

COVERING 1 JANUARY 2022 TO 31 DECEMBER 2022

## 1. INTRODUCTION

The **Marylebone Cricket Club Pension & Assurance Scheme** (the "Scheme") is an occupational pension scheme providing defined contribution ("DC") benefits (a DC pension scheme is where employee and employer contributions are paid into it, and the member chooses their investments, but bears the investment risk). Some members also have Additional Voluntary Contributions ("AVCs") in the Scheme.

Governance requirements apply to DC pension arrangements, to help members achieve a good outcome from their pension savings. We, the Trustees of the Scheme, are required to produce a yearly statement (signed by the Chair of Trustees) covering:

- the design and oversight of the default investment option (ie where contributions are invested for members that do not wish to choose their own investments);
- processing of core financial transactions (ie administration of the Scheme, such as investment of contributions);
- the charges and transaction costs borne by members for the default option and any other investment option members can select or have assets in, such as "legacy" funds;
- an illustration of the cumulative effect of these costs and charges;
- net returns of the investment options;
- how the value members obtain from the Scheme is assessed; and
- Trustee knowledge and understanding.

This Statement covers the year from 1 January 2022 to 31 December 2022. The Scheme's DC pension arrangement serves as a top up for members in the defined benefit ("DB") pension arrangement.

The key points that we would like members reading this Statement to take away are as follows:

- We regularly monitored the investment arrangements, and we are satisfied that the default and other investment options remained suitable for the membership.
- The administrator has processed core financial transactions promptly and accurately to an acceptable level during the Scheme year, and we remain comfortable with the administrator's performance.
- Fees can have a material impact on the value of your pension savings and the fee impact is greater the more time passes, since fees reduce the amount of money that can grow with future investment returns.
- Fees for the investment options are set out in this Statement, and we remain comfortable that the fees are reasonable given the circumstances of the Scheme and represent value for the benefits members obtain.

## 1. INTRODUCTION CONTINUED

- Over the year we worked closely with the Marylebone Cricket Club (the "Club") as part of the move to the Aviva Master Trust to ensure we are looking after your best interests as members.
- We undertake training and receive advice as appropriate so that we have sufficient knowledge and understanding to do so effectively.

## 2. DEFAULT ARRANGEMENTS

The Scheme was used as a Qualifying Scheme for automatic enrolment purposes for the period to 31 March 2022, after which future contributions were paid into the Aviva Master Trust. This means that it was used as a pension savings scheme for employees who were eligible for automatic enrolment into a pension scheme until 31 March 2022.

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.

We made available a range of investment options for members. Members who joined the Scheme and who did not choose an investment option were placed into the MCC Cash Lifestyle Option, (the "Default"). We recognise that most members do not make active investment decisions and instead invest in the Default. After taking advice, we 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.

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

Details of the objectives and our policies regarding the default arrangement[s] are set out in a document called the 'Statement of Investment Principles' ("SIP"). The Scheme's SIP covering the default arrangement is attached to this Statement as an Appendix.

The Default was not reviewed during the period covered by this Statement. The last review was carried out on 24 January 2020 (the date of the investment adviser's formal written advice). The next review was intended to take place by January 2023. However, this will no longer be conducted following the move to the Aviva Master Trust and the transfer of Scheme assets to Aviva in January 2023.

The next review was intended to take place by January 2023. However this will no longer be conducted following the move to the Aviva Master Trust and the transfer of Scheme assets to Aviva in February 2023.

The performance and strategy of the Default are 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.

### 3. REQUIREMENTS FOR PROCESSING CORE FINANCIAL TRANSACTIONS

The processing of core financial transactions is carried out by the 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.

We recognise that delay and error can cause significant issues for members. They can also cause members to lose faith in the Scheme, which may in turn reduce their propensity to save and impair future outcomes. We have received assurance from L&G that there are adequate internal controls to support prompt and accurate processing of core financial transactions.

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, lump sum quotes, transfers in 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 97.4% of cases.

