

Chair's statement – The Rexel UK Pension Scheme

Annual statement regarding governance

1. Introduction

Governance requirements apply to defined contribution (“DC”) pension arrangements, to help members achieve a good outcome from their pension savings. The Trustee of the Rexel UK Pension Scheme (the “Scheme”) (the “Trustee”) is required to produce a yearly statement (which is signed by the Chair of the Trustee) to describe how these governance requirements have been met in relation to:

- the investment options in which members' funds are invested (this means the “default arrangement” and other funds members can select or have assets in, such as self-select or “legacy” funds).
- the requirements for processing financial transactions.
- the charges and transaction costs borne by members.
- an illustration of the cumulative effect of these costs and charges.
- net returns of the investment options.
- a ‘value for members’ assessment; and
- Trustee knowledge and understanding.

This statement covers the period from 6 April 2022 to 5 April 2023.

Post Scheme year end, following advice from Barnett Waddingham, the Scheme's investment advisers, members (excluding the ex-Senate members) were transitioned to the Scottish Widows Master Trust. The bulk asset transfer from the Scheme took place on 3 October 2023, and the effective transaction sale date was 25 September 2023.

2. Default investment arrangements

The Scheme has been used as a Qualifying Scheme for auto-enrolment for the active membership.

Members who joined the Scheme and who did not choose an investment option were placed into The Rexel UK Default Cash-targeting Lifestyle Strategy, (the “default arrangement”).

The Trustee is responsible for the Scheme's investment governance, which includes setting and monitoring the investment strategy for the default arrangement.

Details of the objectives and the Trustee's policies regarding the default arrangement can be found in a document called the ‘Statement of Investment Principles’ (“SIP”). The Scheme's SIP covering the default arrangement is attached to this annual statement regarding governance.

The aims and objectives of the default arrangement, as stated in the SIP, are as follows:

- The default investment strategy should be suitable for the Scheme's membership profile
- The default arrangement manages the members' risk through use of a lifestyle glidepath

- The default arrangement utilised at the end of the lifestyle glidepath reduces the investment risk members are exposed to whilst still aiming to deliver above inflation performance.

The default strategy and the performance of the default arrangement and fund range were not reviewed during the period covered by this statement. The last review was carried out in 2021. The Trustee regularly monitors the performance of the default arrangement and fund range and has formally reviewed both this and the strategy at least every three years. Prior to the transition to the Scottish Widows Master Trust in September 2023, the next review was intended to take place by November 2024.

In addition to the strategy review the Trustee also reviews the performance of the default arrangement against its aims, objectives and policies on a quarterly basis. This review includes an analysis of fund performance and member activity to check that the risk and return levels meet expectations. The Trustee reviews that took place during the Scheme year concluded that the default arrangement was performing broadly as expected and consistently with the aims and objectives of the default as stated in the SIP.

Whilst the Trustee was satisfied that the default remained appropriate due to its continued good performance in relation to its comparators, following the 2022 Scheme year review of value for members the decision was made to explore the transition of the Scheme to a new arrangement. As previously referenced, Scheme members were transitioned to the Scottish Widows Master Trust in September 2023.

3. Requirements for processing core financial transactions

The Trustee has received assurance from the Scheme's administrator XPS, that there were adequate internal controls to support prompt and accurate processing of core financial transactions relating to the Scheme during the Scheme year. This includes the investment of contributions, processing of transfers in and out of the Scheme, transfers of assets between different investments within the Scheme, and payments to members/beneficiaries.

The Trustee holds regular meetings and in the normal course of events meets at least four times a year. Reviews of core financial transactions and service level performance provided by XPS, the Scheme's administrator, take place at each meeting.

The deduction and payment of contributions is reviewed by the Trustee at each Trustee meeting. Rexel UK Limited (the "Sponsor") and Trustee also review at each Trustee meeting the contributions paid each month, together with details of any difficulties in processing these with XPS and how any such difficulties have been resolved. These details are discussed at the meeting and compared with the administration reports provided by XPS.

