

1 JANUARY 2020 TO 31 DECEMBER 2020

1. INTRODUCTION

Governance requirements apply to defined contribution (“DC”) pension arrangements, to help members achieve a good outcome from their pension savings. In line with the requirements of the Occupational Pension Schemes (Scheme Administration) Regulations (SI 1996/1715), as amended by the Occupational Pension Schemes (Charges and Governance) regulations 2015 (SI 2015/879). The Trustees of the Marylebone Cricket Club Pension & 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.

This Statement covers the year from 1 January 2020 to 31 December 2020. The Scheme’s DC pension arrangement serves as a top up for members in the defined benefit (“DB”) pension arrangement.

2. DEFAULT ARRANGEMENTS

The Scheme is used as a Qualifying Scheme for automatic enrolment purposes. This means that it is used as a pension savings scheme for employees of the MCC who are eligible for automatic enrolment into a pension scheme. 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, as stated in the SIP, 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 is reviewed at least every three years and was last reviewed on 24 January 2020 (the date of the investment adviser's formal written advice). The Default and alternative lifestyle strategies' composition and funds were reviewed to ensure that investment returns (after deduction of any charges) have been consistent with the aims and objectives of the Default as stated in the SIP, and to check that it continues to be suitable and appropriate given the Scheme's risk profiles and membership.

The Trustees are satisfied that the Default remains appropriate based on the review. Members in the Scheme are projected to have relatively small DC pots at retirement as all members have DB benefits in the Scheme and would likely use their DC pot for tax-free cash, supporting the current Default target outcome of full cash withdrawal.

The Trustees also reviewed the growth phase of the default arrangement and considered the impact of changing the equity allocation of the growth phase:

- to reduce the UK equity allocation in favour of a more globally weighted country allocation; and,
- to introduce a low carbon tilted equity fund, in order to mitigate the risk to the investments related to climate change.

The Trustees also reviewed the self-select fund range. This part of the review highlighted that there were two funds without any members invested in them, namely the LGIM Over 15 Year Fixed Interest Gilt Index and the LGIM Over 5 Year Index-Linked Gilt Index funds. As a result, the Trustees removed these funds from the self-select fund range over the Scheme Year and added the LGIM Pre-retirement Fund, which is already used within the MCC Annuity Lifestyle.

In addition to the strategy review, the Trustees also review the performance of the funds used in default arrangement, alternative lifestyles and self-select fund range against their objectives on a quarterly basis. This review includes an analysis of fund performance to check that the return levels meet expectations. The Trustees' reviews that took place during the Scheme year concluded that the default arrangement was performing broadly as expected.

In addition to the DC Section, there are four Scheme members who have Additional Voluntary Contributions ("AVCs") which at the start of the Scheme year were also managed by L&G. On 7 September 2020, L&G transferred the business which was responsible for these AVCs to ReAssure.

3. REQUIREMENTS FOR PROCESSING CORE FINANCIAL TRANSACTIONS

The processing of core financial transactions is carried out by the platform provider and administrator of the Scheme, Legal & General (“L&G”). Core financial transactions include (but are not limited to): 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 targets processing new joiner files, contribution files and cash allocations within 24 hours of receipt and maturity packs, leaver option packs and customer enquiries being processed within 5 working days. Legal & General undertake to ensure that 95% of all processes identified are completed within the defined SLAs.

Over the Scheme year, L&G met its SLA target for 99.5% of cases.

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

- L&G’s administration process centres around 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 runs 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. Any issues identified by the Trustee as part of its review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

During the Scheme year, L&G’s administration performance has remained strong in the support given to the Trustees to ensure that members monthly contributions and new joiners records are set up and invested without delay, with service levels being delivered throughout the Scheme year in this area. During the Scheme year there was

some reduction in administration performance on some individual processes due to the general impact of Covid-19.

One of the priorities for L&G during the initial period of the Covid-19 pandemic was the safety of colleagues. When the Government advice was updated, L&G made the decision to send staff home for their own safety. L&G then delivered a major project to provide administration staff with the facilities to work from home. There was a short period when the member helpline had to close on 24 March and reopened only on 6 April. During this period, L&G focused on online support and outbound calls for vulnerable & priority members. When the helpline re-opened, there was again a focus on taking calls from vulnerable and priority customers in the first instance. L&G also re-opened the team dealing with member questions regarding logging onto the online portal Manage Your Account and password resets as there was an increase in member activity in this area. The resilience that has now been built into the homeworking model means that L&G will not need to close the member helpline as it works through further lockdowns.