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

- L&G's day-to-day administration is managed through work management systems with built-in controls to ensure a high level of quality through checking processes. These are also subject to quality sampling.
- In addition, the administration systems have data restrictions in place. The Legal & General Assurance Society systems have a data specification to restrict acceptance of incorrect data at source. Manage Your Scheme (MYS) contains validation requiring the scheme to exactly match the structure held on L&G's system (e.g. member details, name and national insurance number). This includes details of members on premium holidays and members who are leaver status. The submission file cannot be submitted by the employer until all fields have been validated.
- 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 us monitor whether service levels are being met, we receive quarterly reports about the administrator's performance and compliance with the SLA. Any issues identified as part of our review processes would be raised with the administrators immediately, and steps would be taken to resolve the issues.

### 3. REQUIREMENTS FOR PROCESSING CORE FINANCIAL TRANSACTIONS CONTINUED

#### Conclusion in relation to L&G

Based on our review processes, we 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 have been processed promptly and accurately to an acceptable level during the Scheme year.

#### Additional Voluntary Contributions

In addition to the main DC Section there are 2 members who have Additional Voluntary Contributions ("AVCs") with ReAssure. At the time of writing, ReAssure has not provided us with updated information for the 2022 year end, but has previously confirmed that the SLA target for processing core financial transactions is 10 working days. We are not aware of any changes to their SLA targets.

We are currently working with our advisers to obtain confirmation from ReAssure that core financial transactions overall have been processed promptly and accurately, and there have been no material administration issues in relation to this.

### 4. MEMBER-BORNE CHARGES AND TRANSACTION COSTS

We 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.

The stated member charges also include administration charges since members incur these costs. However, the Club reimburses members 0.30% per annum toward the administration charges and this subsidy is reflected in the charges shown in this Statement under "Member charges".

We 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 DC Section platform provider. When preparing this section of the Statement we have taken account of the relevant statutory guidance. Under the prescribed way in which transaction costs have been calculated it is possible for figures to be negative, where market movements are favourable between the time a trade is placed and it is executed. There are no negative figures for 2022, but for the costs and charges illustrations we have used zero where a transaction cost is negative over longer periods to give a more realistic projection (ie we would not expect transaction costs to be negative over the long term).

## 4. MEMBER-BORNE CHARGES AND TRANSACTION COSTS CONTINUED

### Default arrangement

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 met by members (ie after the 0.30% pa subsidy from the Club) 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  | 0.00                  | 0.05              |
| 10 years to retirement          | 0.15                  | 0.08              |
| 5 years to retirement           | 0.30                  | 0.10              |
| At retirement                   | 0.00                  | 0.00              |

### Self-select and AVC options

In addition to the Default, 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.

### Self-select and AVC options

| YEARS TO TARGET RETIREMENT DATE | MEMBER CHARGES (% PA) | TRANSACTION COSTS (% PA) |
|---------------------------------|-----------------------|--------------------------|
| 15 or more years to retirement  | 0.00                  | 0.05                     |
| 10 years to retirement          | 0.15                  | 0.08                     |
| 5 years to retirement           | 0.30                  | 0.10                     |
| At retirement                   | 0.23                  | 0.08                     |

### MCC Annuity Lifestyle

| YEARS TO TARGET RETIREMENT DATE | MEMBER CHARGES (% PA) | TRANSACTION COSTS (% PA) |
|---------------------------------|-----------------------|--------------------------|
| 15 or more years to retirement  | 0.00                  | 0.05                     |
| 10 years to retirement          | 0.15                  | 0.08                     |
| 5 years to retirement           | 0.30                  | 0.10                     |
| At retirement                   | 0.02                  | 0.06                     |

## 4. MEMBER-BORNE CHARGES AND TRANSACTION COSTS CONTINUED

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) |
|--|-----------------------|--------------------------|
| <b>L&amp;G Global Equity Fixed Weights 50:50 Index</b> | 0.00                  | 0.05                     |
| <b>L&amp;G Dynamic Diversified Fund</b>                | 0.45                  | 0.13                     |
| <b>L&amp;G Cash</b>                                    | 0.00                  | 0.00                     |
| MCC Global Equity Fund                                 | 0.00                  | 0.05                     |
| L&G Future World Annuity Aware                         | 0.02                  | 0.08                     |
| L&G Over 5 years Index-linked Gilts Index              | 0.00                  | 0.21                     |
| L&G Global Equity 70:30 Index                          | 0.00                  | 0.05                     |
| L&G Sustainable Property                               | 1.18                  | 0.00                     |
| L&G Future World Fund                                  | 0.10                  | 0.11                     |

### Legacy AVC funds

There were two members in the Scheme that have AVC benefits in a legacy policy managed by ReAssure as at 31 December 2022. We have requested several times from ReAssure details of the AVC fund charges but have been unable to source this information at the time of writing. Consequently, we are unable to set out the charges and transaction costs for the AVC arrangements.