The Trustee is pleased to report the great majority of core financial transactions were completed within the agreed parameters set out in the service level agreement ("SLA") and the Trustee concludes that there are currently no concerns regarding the processing of core financial transactions.

The Scheme's risk register details the risks in relation to the Scheme and the corresponding controls in place. This is monitored at each meeting and is reviewed on at least an annual basis.

Members can switch their contributions to one or more of the funds available under the Scheme by writing to the administrator, telephoning the administrator or online if they have registered for online services.

Members who wish to change their contributions are required to contact the Sponsor to make the required change.

The Trustee receives quarterly reports about the administrator's performance and compliance with the SLA; using information provided by the administrators, which has been reviewed by the auditors, the Trustee is satisfied that over the period covered by this statement:

- the administrator was operating appropriate procedures, checks and controls and operating within the agreed SLA.
- there have been no material administration errors in relation to processing core financial transactions; and
- all core financial transactions have been processed promptly and accurately during the Scheme year.

Below we set out the activity made during the 12-month period, and whether these were processed within XPS's agreed SLA target.

Activity	Total Completed in Period	Outstanding At End	Percentage Completed In Time Due in Period	Percentage Completed in Period
Annual Allowance	1	0	100	100
AVC	49	0	100	100
BACS Rejection	9	0	100	100
Complaint	7	0	71.4	100
Data entry or checking	1	0	100	100
Death	684	3	92.4	99.6
Divorce case	13	0	84.6	100
DSS form or enquiry	94	0	98.9	100
Expression of Wishes	169	0	98.8	100

Ill-Health retirement	19	0	100	100
Activity	Total Completed in Period	Outstanding At End	Percentage Completed In Time Due in Period	Percentage Completed in Period
Leaver	27	0	96.3	100
Money Purchase Admin	57	0	98.2	100
MyPension	157	1	95.6	99.4
Other employer enquiry	18	0	100	100
Other financial adviser enquiry	101	0	88.1	100
Other member enquiry	757	0	97.2	100
Pensioner Enquiry	229	0	94.8	100
Retirement	1204	6	92.7	99.5
Transfer-in	10	0	100	100
Transfer-out	967	6	92.5	99.4
Total	4573	16	94	99.7

Administration services provided by XPS

During the Scheme year the Trustee was reassured that XPS's service levels were satisfactory. The Trustee will continue to closely monitor this area, to ensure any issues are addressed and resolved.

The Trustee has reviewed the quality of the Scheme’s data during the year. The Trustee confirms that, as of 5 April 2023, XPS held all common data for 91% of members. The Trustee continues to focus on improving the address data for deferred members, which contributes to much of the missing common data.

4. Member-borne charges and transaction costs

The Trustee is required to set out the on-going charges borne by members in this statement, which are annual fund management charges plus any additional fund expenses, such as custody costs, but excluding transaction costs; this is also known as the total expense ratio (“TER”). The TER is paid by the members and is reflected in the unit price of the funds.

The Trustee is also required to separately disclose transaction cost figures that are borne by members. In the context of this statement, the transaction costs shown are those incurred when the Scheme’s fund managers buy and sell assets within investment funds.

The charges and transaction costs have been supplied by XPS and the Scheme’s fund managers, Legal and General Investment Management (“LGIM”) and Abrdn (formerly Standard Life Aberdeen).

When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

4.1 Default arrangements

The default arrangement is the Rexel UK Default Cash-targeting Lifestyle Strategy. The default arrangement has been set up as a lifestyle approach, which means that members’ assets are automatically moved between different investment funds as they approach their target retirement date. This means that the level of charges and transaction costs will vary depending on how close members are to their target retirement date and in which fund they are invested.

For the period covered by this statement, annualised charges and transaction costs are set out in the table below. The member borne charges for the Scheme’s default arrangement complied with the charge cap.

