

STATEMENT REGARDING DEFINED CONTRIBUTION GOVERNANCE



MARYLEBONE CRICKET CLUB PENSION AND ASSURANCE SCHEME
YEAR ENDED 31 DECEMBER 2019

INTRODUCTION

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

- the investment options in which members can invest (this means the default arrangement and other funds members can select or have assets in, such as “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;
- a ‘value for members’ assessment; and
- Trustee knowledge and understanding.

The Scheme’s DC pension arrangement serves as a top up for members in the defined benefit (“DB”) pension arrangement.

DEFAULT ARRANGEMENTS

The Scheme is used as a Qualifying Scheme for auto-enrolment purposes. The contributions made on the first £29,000 of members’ salaries are paid into the DB Section. The DC Section is used for contributions on the portion of salary which is above £29,000.

The Trustees have made available a range of investment options for members. Members who join the Scheme and who do not choose an investment option are placed into the MCC Cash Lifestyle option, (the “Default”). The Trustees recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, the Trustees decided to make the Default a lifestyle strategy, which means that members’ assets are automatically moved between different investment funds as they approach their target retirement date.

The Trustees are responsible for investment governance, which includes setting and monitoring the investment strategy for the default arrangement.

Details of the objectives and the Trustees’ 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 document.

The objective of the default arrangement is to target a full cash lump sum at retirement, since the Trustees believe that most members will wish to take their

benefits in this form. Therefore, in the initial growth phase is invested to target a return significantly above inflation, and then in the 15 years before retirement, it switches gradually into less risky assets, with the asset allocation at retirement being designed to be appropriate for members taking a cash lump sum.

The Default was not reviewed during 2019. The Default is reviewed at least every three years and the last review concluded on 22 March 2017. The strategy of the Default was reviewed to check that it continues to be suitable and appropriate given the Scheme's risk profiles and membership. The Trustees regularly monitor the performance of the Default and will formally review both this and the strategy at least every three years (the latest review took place in February 2020) or immediately following any significant change in investment policy or the Scheme's member profile.

REQUIREMENTS FOR PROCESSING CORE FINANCIAL TRANSACTIONS

Processing core financial transactions is carried out by the administrators of the Scheme, Legal & General ("L&G"). 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 Trustees have received assurance from L&G that there are adequate internal controls to ensure that core financial transactions for the Scheme are processed promptly and accurately.

The Scheme has a service level agreement ("SLA") in place with the administrator which covers the accuracy and timeliness of all core financial transactions. L&G commits to provide a robust and timely level of service to the Trustees in relation to the administration of the Scheme. This includes joiner files, contribution files and cash allocations being processed within 24 hours of receipt and maturity packs, leaver option packs and customer enquiries being processed within 5 working days.

The key processes adopted by the administrator to help it meet the SLA are as follows:

- maximising the use of straight-through processing, which automatically reconciles member units on the administration platform. This avoids the need for manual intervention and, in turn, eliminates the risk of error and the need for checking and reviewing.
- L&G also run a daily scan, which compares the money received against what's been allocated through automation. Any mismatches are notified to the management team, who ensures these mismatches are reconciled correctly.
- The administrator's quality controls are reviewed at a monthly "Risk and Controls Committee", which is overseen by L&G's Workplace DC Pensions Senior Leadership team. All processes are documented and assigned to the owners within the appropriate business team.
- L&G's workplace pensions business is also subject to regular independent internal auditing from the L&G Group Internal Audit department, which is independent of all business and operational functions in the L&G Group plc; it reports to the Group Audit Committee on the effectiveness of the control environment in mitigating the key risks of the group.

To help the Trustees monitor whether service levels are being met, the Trustees receive quarterly reports about the administrator's performance and compliance

with the SLA, using information provided by the administrators, the Trustees are 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.

MEMBER-BORNE CHARGES AND TRANSACTION COSTS

The Trustees are required to set out the on-going charges incurred 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 stated charges also include costs relating to administration and investments costs, since members incur these costs. MCC reimburses members 0.30% per annum toward their fund administration charges and this is taken in account on the charges shown in this Statement.