### 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, we 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 four years, subject to a floor of zero (so the illustration does not assume a negative cost over the long term).

#### 4. MEMBER-BORNE CHARGES AND TRANSACTION COSTS CONTINUED

We have used the average annualised transaction costs over the past four 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) as well as two funds from the Scheme's self-select fund range. The two self-select funds shown in the illustration are:

- the fund with highest annual member borne costs (TER plus Scheme Year transaction costs) - this is the L&G Sustainable Property Fund.
- the fund with lowest annual member borne costs - this is the L&G Cash Fund.

| YEARS INVESTED | DEFAULT OPTIONS |            | L&G PROPERTY FUND |            | L&G CASH    |            |
|----------------|-----------------|------------|-------------------|------------|-------------|------------|
|                | BEFORE COST     | AFTER COST | BEFORE COST       | AFTER COST | BEFORE COST | AFTER COST |
| 1              | £22,900         | £22,900    | £22,900           | £22,600    | £22,200     | £22,200    |
| 3              | £24,900         | £24,900    | £24,700           | £23,900    | £22,500     | £22,500    |
| 5              | £27,000         | £27,000    | £26,800           | £25,200    | £22,800     | £22,800    |
| 10             | £33,200         | £33,200    | £32,600           | £28,800    | £23,600     | £23,600    |
| 15             | £40,800         | £40,700    | £39,600           | £33,000    | £24,400     | £24,400    |
| 20             | £50,100         | £50,000    | £48,200           | £37,700    | £25,300     | £25,300    |
| 25             | £61,500         | £61,400    | £58,600           | £43,100    | £26,200     | £26,200    |
| 30             | £75,400         | £74,900    | £71,400           | £49,400    | £27,100     | £27,100    |
| 35             | £92,100         | £90,400    | £86,800           | £56,500    | £28,100     | £28,100    |
| 40             | £101,700        | £99,200    | £105,600          | £64,600    | £29,100     | £29,100    |

#### 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.
- Future inflation is assumed to be 2.5%.
- The starting pot size used is £22,000. This is the approximate average (median) pot size for the Scheme as at 31 December 2022.
- The projection is for 40 years, being the approximate duration that

## 4. MEMBER-BORNE CHARGES AND TRANSACTION COSTS CONTINUED

- the youngest scheme member has until they reach the scheme's Normal Pension Age.
- As the Scheme closed to future contributions with effect from 31 March 2022 the projected pension pot values assume no further contributions will be paid.
- The projected annual returns used are as follows:
  - Default option: 4.2% above inflation for the initial years, gradually reducing to a return of 0.7% above inflation at the ending point of the lifestyle.
  - L&G Sustainable Property: 4.0% above inflation
  - L&G Cash: 0.7% above inflation
- No allowance for active management outperformance has been made.

## 5. INVESTMENT RETURNS

This section shows the annual return, after the deduction of member borne charges and transaction costs, for all investment options in which member assets were invested during the scheme year.

For 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, 60, 64 and 65 at the start of the period the returns are shown over.

### Lifestyle options

| AGE OF MEMBER AT THE START OF THE PERIOD | 1 YEAR (%)         |                       |                       |
|--|--------------------|-----------------------|-----------------------|
|  | MCC CASH LIFESTYLE | MCC RAWDOWN LIFESTYLE | MCC ANNUITY LIFESTYLE |
| 25                                       | -3.1               | -3.1                  | -3.1                  |
| 45                                       | -3.1               | -3.1                  | -3.1                  |
| 60                                       | -5.9               | -6.0                  | -6.3                  |
| 64                                       | 0.1                | -4.5                  | -18.6                 |
| 65                                       | 1.4                | -4.1                  | -21.5                 |