Default arrangement charges and transaction costs

The data in the tables below has been provided by the Scheme’s administrator and investment management team and shows the charges applied to an individual member’s earmarked policy:

Years to retirement	L&G Cash	L&G Rexel Consensus Index Fund	Aberdeen Standard DGF	Average annual management charge	Administration charge	Total member annual management charge	Approximate yearly cost per £1,000
10+	0%	50%	50%	0.410%	0.30%	0.710%	£7.10
9	5%	45%	50%	0.407%	0.30%	0.707%	£7.07
8	10%	40%	50%	0.405%	0.30%	0.705%	£7.05

7	15%	35%	50%	0.402%	0.30%	0.702%	£7.02
6	20%	30%	50%	0.399%	0.30%	0.699%	£6.99
Years to retirement	L&G Cash	L&G Rexel Consensus Index Fund	Aberdeen Standard DGF	Average annual management charge	Administration charge	Total member annual management charge	Approximate yearly cost per £1,000
5	25%	25%	50%	0.396%	0.30%	0.696%	£6.96
4	35%	20%	45%	0.368%	0.30%	0.668%	£6.68
3	45%	15%	40%	0.339%	0.30%	0.639%	£6.39
2	55%	10%	35%	0.311%	0.30%	0.611%	£6.11
1	65%	5%	30%	0.274%	0.30%	0.574%	£5.74
0	75%	0%	25%	0.254%	0.30%	0.554%	£5.54

4.2 Self-select options

The level of charges for each self-select fund (including those used in the default arrangement) and the transaction costs over the period covered by this statement are set out in the following table. The underlying funds used within the default arrangement are shown in bold.

Fund	Annual Management Charge	Administration Charge	Total Member Charge	Approximate yearly cost per £1,000
LGIM World (ex-UK) Equity Index Fund	0.22%	0.30%	0.52%	£5.20
LGIM UK Equity Index Fund	0.10%	0.30%	0.40%	£4.00
LGIM Rexel Consensus Index Fund	0.18%	0.30%	0.48%	£4.80

LGIM Over 5-year index-Linked Gilts Fund	0.10%	0.30%	0.40%	£4.00
LGIM Pre-Retirement Fund	0.15%	0.30%	0.45%	£4.50
Fund	Annual Management Charge	Administration Charge	Total Member Charge	Approximate yearly cost per £1,000
LGIM Cash Fund	0.125%	0.30%	0.425%	£4.25
Aberdeen Standard DGF	0.64%	0.30%	0.94%	£9.40

The ex-Senate members continue to have DC funds held within an Aviva With-Profits fund:

Fund name	Risk level	Annual charge	Goal of the fund
Aviva (Friends Life) With-Profits (former Rexel Senate members only)	Low to Medium	0.55%	Invests in mainly equities, property, bonds, and cash investments (such as bank deposits). May include regular bonuses and a final (terminal) bonus when the policy ends. Only available to ex-Senate members who are already invested. If members move their funds away from this fund, they are not able to move them back.

4.3 Illustration of charges and transaction costs

Over time the charges and transaction costs that are taken out of a member's pension savings can reduce the amount available to the member at retirement. The Trustee has set out below illustrations of the impact of charges and transaction costs on different investment options in the Scheme. The illustrations have been prepared in accordance with the DWP's statutory guidance on "Reporting costs, charges and other information: guidance for trustees and managers of occupational pension schemes" on the projection of an example member's pension savings.

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 below:

- The “before costs” figures represent the savings projection assuming an investment return with no deduction of member borne fees or transaction costs. The “after costs” figures represent the savings projection using the same assumed investment return but after deducting member borne fees and an allowance for transaction costs.
- The transaction cost figures used in the illustration are based on the historic figures provided by the managers.
- The illustration is shown for the default arrangement, as well as two funds from the Scheme’s self-select fund range. The self-select funds shown in the illustration are:

the fund with highest annual member borne costs – this is the **Aberdeen Standard Diversified Growth Fund**

the fund with lowest annual member borne costs – this is the **LGIM UK Equity Index Fund**.