The Trustees are also required to separately disclose transaction cost figures. 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, but are exclusive of any costs incurred when members invest in and switch between funds. The transaction costs are borne by members.

The charges and transaction costs have been supplied by the L&G who are the Scheme's platform provider. When preparing this section of the Statement the Trustees have taken account of the relevant statutory guidance. Due to the way in which transaction costs have been calculated it is possible for figures to be negative; since transaction costs are unlikely to be negative over the long term the Trustees have shown any negative figure as zero.

DEFAULT ARRANGEMENTS

The Default arrangement is the MCC Cash Lifestyle. The Default 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 age and in which fund they are invested.

For the period covered by this Statement, annualised charges and transaction costs are set out in the following table.

MCC CASH LIFESTYLE

YEARS TO TARGET RETIREMENT DATE	MEMBER CHARGES [PA]	TRANSACTION COSTS
15 or more years to retirement	0.14%	0.01%
10 years to retirement	0.14%	0.02%
5 years to retirement	0.28%	0.04%
At retirement	0.00%	0.00%

SELF-SELECT OPTIONS AND AVCS

In addition to the default arrangement, members also have the option to invest in two other lifestyles, targeting drawdown and annuity purchase and several other self-select funds. The annual charges for these lifestyles during the period covered by this Statement are set out in the tables below.

MCC DRAWDOWN LIFESTYLE

YEARS TO TARGET RETIREMENT DATE	MEMBER CHARGES [PA]	TRANSACTION COSTS
15 or more years to retirement	0.00%	0.01%
10 years to retirement	0.14%	0.02%
5 years to retirement	0.28%	0.04%
At retirement	0.21%	0.03%

MCC ANNUITY LIFESTYLE

YEARS TO TARGET RETIREMENT DATE	MEMBER CHARGES [PA]	TRANSACTION COSTS
15 or more years to retirement	0.00%	0.01%
10 years to retirement	0.14%	0.02%
5 years to retirement	0.28%	0.04%
At retirement	0.02%	0.00%

The level of member borne charges (taking account of the Club paying the first 0.30% pa) for each self-select fund (including those used in the Default) 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 are shown in bold. Some members also have AVC assets in the Scheme's existing main policy with L&G (known as the "WorkSave" policy), and the AVC assets in the WorkSave policy are subject to the same charges as they DC assets (ie both DC and AVC assets in the main policy receive the 0.30% pa Club fee rebate).

SELF-SELECT FUNDS

MANAGER	MEMBER CHARGES [PA]	TRANSACTION COSTS
L&G Global Equity Fixed Weights 50:50 Index	0.00%	0.01%
L&G Dynamic Diversified Fund	0.42%	0.05%
L&G Cash	0.00%	0.00%
L&G Pre-Retirement	0.02%	0.00%
L&G Over 5 Year Index Linked Gilts Index	0.00%	0.07%
L&G Global Equity 70:30 Index	0.00%	0.00%
L&G Over 15 Year Gilts Index	0.00%	0.02%
L&G Property	0.81%	0.00%
L&G Future World Fund	0.14%	0.08%

LEGACY AVC FUNDS

There are 4 members in the Scheme that have AVC benefits in a legacy policy, which is also managed by L&G. The AVC fund charges below are those borne by members in the legacy policy. Please note that the Club does not pay the first 0.30% pa of the charges on the legacy AVC funds.

MANAGER	MEMBER CHARGES	TRANSACTION COSTS
With Profits Fund	.*	.*
Cash fund	0.51%	0.00%
Managed Fund	0.56%	0.05%

*The annual management charge and transaction costs for the With-Profits Fund is taken into account in the bonus rates declared

ILLUSTRATION OF CHARGES AND TRANSACTION COSTS

The following table sets out an illustration of the impact of charges and transaction costs on the projection of an example member's pension savings. In preparing this illustration, the Trustees have had regard to the statutory guidance.

