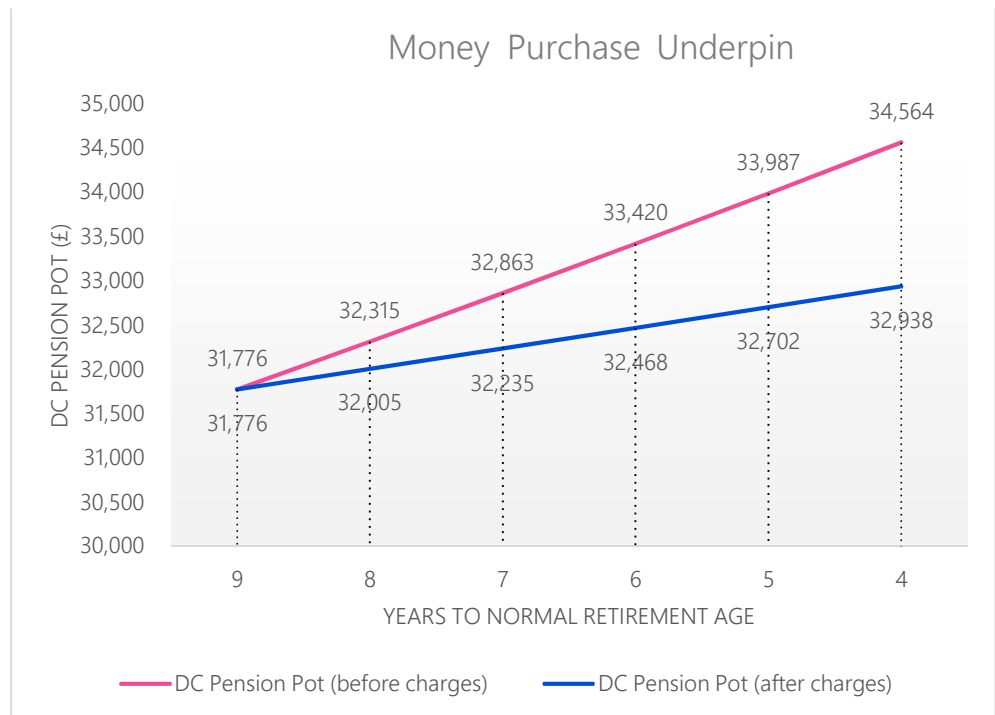
## continued

### 03.02 Administration Charge

All administration charges are currently met by the Plan in the form of a fixed fee and an Annual Management Charge taken as a proportion of the total assets. This covers not only administration but also investment and documentation services.

### 03.03 An illustration of the charges levied on members

Below you can find an illustration of the effect of the Total Expense Ratio met by members on an example pension pot for the MPU over time.



This is for illustration purposes only. The actual returns received are likely to differ over time as will individual member's pension pot sizes. This illustration is based on:

- > The Plan's default investment (as detailed in Section 2) – all members have investments in this option.
- > An initial pension pot of £31,776 – which was the average notional pot size assigned to each member.
- > Investment returns estimated as 4.25% p.a.
- > Inflation of 2.5% p.a.

Illustrations in tabular form for the member projections are shown in Appendix B of this Statement.

# Charges and transaction costs

continued

## 03.04 What are the assumptions based on?

---

In preparing these illustrations, the Trustee has had regard to:

- > The Department for Work and Pensions' 'Reporting of costs, charges and other information: guidance for trustees and managers of relevant occupational schemes'.
- > Actuarial Standards Technical Memorandum 1 (AS TM1 v4.2) issued by the Financial Reporting Council and
- > The Financial Conduct Authority (FCA) Transaction cost disclosure in workplace pensions Policy Statement PS17/20.

# 04 Core financial transactions

## 04.01 Assessing Core Transactions

---

During the year, the Trustee ensured the requirements of Regulation 24 of the Occupational Pension Schemes (Scheme Administration) Regulations 1996 were met and that the Plan's core financial transactions were processed promptly and accurately by:

- > having an agreement in place with Royal London Mutual Insurance Society (as Plan administrator), committing them to defined service level agreements ("SLAs"). Amongst other matters, this covers the accuracy and timeliness of all core financial transactions;
- > All financial transactions undertaken by XPS, have defined service level agreements allocated covering the timeliness and accuracy of all such transactions. Each step of each transaction is reviewed and an audit trail is maintained.
- > having Royal London Mutual Insurance Society report on their performance against the SLAs above as a means of monitoring that the SLA requirements are being met and to cover what they do to ensure no issues arise; and
- > having the Plan auditor independently test a sample of financial transactions for accuracy and timeliness as part of the annual audit process.

Where any error or issue is identified, the Trustee takes appropriate steps to resolve and take action as required. We can confirm there were no material issues in the Statement period on which to report.