## 5. INVESTMENT RETURNS CONTINUED

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

| FUND NAME  | MEMBER CHARGES [% PA] |
|--|-----------------------|
| <b>L&amp;G Global Equity Fixed Weights 50:50 Index</b> | -3.2                  |
| <b>L&amp;G Dynamic Diversified Fund</b>                | -7.5                  |
| <b>L&amp;G Cash</b>                                    | 1.4                   |
| L&G Future World Annuity Aware                         | -29.1                 |
| L&G Global Equity 70:30 Index                          | -1.8                  |
| L&G MCC Global Equity Fund                             | -3.1                  |
| L&G Global Equity 70:30 Index                          | -10.7                 |
| L&G Over 5 Year Index Linked Gilts Index               | -38.8                 |
| L&G Future World Fund                                  | -7.0                  |

## 6. VALUE FOR MEMBERS ASSESSMENT

We 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. Our general policy in relation to value for member considerations is set out below.

We have regularly reviewed member borne charges (including transaction costs where available) when working on conjunction with the Club in relation to selecting the Aviva Master Trust, which took place from 1 April 2022. Our role in the project included ensuring that members are obtaining value for money given the circumstances of the Scheme. In particular, we worked in conjunction with the Club to ensure that the provisions of the proposed master trust would provide no detriment to members relative to the overall provisions of the Scheme, therefore ensuring that members continue to receive good value for money.

We note 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. Our investment advisers have confirmed that the fund charges are competitive for the types of fund available to members.

Our assessment included a review of the Scheme's provisions and services against those that could be secured by a master trust, and also took into account the following factors, noting that the Company subsidises some of the ongoing administration and running costs of the Scheme, rather than these being met in full by members

- our oversight and governance, 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 arrangements 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;

## 6. VALUE FOR MEMBERS ASSESSMENT CONTINUED

- 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, we are comfortable with the quality and efficiency of the administration processes.

We believe that 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, we believe that members of the Scheme are receiving good value for money for the charges and cost that they incur, for the reasons set out in this section and in particular once the Club fee subsidy is taken into consideration.

We note that there is a requirement for schemes that have total assets (DB and DC) of less than £100m to carry out a more detailed value for members assessment. However, in 2022 the Club decided to move to the Aviva Master Trust for future pension provision so contributions into the Scheme ceased from 31 March 2022. We subsequently transferred remaining member DC assets to Aviva in February 2023 which means at the time of preparing this Statement there are no remaining DC assets in the Scheme. Consequently, the Scheme is no longer a 'relevant scheme' as defined in legislation. On this basis, and bearing in mind the significant work carried out by the Club in selecting Aviva as the master trust provider we have not conducted this more detailed VFM for the Scheme.

## 7. TRUSTEE KNOWLEDGE AND UNDERSTANDING

We are required to maintain appropriate levels of knowledge and understanding to run the Scheme effectively. We 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.

With the help of our advisers, we regularly consider training requirements to identify any knowledge gaps. Our investment advisers proactively raise any changes in governance requirements and other relevant matters as they become aware of them. Our advisers typically deliver training on such matters at Trustee meetings if they were material.

During the period covered by this Statement, we received training on the following topics:

- At the February 2022 Trustees' Meeting, we received training from their investment adviser on Responsible Investment, including the investment adviser's view on L&G's approach to Responsible Investment.
- At the November 2022 Trustees' Meeting, we received training from L&G on its range of ESG (Environmental, Social & Governance) fund options, specifically focusing on climate transition equity funds.

We are familiar with and have access to copies of the Scheme's governing documentation and documentation setting out our policies, including the Trust Deed & Rules and SIP (which sets out the policies on investment matters). In particular, we 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, we believe that we 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 our duties.

All the Trustees are required to commit to completing the training, either at the relevant meetings or by personal study. All the Trustees sitting on the trustee board have

## 7. TRUSTEE KNOWLEDGE AND UNDERSTANDING CONTINUED

completed the Pensions Regulator's Trustee Toolkit (an online learning programme, designed to help trustees of 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.

Considering our knowledge and experience and the specialist advice received from the appointed professional advisors (eg investment consultants, legal advisors), we believe that we are well placed to exercise our functions as Trustees of the Scheme properly and effectively.

**Signed and Approved by the Trustees on 31 July 2023**

---