- The "before costs" figures represent the savings projection assuming an investment return with no deduction of member borne charges or transaction costs. The "after costs" figures represent the savings projection using the same assumed investment return but after deducting member borne charges and an allowance for transaction costs.
- The transaction cost figures used in the illustration are those provided by the managers over the past two years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term).
- The illustration is shown for the Default (the MCC Cash Lifestyle) since this is the arrangement with the most members invested in it, as well as four funds from the Scheme's self-select fund range. The four self-select funds shown in the illustration are:

- the fund with the highest before costs expected return - this is the L&G Global Equity Fixed Weights 50:50 Index Fund
- the fund with the lowest before costs expected return - this is the L&G Cash Fund
- the fund with highest annual member borne costs - this is the L&G Property Fund
- the fund with lowest annual member borne costs - this is the L&G Global Equity 70:30 Index

YEARS INVESTED	DEFAULT OPTION [CASH LIFESTYLE]		L&G GLOBAL EQUITY FIXED WEIGHTS 50:50 INDEX		L&G CASH		L&G PROPERTY		L&G GLOBAL EQUITY 70:30 INDEX	
	BEFORE COSTS	AFTER COSTS	BEFORE COSTS	AFTER COSTS	BEFORE COSTS	AFTER COSTS	BEFORE COSTS	AFTER COSTS	BEFORE COSTS	AFTER COSTS
1	£5,400	£5,400	£5,400	£5,400	£5,200	£5,200	£5,400	£5,300	£5,400	£5,400
3	£8,300	£8,300	£8,300	£8,300	£7,700	£7,700	£8,200	£8,100	£8,300	£8,300
5	11,400	£11,400	£11,400	£11,400	£10,000	£10,000	£11,100	£10,800	£11,300	£11,300
10	£19,500	£19,500	£19,500	£19,500	£15,500	£15,500	£18,600	£17,700	£19,400	£19,400
15	£28,400	£28,400	£28,400	£28,400	£20,500	£20,500	£26,600	£24,800	£28,100	£28,100
20	£38,200	£38,100	£38,200	£38,100	£25,100	£25,100	£35,100	£32,000	£37,700	£37,700
25	£48,900	£48,900	£48,900	£48,900	£29,300	£29,300	£44,200	£39,400	£48,200	£48,200
30	£60,200	£59,900	£60,700	£60,600	£33,100	£33,100	£53,700	£46,900	£59,600	£59,600
35	£71,600	£70,400	£73,700	£73,600	£33,600	£33,600	£63,900	£54,500	£72,200	£72,200
40	£76,100	£74,400	£87,900	£87,800	£39,800	£39,800	£74,700	£62,300	£85,900	£85,900

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. The numbers shown in the illustration are rounded to the nearest £100 for simplicity.
- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of future inflation.
- Annual salary growth and inflation is assumed to be 2.5%. Salaries could be expected to increase above inflation to reflect members becoming more experienced and being promoted. However, the projections assume salaries increase in line with inflation to allow for prudence in the projected values.
- The starting pot size used is £4,000 which is the approximate median pot size for all members with DC benefits in the Scheme.
- The projection is for 40 years, being the approximate duration that the youngest scheme member has until they reach the scheme's Normal Pension Age.
- Since DC contributions are only paid in on the member salary above £29,000, we have assumed a starting "contribution applicable salary" of £12,100 since is the approximate median salary in excess of £29,000, for all active members with DC benefits in the Scheme.
- Total contributions (employee plus employer) are assumed to be 11% of salary per year, as this is the default total contribution rate most members.

The projected annual returns used are as follows:

- Default option: 1.9% above inflation for the initial years, gradually reducing to a return of 1.8% below inflation at the ending point of the lifestyle.
- L&G Global Equity Fixed Weights 50:50 Index: 1.9% above inflation
- L&G Cash: 1.8% below inflation
- L&G Property: 1.2% above inflation
- L&G Global Equity 70:30 Index: 1.8% above inflation

No allowance for active management outperformance has been made.