Active members	Total expense ratio (TER) including transaction costs	Short term (5 years)	Medium term (15 years)	Long term (25 years)
The Rexel UK Pension Scheme default investment strategy. No charges.	0.00%	£25,376	£86,899	£166,475
The Rexel UK Pension Scheme default investment strategy. Scheme charges – growth phase	*0.76%	£24,880	£81,763	£149,842
The Rexel UK Pension Scheme default investment strategy. Scheme charges – at retirement	*0.594%	£24,990	£82,877	£153,374
LGIM UK Equity Index Fund – Lowest fund charge in Scheme	*0.42%	£25,100	£84,011	£157,011
(Abrdn) Aberdeen Standard DGF Fund – Highest fund charge in the Scheme	*1.033%	£24,104	£74,256	£127,173
Charge cap for qualifying workplace pension scheme	0.75%	£24,886	£81,828	£150,047

*Inclusive of scheme charge and transaction costs

Starting assumptions:

- Starting salary: £25,000
- Contributions: £400 per month
- Salary increases: 2% p.a.
- Nominal fund growth:
 - Default investment strategy: 5% p.a.
 - Highest charging self-select fund: 4% p.a.
 - Lowest charging self-select fund: 5% p.a.
- Figures in today's terms based on an assumed inflation rate of 2.2% pa

Deferred members

Below incorporates a table assuming members have ceased active membership of the Scheme and are no longer paying regular contributions. This is on the assumption they have an accrued pot of £10,000.

Deferred Members	Total expense ratio (TER) including transaction costs	Short term (5 years)	Medium term (15 years)	Long term (25 years)
The Rexel UK Pension Scheme default investment strategy. No charges.	0.00%	£11,447	£14,999	£19,654
The Rexel UK Pension Scheme default investment strategy. Scheme charges – growth phase	*0.76%	£11,020	£13,383	£16,252
The Rexel UK Pension Scheme default investment strategy. Scheme charges – at retirement	*0.594%	£11,114	£13,729	£16,958
LGIM UK Equity Index Fund – Lowest fund charge in Scheme	*0.42%	£11,209	£14,084	£17,695
(Abrdn) Aberdeen Standard DGF Fund – Highest fund charge in the Scheme	*1.033%	£10,363	£11,128	£11,950

Charge cap for qualifying workplace pension scheme	0.75%	£11,026	£13,403	£16,293
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*Inclusive of scheme charge and transaction costs

Starting assumptions:

- Contributions: £0 per month
- Nominal fund growth:
 - Default investment strategy: 5% p.a.
 - Highest charging self-select fund: 4% p.a.
 - Lowest charging self-select fund: 5% p.a.
- Figures in today's terms based on an assumed inflation rate of 2.2% pa

Notes:

Values shown are estimates and are not guaranteed. The illustration does not indicate the likely variance and volatility in the possible outcomes from each fund.

Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.

Source: XPS/LGIM - Costs and charges illustration for a contributing member / SecondSight Pension Calculator

5. Investment returns

This section states the annual return, after the deduction of member borne charges and transaction costs, for all default arrangements and investment options that members are able, or were previously able, to select and in which members' assets were invested during the scheme year. When preparing this section of the statement the Trustee has taken account of the relevant statutory guidance.

For the arrangements where returns vary with age, such as for the default strategy, returns are shown over the scheme year for a member aged 25, 45 and 60 at the start of the period the returns are shown over.

Rexel UK Default Cash-targeting Lifestyle Strategy net returns over periods to scheme year end:

Age of member at the start of the period	1 year (%)	3 years (% pa)
25	-2.3%	8.7%
45	-2.3%	8.7%
60*	-1.7%	6.3%

*To calculate these returns, 50% of the Diversified Growth Fund, 25% of the Cash Fund and 25% of the Consensus Index Fund have been used.

Self-select fund net returns over periods to scheme year end:

Fund name	1 year (%)	3 years (% pa)
LGIM Cash Fund	2.1%	0.7%
Abrdn (Aberdeen Standard) DGF	-4.3%	7.1%
LGIM Over 5-year index-Linked Gilts Fund	-30.5%	-9.3%
LGIM Future World Annuity Aware Fund (previously known as the Pre-Retirement Fund)	-19.6%	-8.4%
LGIM UK Equity Index Fund	2.9%	13.8%
LGIM World (ex-UK) Equity Index Fund	-1.2%	16.7%

6. Value for members assessment

The Trustee is required to assess the extent to which member borne charges and transaction costs represent good value for members. It is difficult to give a precise legal definition of “good value”, but the Trustee considers that it broadly means that the combination of costs and the quality of what is provided in return for those costs is appropriate for the Scheme membership as a whole, when compared to other options available in the market.