The core financial transactions include:

- > **The transfer of assets relating to members into and out of the Plan** – The Plan's administrator maintains and reconciles comprehensive records of individual member's fund values. Any investments withdrawn or transferred to another scheme are processed following receipt of all relevant paperwork, subject to any investigations required where there is evidence of a pensions scam.
- > **Monitoring of bank accounts** – There is a dedicated processing team, checking investment and banking transactions.
- > **Payments to members** – All payments out of the Plan in respect of members' benefits are made in line with standard checks. This includes agreed processes and authorisation levels to ensure any payment made is calculated correctly and in line with the Plan rules and legislation and also complies with HMRC rules and guidance. In addition, every effort is made to check for possible pension scams.

Noting the requirement for accurate member data to process contributions and payments correctly, the Trustee is taking steps to continually review and where necessary, correct any problems with the member data which is held by the Plan administrator Royal London.

A report was commissioned by the Trustee in 2020 to report on the presence or absence of member data held electronically by the Plan's administrators. This looked at common data and scheme specific ("conditional") data.



## 05.01 Assessment of Value

---

When assessing the charges and transaction costs which are payable by members, the Trustee is required to consider the extent to which the investment options and the benefits offered by the Plan represent good value for members when compared to other options available in the market.

It is difficult to give a precise definition of good value and what constitutes good value will be different for each individual.

The Trustee has concluded that the charges shown in this Statement and the nature of the Plan represent good value for members, having considered the following elements:

- > the **processes that are in place** to ensure the efficient administration and governance of the Plan (which include those explained in the 'Core financial transactions' and the 'Knowledge and understanding of the Trustee' sections of this Statement);
- > the **returns achieved by the investment funds** compared to the charges (as set out in this Statement);
- > the **nature of the Plan** means that members are guaranteed the better of two different pension options. Should the MPU be lower than benefits that would have been due from the DB benefits, then the DB benefits are paid instead;
- > the **Plan pays for most services**. The Trustee is comfortable that the costs relating to investments are good but will continue to monitor this and discuss with their advisers.

## 05.02 Service Providers

---

In addition to assessing the costs charged by service providers, the Governance and Administrative Committee and the Trustee's Secretariat keep providers' service levels under review, and ensure that the services provided reflect the SLA's and continue to meet the needs of the members.

As an example, meetings are held with Royal London representatives to discuss their performance as administrator in order to ensure that administrative performance meets the standards set by the Trustee.

In order to ensure the services provided remain the most appropriate and offer value for members, the Company and Trustee will, from time to time put services out to tender.

A review of the Plan consultant's performance was carried out in 2019 resulting in the appointment of a new consultant.

## 05.03 Communications

---

Good member communications are crucial to achieving good value. The Trustee is talking to service providers to introduce where possible more user-friendly on-line communications for the membership.

The Trustee has committed to undertake a review of member communications and implement a member engagement plan between 2021 and 2022.

## Value for Members

continued

### 05.04 Flexibility - accessing benefits

---

The range of options available to members has increased since the introduction of the 'Freedom and Choice' legislation which came into effect from April 2015. This legislation affords members the opportunity to draw their benefits more flexibly than previously possible. However, these options are not offered by the DC Section and members are required to transfer their benefits to another type of pension arrangement to access them.

### 05.05 Conclusion

---

Assessment of value for members is an ongoing process and the Trustee undertakes a review at least every three years to ensure the Scheme continues to offer good value, and that any changes in legislation, market conditions or member views are reflected for benefits of members.

The Trustee Directors have considered the categories for assessing value for members as set out by the Regulator and the position of the Scheme in relation to these, and the wording relating to value for money currently stated within the draft Chair's Statement. The suggestion by XPS that an independent, third-party assessment should now be undertaken was also considered. Following discussion, the Trustee Directors concluded that the additional expense for this work (fees in the region of £3,000 - £5,000 had been quoted by XPS) would be disproportionate given the nature of the Scheme. The Scheme had been established to provide defined benefits, with a money purchase underpin for only a portion of the benefits provided. To date, this underpin had only been triggered for a very small number of members (and no members had as yet retired on a money purchase basis) and therefore the Trustee remained satisfied that overall, members were provided with value for money.

# 06 Trustee Knowledge and understanding

## 06.01 Knowledge and understanding of the Trustee

---

The Trustee is satisfied that they have complied with the knowledge and understanding requirements set out in section 248 of the Pensions Act 2004.

The Trustee has over a decade of combined experience directly relating to the Plan, and so have built up a strong working understanding and knowledge of the law relating to pensions and trusts, principles of investment and the requirements for funding a pension scheme. This is evidenced by the Trustee's interaction with its advisers as shown in the Trustee's Meeting minutes, and the governance framework established by the Trustee to review the performance of the Plan.