During the initial period of lockdown, as the L&G team moved to a homebased model, there was a focus on priority and sensitive processes. As such, there was a build-up in the pipeline of work for other processes that were not in this initial focus such as Transfer Out and Member Amendment & Enquiry. In addition, call numbers and activity rose, whereas overall staffing levels were reduced (due to Covid-19). Plans were put in place to recover the position and were reviewed on a weekly basis by the L&G Senior Operations Team. Transfer Out cases that were not processed within SLAs, were assessed on a case-by-case basis to ensure that members were not detrimentally impacted by the delay. Members were given best price at settlement to ensure no financial disadvantage as a result of any delay caused by L&G.

Based on its review processes, 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 issues in relation to processing core financial transactions; and
- core financial transactions on the whole have been processed promptly and accurately to an acceptable level during the Scheme year.

ReAssure, the Scheme's AVC provider, has confirmed that the SLA target for processing core financial transactions is 10 working days. ReAssure confirmed that core financial transactions on the whole have been processed promptly and accurately, and there have been no material administration issues in relation to this.

The Trustees are required to set out the on-going charges incurred by members over the period covered by this Statement, which are annual fund management charges plus 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.

4. MEMBER-BORNE CHARGES AND TRANSACTION COSTS

The stated charges/TER also include any costs, e.g. administration and investment costs, since members incur these costs. The MCC reimburses members 0.30% per annum toward their fund administration charges and this is considered on the charges shown in this Statement under "Member charges".

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 L&G as 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 funds 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 DATE RETIREMENT	MEMBER CHARGES (% PA)	TRANSACTION COSTS (% PA)
15 or more years to retirement	0.00	0.01
10 years to retirement	0.15	0.05
5 years to retirement	0.28	0.08
At retirement	0.00	0.00

Self-select and AVC options

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 DATE RETIREMENT	MEMBER CHARGES [% PA]	TRANSACTION COSTS [% PA]
15 or more years to retirement	0.00	0.01
10 years to retirement	0.15	0.05
5 years to retirement	0.29	0.08
At retirement	0.21	0.06

MCC Annuity Lifestyle

YEARS TO TARGET DATE RETIREMENT	MEMBER CHARGES [% PA]	TRANSACTION COSTS [% PA]
15 or more years to retirement	0.00	0.01
10 years to retirement	0.15	0.05
5 years to retirement	0.28	0.08
At retirement	0.02	0.08

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**.

Self-select funds

FUND NAME	MEMBER CHARGES [% PA]	TRANSACTION COSTS [% PA]
L&G Global Equity Fixed Weights 50:50 Index	0.00	0.01
L&G Dynamic Diversified Fund	0.43	0.12
L&G Cash	0.00	0.00
L&G Pre-Retirement*	0.02	0.10
L&G Over 5 Year Index-linked Gilts Index**	0.00	0.10
L&G Global Equity 70:30 Index	0.00	0.01
L&G Over 15 Year Gilt Index**	0.00	0.04
L&G Property	1.13	0.00
L&G Future World Fund	0.10	0.04

*This fund was added to the self-select fund range over the year.

**These funds were removed from the self-select fund range over the year.

Legacy AVC funds

There are four members in the Scheme that have AVC benefits in a legacy policy managed by ReAssure. 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.

FUND NAME	MEMBER CHARGES [% PA]	TRANSACTION COSTS [% PA]
Managed 6 Pension Accumulator Series 06	0.59	0.07
Special Deposit 6 Pension Accumulator Series 06	0.00*	- **
Unitised-With Profits Pen Gen 4 Pension Accumulator Series 04	0.00*	0.09

* ReAssure has confirmed that there are no explicit administration management charges on the Special Deposit and Unitised-With Profits Funds. The charges are handled within the level of bonuses allocated or rate of interest applied to these funds.

** ReAssure was not able to provide the transaction cost for the Special Deposit fund. It is currently setting up a process that will allow it to provide this information in the future and is aiming for this to be ready by late 2021. The Trustees will continue to liaise with ReAssure to ensure complete information on funds will be available in the future.