VALUE FOR MEMBER'S ASSESSMENT

The Trustees are required to assess the extent to which member borne charges and transaction costs represent good value for members. There is no legal definition of 'good value' which means that determining this is subjective. The general policy of the Trustees in relation to value for member considerations is set out below.

Assessment of the value members receive in the Scheme was last covered as part of the wider review of the DC investment arrangements on 5 February 2020; this assessment included benchmarking of the fees members incur in the Scheme against other similar sized DC schemes. The fees for the Scheme's DC investment funds were shown to be in line with other comparable schemes, but once the Club fee subsidy is taken into account the member borne fees are zero for most funds, and materially lower than the average of the comparator schemes in this assessment.

After the Scheme year end, the Trustee, with the help of its investment adviser, negotiated a fee reduction for the L&G Future World Fund which was implemented during 2020.

The Trustees' 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 Trustees also consider the other benefits members receive from the Scheme, which include:

- the oversight and governance of the Trustees, including ensuring the Scheme is compliant with relevant legislation, and holding regular meetings to monitor the Scheme and address any material issues that may impact members;
- the design of the Default 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
- the efficiency of administration processes and the extent to which the administrator met or exceeded its service level standards.

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 Trustees believe 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 Trustees believe that members of the Scheme are receiving good value for money for the charges and cost that they incur, particularly once the Club fee subsidy is taken into consideration.

TRUSTEE KNOWLEDGE AND UNDERSTANDING

The Scheme's Trustees are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. The Trustees have measures in place to comply with the legal and regulatory requirements regarding knowledge and understanding of relevant matters, including investment, pension and trust law. Details of how the knowledge and understanding requirements have been met during the period covered by this Statement are set out below.

The Trustees, with the help of their advisers, regularly consider training requirements to identify any knowledge gaps. The Trustees' investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. The Trustees' advisers would typically deliver training on such matters at Trustees' meetings if they were material. During the period covered by this Statement, the Trustees received training on the following topics:

- Investments - Legal & General
- A Stronger Pensions Regulator - Allen & Overy
- Deed and Rules - Linklaters
- DC Code of Practice Training x 2 - Linklaters and Lane Clark & Peacock, Norton Rose Fulbright
- Transforming Investment outcomes - Aberdeen Standard

All the Trustees are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out the Trustees' policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, the Trustees refer to the Trust Deed and Rules as part of considering and deciding to make any changes to the Scheme, and the SIP is formally reviewed annually and as part of making any change to the Scheme's investments. Further, the Trustees believe they have sufficient knowledge and understanding of the law relating to pensions and trusts and of the relevant principles relating to the funding and investment of occupational pension schemes to fulfil their duties.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustees have completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of occupational pension schemes meet the minimum level of knowledge and understanding required by law), which all new Trustees are required to and have completed within six months of being appointed. 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. New Trustees are encouraged to actively seek to attend training sessions provided by the Scheme's Legal and Investment advisers as well as other industry events.

Considering the knowledge and experience of the Trustees and the specialist advice (both in writing and whilst attending meetings) received from the appointed

professional advisors (eg investment consultants, legal advisors), the Trustees believe they are well placed to exercise their functions as Trustees of the Scheme properly and effectively.

IMPACT OF COVID 19

Since the year-end, consequent on the global impact of the Coronavirus (Covid-19) pandemic, the value of investment assets and liabilities (across all categories) have been impacted. This is a non-adjusting subsequent event, as it does not impact the valuation of assets as at the year-end date. It is not possible, at this time, to quantify the change in market value in a meaningful way, due to ongoing volatility, as the situation is fluid and unpredictable.

At an operational level, the Trustees are working with the administrators to minimise any disruption to administration service delivery. For example, there may be some delays to responding to member enquiries and processing of transactions. The Trustees are keeping this matter under regular review.

Approved by the Trustees and signed on their behalf by:

A handwritten signature in black ink, appearing to read 'J. Nestor', with a long horizontal line extending from the end of the signature.

John M. Nestor | Chairman of the Trustees

Date: 21/07/2020

Signed by the Chair of Trustees of the MCC Pension and Assurance Scheme