The Trustee reviews all member-borne charges (including transaction costs where available) annually, with the aim of ensuring that members are obtaining value for money given the circumstances of the Scheme. The Trustee notes that value for money does not necessarily mean the lowest fee, and the overall quality of the service received has also been considered in this assessment.

The Trustee’s assessment included a review of the performance of the Scheme’s investment funds (after all charges) in the context of their investment objectives.

The returns on the investment funds members can choose during the period covered by this statement have been consistent with their stated investment objectives.


In carrying out the assessment, the Trustee also considers the other benefits members receive from the Scheme, which include:



- the Scheme’s charges and investment performance, against three established Master Trusts that have been through the authorisation process implemented by the Pensions Regulator.

- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards for the Scheme year.
- A review of the oversight and governance of the Trustee, including ensuring the Scheme is compliant with relevant legislation, such as the charge cap, and holding regular meetings to monitor the Scheme and address any material issues that may impact members.
- the design of the default arrangement and how this reflects the membership as a whole.
- the range of investment options and strategies.
- the quality of communications delivered to members.
- the quality of support services such as the Scheme website where members can access fund information online; and

Following a report prepared by SecondSight alongside the Trustee’s knowledge of Scheme and its membership, the Trustee has concluded that members of the Scheme are receiving value for members for the charges and cost that they incur. However, the Trustee proceeded post Scheme year end to progress, following advice from Barnett Waddingham, with a transition of members (excluding the ex-Senate population) to the Scottish Widows Master Trust as additional value was felt to be offered, including improved investment choice, a more appropriate at retirement default strategy target, increased member engagement and communication support, and a significant improvement in member borne charges.

A summary of the assessment and the value provided to members of the Scheme can be found in the table below:

<p>Governance & Oversight</p> <p>Overall, the Trustee of the Scheme has good policies and structures in place to ensure the Scheme offers value to its members.</p> <p>However, some improvement opportunities are recognised from a communications perspective, this may be linked to member understanding of pensions, such as education for those nearing retirement, new joiners and those existing members looking to accumulate assets, etc.</p> <p>The Trustee should also maintain regular communications to support relevant messaging as per the 2022 newsletter, etc., albeit no additional communications were issued in the Scheme year under review.</p> <p>During the scheme year under assessment the Trustee carried out regular review of the Scheme’s investment strategy performance.</p> <p>The Trustee Directors undertake significant training during the year and have a good understanding of the Scheme’s deed and rules but further DC focused training would also be of benefit (should the ex-Senate population remain in the Scheme).</p>	 <p>Governance and oversight</p>
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<p>Costs & Charges</p> <p>The comparison shows that the Total Expense Ratio offered through the Scheme is not competitive.</p> <p>The cost and charges when considered in isolation represent poor value for members.</p> <p>Given the wider review of pension arrangements that took place and completed post Scheme year-end, this issue has been addressed by the transition to the Scottish Widows Master Trust.</p>	<p style="text-align: center;">Costs and Charges</p> 
<p>Investment Performance</p> <p>The performance of the Scheme's investments has provided an appropriate level of both short and long-term value to members.</p> <p>The default investment strategy's net performance has been strong in absolute terms albeit at the lower end of the scale relative to the comparator schemes during the Growth phase.</p> <p>The Trustee recently considered the suitability of the default strategy and wider core fund range following completion of the 2021 investment review. As a consequence of the continued investment governance in place the Trustee has now concluded that the cash "at retirement" objective of the default strategy is less likely to be the preferred method by which members access their retirement savings and therefore concluded that a "flexible" objective would be more suitable.</p>	 <p style="text-align: center;">Net investment returns</p>

Further details of the Trustee's value for members assessment can be provided on request.

