

# THE ROYAL INSTITUTION OF CHARTERED SURVEYORS PENSION AND ASSURANCE SCHEME

## CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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### Introduction

In March 2015, the Department for Work and Pensions (DWP) set out new rules for the governance of Defined Contribution (DC) pension schemes. From 6 April 2015, trustees are required to produce an annual statement, signed by their chairman, setting out a number of prescribed matters.

The Scheme was set up by deed on 11 April 1994 and the DC Section ("the DC Section") of the Scheme was established on 1 May 2008.

### The default investment strategy

A copy of the statement of investment principles, including details on the default arrangement for the DC Section of the Scheme, is included as part of this Chairman's Statement.

The Trustees have reviewed the default investment strategy for the DC Section of the Scheme on a number of occasions. The latest such review was undertaken in June 2020. The latest Statement of Investment Principles was produced in July 2020 and was signed by the Trustees on 9 July 2020.

The Trustees are aware of the introduction of a 'charge cap' of 0.75% per annum on default investment strategies, for pension schemes being used to comply with the automatic enrolment regulations. The sponsoring employer, the Royal Institution of Chartered Surveyors, chose to use the Scheme to comply with its automatic enrolment duties. The Scheme complies with the automatic enrolment regulations. As the charges for investment in the default investment strategy are 0.5%, it is unlikely that the charge cap will be breached. Nevertheless, the Trustees monitor the costs associated with the default investment strategy to ensure that they do not exceed the charge cap. More information on this is shown below.

### Core financial transactions

During the year, the Trustees checked that the core financial transactions of the Scheme were processed promptly and accurately by:

- Having the Scheme auditor independently test a sample of financial transactions for accuracy and timeliness, as part of the annual audit process.
- Having the administrator report on the timeliness of receipt of contributions from the Principal Employer and the investment of those contributions.
- Having the administrator report on performance against its service standards, which includes core financial transactions.

The core financial transactions include:

- The investment of contributions to the Scheme.
- The transfer of assets relating to members into and out of the Scheme.
- The transfer of assets relating to members between different investments within the Scheme (including 'lifestyling').
- Payments from the Scheme to, or in respect of, members and their beneficiaries.

As a result of the checks undertaken, the Trustees were satisfied that core financial transactions of the Scheme were processed appropriately.

### Charges

The charge that applied to funds in the default investment strategy for the Scheme during the year was 0.5%. The same fee applies regardless of time to retirement. The measure of charges used for assessment against the charge cap is known as the Member Borne Deduction (MBD) and is normally calculated by subtracting transaction costs from the Total Expense Ratio (TER). The TER shows the total annual costs involved in running an investment fund. This includes the Annual Management Charge, plus other charges incurred in administering the fund, including (but are not limited to), share registration fees, legal fees, auditor fees and custodian fees.

However, for the Scheme there is a single charge of 0.5% which covers the investment charges and the cost of administering the Scheme and the investment manager states that the AMC is the same as the TER. The charges applicable to all other funds available through the Scheme during the year were also 0.5%.

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**Transaction costs**

Transaction costs are incurred as a result of buying, selling, lending or borrowing investments. The costs mainly arise as a result of delivering a fund’s target investment return whether an active or passive investment approach is used. As an example, a fund may need to buy or sell assets when members pay money into, or take money out of, a fund, with the buying and selling of those assets incurring costs.

Transaction costs arise as a result of participating in a financial market. They are separate from any annual management charges. The transaction cost for buying or selling an investment includes all costs incurred by a buyer or seller from the point an order to transact is received, to the point at which the transaction completes. These costs include all charges, commissions, taxes and other associated payments incurred directly or indirectly. These costs are ultimately borne by the assets of the arrangement or by any investment in which the arrangement is directly or indirectly invested. Some of these costs are easily identifiable, while others may rely on the investment manager’s judgement.

The investment managers for the DC Section, Legal & General Investment Management and Ninety-One Asset Management, provided the following transaction costs to ReAssure for the Scheme for the year to 31 December 2021:

Fund	Transaction cost
<b>Legal &amp; General</b>	
UK Equity Index	0.00%
Global Equity Fixed Weights 50:50 Index	0.00%
World (ex-UK) Equity Index	0.00%
Global Emerging Markets Equity Index	0.00%
Ethical UK Equity Index	0.00%
Pre-Retirement	0.00%
Cash	0.00%
<b>Ninety-One Asset Management</b>	
Investec American Fund	0.00%

Some transaction costs may be negative due to the prescribed method for calculating them.