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 relevant 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 three years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term). We have used the average annualised transaction costs over the past three years as this is the longest period over which figures were available and should be more indicative of longer-term costs compared to only using figures over the Scheme year.
- 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 Future World Fund.
- the fund with the lowest before costs expected return - this is 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. The L&G Global Equity 70:30 Index has the second lowest annual member borne costs after the L&G Cash Fund. It is shown here within the illustration since the L&G Cash Fund is already shown as the fund with the lowest before costs expected return.

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 £2,000. This is the approximate median pot size for members aged 25 years and younger 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 £12,700 since is the approximate median salary in excess of £29,000, for active members aged 25 years and younger with DC benefits in the Scheme.
- Total contributions (employee plus employer) are assumed to be 11% of salary per year, as this the median total contribution rate for the Scheme.
- The projected annual returns used are as follows:
- Default option: 1.4% above inflation for the initial years, gradually reducing to a return of 2.3% below inflation at the ending point of the lifestyle.
 - L&G Future World Fund: 1.6% above inflation
 - L&G Cash: 2.3% below inflation
 - L&G Property: 1.0% above inflation
 - L&G Global Equity 70:30 Index: 1.4% above inflation
- No allowance for active management outperformance has been made.

Projected pension pot in today's money

YEARS INVESTED	DEFAULT OPTION		L&G FUTURE WORLD FUND		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	£3,400	£3,400	£3,400	£3,400	£3,000	£3,000	£3,400	£3,400	£3,400	£3,400
3	£6,400	£6,400	£6,400	£6,400	£5,900	£5,900	£6,300	£6,200	£6,400	£6,400
5	£9,400	£9,400	£9,400	£9,400	£8,400	£8,400	£9,300	£8,900	£9,400	£9,400
10	£17,300	£17,300	£17,500	£17,300	£14,000	£14,000	£16,900	£15,900	£17,300	£17,300
15	£25,800	£25,700	£26,200	£25,900	£19,100	£19,100	£24,900	£22,700	£25,800	£25,800
20	£34,900	£34,800	£35,600	£35,000	£23,600	£23,600	£33,400	£29,500	£34,900	£34,900
25	£44,600	£44,600	£45,800	£44,900	£27,600	£27,600	£42,200	£36,300	£44,600	£44,600
30	£54,700	£54,400	£56,900	£55,400	£31,200	£31,200	£51,500	£43,000	£55,000	£55,000
35	£64,900	£63,700	£69,900	£66,800	£34,300	£34,300	£61,300	£49,700	£66,200	£66,200
40	£68,300	£66,800	£81,800	£79,000	£37,200	£37,200	£71,600	£56,300	£78,200	£78,200

5. VALUE FOR MEMBERS ASSESSMENT

The Trustees are required to assess every year the extent to which member borne charges and transaction costs represent good value for members and to explain that assessment. 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 24 January 2020. In addition, benchmarking of the fees members incur in the Scheme against other similar sized DC schemes was undertaken at 31 December 2020.

The fees for all but one of the Scheme's DC investment funds were shown to be in line with other comparable schemes, but once the MCC 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.

During the Scheme year, the Trustee, with the help of its investment adviser, negotiated a fee reduction for the L&G Future World Fund which was implemented in 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 arrangement and how this reflects the interests of 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 the processing of core financial transactions, the Trustees are 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 expect this to lead to greater investment returns net of costs 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 MCC fee subsidy is taken into consideration.

6. TRUSTEE KNOWLEDGE AND UNDER- STANDING

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 Trustee meetings if they were significant. During the period covered by this Statement, the Trustees received training on the following topics:

- The future of defaults in a post Covid-19 world - Professional Pensions
- ESG in DC funds - A4S Asset Owners Network
- Implementation Statement requirements - Places for People Group RBS
- Cyber security - LGPS Central Limited

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). 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. Additionally, the Scheme has in place a structured induction process for new trustees. New Trustees are encouraged to actively seek to attend all manner of training sessions provided by the Scheme's legal and investment advisers as well as other industry events. There were no new Trustees appointed during the Scheme year; however, Georgie French and Gary Poynter, and Russell Seymour stepped down as a Trustee.

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 advisers), the Trustees believes they are well placed to exercise their functions as Trustees of the Scheme properly and effectively.

The Statement Regarding Defined Contribution Governance was approved by the Trustees and signed on their behalf by:

John Nestor

Date: 23/07/2021

Signed by the Chair of Trustees of the Marylebone Cricket Club Pension & Assurance Scheme