As detailed in the earlier section covering processing of financial transactions, the Trustee is comfortable with the quality and efficiency of the administration processes.

The Trustee believes the transaction costs provide value for members as the ability to transact forms an integral part of the investment approaches, and we expect this to lead to greater investment returns net of fees over time.

Overall, the Trustee believes that members of the Scheme are receiving value for money for the charges and cost that they incur. The Trustee believes this because the scheme benchmarks well against other schemes when its size and membership demographic is taken into account, although the Trustee recognised the additional value that a transition to the Scottish Widows Master Trust could deliver.

7. Trustee knowledge and understanding

The Scheme's Trustee is required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustee must:

- Be conversant with the trust deed and rules of the Scheme, the Scheme's SIP and any other document recording policy for the time being adopted by the Trustee relating to the administration of the Scheme generally,

- Have, to the degree that is appropriate for the purposes of enabling the individual properly to exercise his or her functions as trustee, knowledge and understanding of the law relating to pensions and trusts and the principles relating to investment the assets of occupational pension schemes.

In addition, the Trustees of schemes that are subject to the Climate Change Governance and Reporting Requirements in Part 1 of the Schedule to the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 must have knowledge and understanding of the identification, assessment and management of risks and opportunities relating to climate change for occupational pension schemes, including risks and opportunities arising from steps taken because of climate change.

The Trustee has measures in place to comply with the legal and regulatory requirements regarding conversance and knowledge and understanding. Details of how the conversance and knowledge and understanding requirements have been met during the period covered by this statement are set out below.

The requirements have been met during the course of the scheme year as follows:

- The Trustee Chair is an independent trustee.
- The Trustee Directors training is logged and reviewed annually.
- The Trustee Directors have undertaken trustee training at trustee meetings on key agenda items and are kept abreast of pension legislation and relevant developments.
- Specific training has included: ESG and credit managers; Dynamic Real Return funds; LDI; DC consolidation; CMA regulations; GMP Equalisation; Pensions Act 2021 & DB Funding Code of Practice; Single Code of Practice; and Pensions dashboards.
- The Trustee Directors fully utilise the knowledge of the appointed professional advisers who are present at each Trustee meeting. These sessions were provided by a range of professional adviser partners including; Abrdn, Barnett Waddingham, XPS and Gateley Legal.
- The Trustee Directors are conversant with and understand the Scheme's Trust Deed and Rules, taking advice from the Scheme's legal advisers where needed, as well as the Scheme's other documents including the SIP and have knowledge and understanding of pension and trust law and knowledge of funding and investment principles, as required by section 248 of the Pensions Act 2004. In addition, the Trustee has a good working knowledge of, and continued access to, the Scheme's other documents and policies including the SIP.

The Trustee with the help of its advisers, regularly considers training requirements to identify any knowledge gaps. The Trustee's investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustee's advisers would typically deliver training on such matters at Trustee meetings if they were material.

The Trustee is familiar with and has access to copies of the current Scheme governing documentation, including the Trust Deed & Rules (together with any amendments), the SIP and key policies and procedures. In particular, the Trustee refers to the Trust Deed and Rules as part of considering and deciding whether to make any changes to the Scheme and, where relevant, deciding individual member cases, and the SIP is formally reviewed at least every three years and as part of making any change to the Scheme's investments.

Regular training is provided on aspects of the Trustee Knowledge and Understanding requirements. Other training relates to topical items or specific issues under consideration and during the Scheme

year. A training log is maintained in line with best practice and the training programme is reviewed annually to ensure it is up to date.

Taking into account the knowledge and experience of the Trustee with the specialist advice (both in writing and whilst attending meetings) received from the appointed professional advisors (e.g. investment consultants, legal advisors), the Trustee believes that it is well placed to exercise its functions as Trustee of the Scheme properly and effectively.

Ken Mullen, Chair of Rexel UK Pension Trustees Limited

Appendix A – Statement of Investment Principles

Available at:

[Rexel UK Pension Scheme 2022 Statement of Investment Principles](#)