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Net investment returns

The Occupational Pension Schemes (Administration, Investment, Charges and Governance) Amendment) Regulations 2021 introduces new requirements for trustees of DC pension schemes. From 1 October 2021, the Trustees are required to calculate and state the return on investments from their default and self-select funds, net of transaction costs and charges.

Below are the annualised net investment returns to 31 December 2021 for all funds where no lifestyling takes place.

**Self-select funds:**

<b>Fund name</b>	<b>1 Year (%)</b>	<b>5 Years (% p.a.)</b>
L&G UK Equity Index	17.41	4.84
L&G Global Equity Fixed Weights 50:50 Index	17.16	8.07
L&G World (ex UK) Equity Index	22.29	12.85
L&G Global Emerging Markets Equity Index	-0.20	6.45
L&G Ethical UK Equity Index	16.88	4.71
L&G Pre-Retirement	-5.36	3.28
L&G Cash	-0.53	-0.14
Ninety-One Asset Management Investec American Fund	25.24	16.44

Below are the annualised net investment returns to 31 December 2021 for all funds where lifestyling does take place.

**Default lifestyle:**

<b>Time period</b>	<b>1 Year (%) 31/12/2020 to 31/12/2021</b>	<b>5 Years (% p.a.) 31/12/2016 to 31/12/2021</b>
<b>Age of member at beginning of period (years)</b>		
25	17.16	8.07
45	17.16	8.07
55	3.89	3.38

Source: Providers, Isio calculations

Notes

1. Longer term returns are not available from the platform provider
2. Returns calculated as the annual geometric average
3. Age-related returns for members in lifestyle strategies assume annual switching in the glidepath
4. Performance is net of Scheme fees of 0.5%.

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**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Illustration of costs and charges**

**For active members**

The figures in the table below show the effect of investment manager's charges on an active member's account value over incremental periods for the next 40 years. The table shows the effect based on the assumptions set out in the notes below the table.

Projected member account value in today's money:

Starting pot value of: £155,000	Default Strategy		L&G Global Equity Fixed Weights 50:50 Index		L&G Emerging Markets Equity Index		L&G Cash	
	Before Charges (£)	After all costs and charges deducted (£)	Before Charges (£)	After all costs and charges deducted (£)	Before Charges (£)	After all costs and charges deducted (£)	Before Charges (£)	After all costs and charges deducted (£)
Years to retirement								
1	166,796	165,999	166,796	165,999	168,388	167,592	160,423	159,627
3	191,099	188,495	191,099	188,495	196,382	193,728	170,947	168,536
5	216,385	211,672	216,385	211,672	226,080	221,187	181,054	177,005
10	284,159	272,723	284,159	272,723	308,481	296,073	204,605	196,394
15	358,988	338,492	358,988	338,492	404,006	380,798	225,893	213,478
20	441,604	409,345	441,604	409,345	514,746	476,657	245,136	228,530
25	532,819	485,673	532,819	485,673	643,124	585,113	262,530	241,792
30	633,528	567,901	633,528	567,901	791,949	707,821	278,252	253,477
35	744,719	656,483	744,719	656,483	964,478	846,654	292,465	263,773
40	834,434	723,191	867,482	751,911	1,164,487	1,003,730	305,311	272,845

**Notes**

1. Projected member account values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
2. The starting member account value is assumed to be £155,000.
3. Inflation is assumed to be 2.50% each year.
4. Contributions are assumed to continue to retirement age at a total rate of 20.50% and increase in line with assumed earnings inflation of 2.50% each year. Contributions are based on a current pensionable salary of £42,000 per annum.
5. Values shown are estimates and are not guaranteed.
6. The projected growth rates before charges (after allowing for expected inflation) for the strategy/fund choices shown above are as follows:
  - I. Default investment strategy (lifestyle): from 2.00% to -2.00% per annum, depending on how close the member is to retirement
  - II. Global Equity Fixed Weights 50:50 Index: 2.00% per annum
  - III. Global Emerging Markets Equity Index: 3.50% per annum
  - IV. Cash: -2.00% per annum.

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**For deferred members**

The figures in the table below show the effect of investment manager's charges on a deferred member's account value over incremental periods for the next 40 years. The table shows the effect based on the assumptions set out in the notes below the table.