The Chair of Trustee has a background in finance and is a qualified accountant.

The Trustee has exercised its discretions and powers in line with the Trust Deed and Rules, current legislation and, where required, legal advice has been taken, demonstrating its working knowledge of the Plan's Trust Deed and Rules.

The Trustee Board has implemented arrangements to ensure that at least one third of directors of the trustee company are member nominated.

## 06.02 Trustee's Training

---

In-house training is offered, use of the Pensions Regulator's (TPR's) online Trustee Toolkit is encouraged, and the Trustee may attend external seminars and updates. Any new trustee would be expected to carry out this training and be fully conversant with the Plan's documentation within 6 months.

The Trustee has put in place arrangements for ensuring that each Trustee takes personal responsibility for keeping themselves up to date with relevant developments.

The Trustees have regular training during the courses of each meetings and this covers both regular governance and management of the Plan in addition to specialised investment training.

A log of trustee participation in training is maintained by the Plan Secretary.

During the period covered by this Statement the Trustee received a number of training sessions, which covered the following areas:

- > Current Issues – the session in September 2019 provided training on the current issues facing pension schemes
- > Scheme journey plan – the session provided training on the various aspects to be incorporated in the long-term vision of the Plan including defining objectives, risk management and formulating a plan.
- > Data analysis – this covered the purpose of reviewing the quality of member data and record keeping
- > Valuation – training was received to support the completion of the 2020 triennial valuation and on Plan funding.

The Trustee also makes use of a team of expert advisers. Investment advisers and representatives from the Plan's administrator, regularly attend meetings of the Trustee's Board.

## **Trustee Knowledge and understanding**

### continued

The Trustee intends to review their current arrangements regarding governance and Trustee Board structure which will include a discussion on the merits of appointing an independent Trustee. This is due to occur in 2022.

#### **06.03 Conclusion**

---

As a result of the training activities completed by the Trustee (both individually and collectively as a Trustee Board), and taking into account the professional advice available, I am confident that the combined knowledge and understanding of the Board has enabled the Trustee to exercise properly its functions.

# 07 Conclusion

---

“Overall, the conclusion is that the Plan is continuing to deliver value for money to the members”

---

The annual production of this Statement provides members with a narrative of how the Trustee looks after members’ interests, especially in the areas of the 5 key elements within this Statement listed below.

- > investment strategy
- > Charges and transaction costs
- > Core financial transactions
- > Providing value for members
- > Trustee Knowledge and understanding

The Trustee will continue to monitor these key areas and report to members both via the annual Chair’s Statement and other communications as appropriate. In conclusion, with the continual monitoring and the reviews detailed here, I am pleased to be able to submit this report in accordance with the Chair’s Statement requirements, in the belief that the Plan was operated and governed appropriately during the reporting period.

---

Signature

Date



29 October 2021

---

Name

Heather Lees

Qualification

Chair of Trustee

The Museum Association Pension Plan

# Appendix A Projections

The chart shows in money terms the accumulative effect of charges taken from a member's fund over time.

| MPU Investment Strategy |                              |                             |
|-------------------------|------------------------------|-----------------------------|
| Years from Now          | Pension Pot (before Charges) | Pension Pot (after charges) |
| 1                       | £31,776                      | £31,776                     |
| 2                       | £32,315                      | £32,005                     |
| 3                       | £32,863                      | £32,235                     |
| 4                       | £33,420                      | £32,468                     |
| 5                       | £33,987                      | £32,702                     |
| 6                       | £34,564                      | £32,938                     |
| 7                       | £35,150                      | £33,175                     |
| 8                       | £35,747                      | £33,414                     |
| 9                       | £36,353                      | £33,655                     |

## Assumptions

Pension Pot Value at Start £31,776



**Contact us**  
**xpsgroup.com**

XPS Pensions Group, XPS Pensions, XPS Group, XPS Administration, XPS Investment and XPS Transactions are the trading names of Xafinity Consulting Ltd, Punter Southall Ltd and Punter Southall Investment Consulting Ltd.

XPS Administration is the trading name of PS Administration Ltd.

**Registration**

Xafinity Consulting Ltd, Registered No. 2459442. Registered office: Phoenix House, 1 Station Hill, Reading RG1 1NB. Punter Southall Investment Consulting Ltd Registered No. 6242672, Punter Southall Ltd Registered No. 03842603, PS Administration Ltd Registered No. 9428346. All registered at: 11 Strand, London WC2N 5HR. All companies registered in England and Wales.

**Authorisation**

Punter Southall Investment Consulting Ltd (FCA Register number 528774) and Xafinity Consulting Ltd (FCA Register number 194270) are both authorised and regulated by the Financial Conduct Authority (FCA) for investment business.