Projected member account value in today's money:

Starting pot value of: £75,000	Default Strategy		L&G Global Equity Fixed Weights 50:50 Index		L&G Emerging Markets Equity Index		L&G Cash	
	Before Charges (£)	After all costs and charges deducted (£)	Before Charges (£)	After all costs and charges deducted (£)	Before Charges (£)	After all costs and charges deducted (£)	Before Charges (£)	After all costs and charges deducted (£)
Years to retirement								
1	76,500	76,125	76,500	76,125	77,250	76,875	73,500	73,125
3	79,591	78,426	79,591	78,426	81,955	80,767	70,589	69,514
5	82,806	80,796	82,806	80,796	86,946	84,856	67,794	66,082
10	91,425	87,041	91,425	87,041	100,794	96,006	61,280	58,225
15	100,940	93,767	100,940	93,767	116,848	108,622	55,393	51,302
20	111,446	101,014	111,446	101,014	135,458	122,896	50,071	45,202
25	123,045	108,821	123,045	108,821	157,033	139,046	45,260	39,827
30	135,852	117,231	135,852	117,231	182,045	157,318	40,911	35,091
35	149,992	126,291	149,992	126,291	211,040	177,990	36,981	30,919
40	159,197	130,763	165,603	136,051	244,653	201,380	33,428	27,242

Notes

1. Projected member account values are shown in today's terms and do not need to be reduced further for the effect of future inflation.
2. The starting member account value is assumed to be £75,000.
3. Inflation is assumed to be 2.50% each year.
4. No further contributions are assumed.
5. Values shown are estimates and are not guaranteed.
6. The projected growth rates before charges (after allowing for expected inflation) for the strategy/fund choices shown above are as follows:
  - I. Default investment strategy (lifestyle): from 2.00% to -2.00% per annum, depending on how close the member is to retirement
  - II. Global Equity Fixed Weights 50:50 Index: 2.00% per annum
  - III. Global Emerging Markets Equity Index: 3.50% per annum
  - IV. Cash: -2.00% per annum.

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**Value for members**

Trustees need to formally assess whether the charges and transaction costs for their pension scheme represent good value for members.

There is no specific definition of what constitutes good value; it is a decision that needs to be made by each trustee body for their scheme.

The Trustees' advisers, Isio, provided a report on 'value for members' for the Defined Contribution Section of the Scheme in May 2022. The report looked at the core areas set out by the Pensions Regulator when assessing value for members.

The only costs borne by members are the charges and transaction costs that apply to the investment and administration of their pension accounts. Other charges can be incurred, including the payment of fees in relation to divorce proceedings or fees for investment switches, but these charges are ad hoc.

The report concluded that a number of areas of the Scheme could be improved such as the default investment strategy and range of investment options, the level of retirement support and member education and engagement. However, following the closure of the DC section to future contributions with effect from 31 March 2022, the Trustees have decided to wind-up the Scheme, and do not believe any immediate action is required as many of the areas are expected to be addressed as part of the wind-up.

**Knowledge and understanding of the Trustees**

The Trustees are required by law to possess or have access to, sufficient 'knowledge and understanding' to run the Scheme effectively. (This applies equally to the DB Section of the Scheme.) The Trustees take this responsibility seriously and work with their professional advisers to address any areas where their knowledge might be less than the Pensions Regulator would expect. However, given the presence of a professional trustee on the Trustee board, it is not expected that there would be any gaps in trustee knowledge and understanding for the board as a whole.

The Trustees have a working knowledge of their Trust Deed & Rules, their Statement of Investment Principles and other documents setting our current policies.

A training log is maintained centrally by the Trustees and updated following each Trustees' meeting. In addition, over recent years the Trustees have received training in relation to investment strategy, DC Quality Features, Governance Statement, Chairman's Statement, DC flexibilities (changes following 2014 budget), Statement of Investment Principles, online disclosure requirements for DC pension schemes, and the Code of Practice 13 and regulatory guidance

In 2021, the Trustees received quarterly updates on the latest DC issues.

Taking into account the professional advice available to them and the presence of a professional trustee on the Trustee board, the Trustees are confident that their combined knowledge and understanding enables them to undertake their duties competently and in the best interests of the Scheme membership. Furthermore, the Trustees assess that their degree of knowledge and understanding is appropriate for the purposes of enabling the proper exercise of their functions as Trustees of the Scheme.

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• **What do members need to do with this Chairman's Statement?**

This statement is for noting. Members do not need to take any action. If members have any questions or require any further information, they should contact the Secretary to the Trustees, whose contact details are as follows:

Paula Lamb  
Secretary to the RICS Pension and Assurance Scheme Trustees  
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Brighton  
BN1 5FA  
Email: paula@pensecretarial.co.uk

Signed by the Chairman of the Trustees



Mervyn Walker  
Date: 27/7/22